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MONTEREY, CALIFORNIA

THESIS

**THE PEOPLE'S REPUBLIC OF CHINA FOREIGN
IMPACTS ON INDIVIDUAL LATIN AMERICAN
COUNTRIES: A COMPARATIVE ANALYSIS
OF ECONOMIC AND SECURITY FACTORS IN
PANAMA, ECUADOR, AND EL SALVADOR**

by

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December 2023

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ABSTRACT

This thesis provides a granular analysis of PRC influence in three LAC countries (Panama, Ecuador, and El Salvador), describes ongoing economic and security PRC engagements in those countries, and sketches out future potential risks posed by the PRC to US-LAC partner relations. Unlike most work that takes a regional approach to the question of PRC influence, this research compares specific countries for insight. Each country's economy and diplomatic relationship with the PRC influences the amount of investment. Key findings include major differences in LAC nation response to regional issues—these responses either stimulated or stymied PRC investment. Since 2013, the PRC has invested billions of dollars in Ecuador and Panama versus limited PRC investment in El Salvador over the same period. Ecuador's recent bout with violent crime saw increased PRC influence through ECU911 system expansion. El Salvador responded to recent increased violent crime with a militarized response, free from PRC influence. We offer two main recommendations. Economically, we recommend that the US invest more in the energy, infrastructure, mining, and cyber security sectors, which would reinvigorate US FDI relevance and directly counter PRC FDI in LAC. For security, we recommend a special operations officer exchange program that would match previous US security efforts in LAC and develop country-specific officers who could monitor PRC security endeavors in the region.

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LIST OF ACRONYMS AND ABBREVIATIONS

AIC	Akaike Information Criterion
AMP	Panama Maritime Authority
ARSOF	Army Special Operations Forces
AU	African Union
BHRRC	Business and Human Rights Resource Center
BIC	Bayesian Information Criterion
BRI	Belt and Road Initiative
CAF	<i>Corporacion Andina de Fomento</i>
CAFTA-DR	Dominican Republic-Central America-United States Free Trade Agreement
CCP	Chinese Community Party
CCTV	China Central Television
CLIRSEN	Center for Natural Resources Integrated Survey by Remote Sensors
CMC	Central Military Commission
CNSA	China National Space Administration
CPPCC	Chinese People's Political Consultative Conference
CRI	China Radio International
CV	Control Variable
DOD	Department of Defense
DRC	Democratic Republic of the Congo
DV	Dependent Variable
ECSP	Ecuadorian Civilian Space Plan
EEZ	Exclusive Economic Zone
EU	European Union
EV	Electric Vehicle
EXA	Ecuadorian Civilian Space Agency

FAE	Ecuadorian Air Force
FBI	Federal Bureau of Investigation
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDI	Global Development Initiative
GDP	Gross Domestic Product
GDPCC	Gross Domestic Product per Capita
GPS	Global Positioning System
HESN	Higher Education Solutions Network
ICSP	Irvine CubeSat STEM Program
IDB	Inter-American Development Bank
ILRSCO	International Lunar Research Station Cooperation Organization
IMF	International Monetary Fund
IMF	International Monetary Fund
IUU	Illegal, Unreported, and Unregulated
IV	Independent Variable
LAC	Latin America and the Caribbean
LDI	Liberal Democracy Index
MAE	Mean Absolute Error
MOE	Ministry of Education
MOU	Memorandum of Understanding
MTSI	Ministry of Telecommunications and the Information Society
NASA	National Aeronautics and Space Administration
NPC	National People's Congress
NRTA	National Radio and Television Administration
PEP	Personnel Exchange Program
PII	Personally Identifiable Information
PLA	People's Liberation Army
PLAN	People's Liberation Army Navy

PRC	People’s Republic of China
ROC	Republic of China
SENAIAN	Ecuador’s National Secretariat of Intelligence
SLOC	Sea Line of Communication
SOC SOUTH	US Special Operations Command South
SOE	State-Owned Enterprise
UN	United Nations
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
USNWC	United States Naval War College

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EXECUTIVE SUMMARY

This thesis comparatively analyzes the immediate and potential long-term impacts of the PRC's foreign direct investment (FDI) in three LAC countries (Panama, Ecuador, and El Salvador).¹ By comparatively analyzing these three countries, for which the U.S. is the main trading partner and shares strong commitments to democracy, the rule of law, and inclusive economic development; this thesis illuminates if and how PRC investment is driven in LAC.

In the realm of strategic competition, the United States (US) is now rivaled by the People's Republic of China (PRC) in spreading influence across Latin America and the Caribbean (LAC). PRC activities in LAC support its aspirations to establish a new world order aligned with its national interests—one where autocracies can thrive.²

Current research tends to assess PRC influence in LAC regionally at the expense of examining specific countries with unique histories, economic needs, and political dynamics. Overlooking such divergence limits assessing how the PRC operates at the individual country level. Thus, the question guiding this research is: What does the PRC's influence look like at the individual LAC country level, and to what extent is it effective?

Key findings include major differences in LAC nation response to regional issues—these responses either stimulated or stymied PRC investment. This is best seen by the recent upticks in violent crime in both Ecuador and El Salvador. Ecuador's recent bout with violent crime saw PRC influence grow in the country via an expansion of the ECU911 system. El Salvador's recent bout with violent crime saw the government initiate a militarized response, free from foreign intervention, which further limited PRC FDI. The PRC is primarily leveraging economics to transform its initial bases into strongholds of economic and political influence in LAC, while also employing other levers of national

¹ Bonny Lin et al., "A New Framework for Understanding and Countering China's Gray Zone Tactics" (RAND Corporation, March 30, 2022), https://www.rand.org/pubs/research_briefs/RBA594-1.html.

² "China's Approach to Global Governance," accessed October 10, 2023, <https://www.cfr.org/china-global-governance/>.

power, such as security and diplomacy. Since 2013, Ecuador and Panama have seen billions of dollars in PRC investment across several dual-use sectors including technology, infrastructure development, energy, and space. Many factors support this investment, including the long history of Sino-Ecuadorian diplomatic relations, the long history of Sino-Panamanian economic relations, the larger and more robust economies of Ecuador and Panama, and Ecuador and Panama's recent entrance into the metal mining industry. Over the same period, El Salvador has seen extremely limited PRC investment. This stems from several factors including diplomatic pushback by the Bukele administration, global economic slowdowns associated with the COVID-19 pandemic, and the passage of a 2017 Salvadoran law banning all forms of metal mining.³

We offer two main recommendations, one economic and one security. Economically, we recommend that the U.S. invest more in LAC. U.S. investment is preferable for many reasons, including more transparency and better debt handling than other external investors.⁴ Investing more in the energy, infrastructure, mining, and cyber security sectors would reinvigorate U.S. FDI relevance and directly counter PRC FDI. U.S. bilateral economic agreements would be grounded in transparency and quality products.⁵ Such agreements should be inclusive of all LAC countries, benefit local-level communities, and facilitate more business dealings with other Western allies.⁶ To enhance US-LAC security cooperation, we recommend opportunities for persistent-presence Army Special Operations Forces (ARSOF) missions. We recommend the Volkmann Program, an ARSOF

³ Evan Ellis, "China and El Salvador: An Update," March 22, 2021, <https://www.csis.org/analysis/china-and-el-salvador-update>; Nina Lakhani, "El Salvador Makes History as First Nation to Impose Blanket Ban on Metal Mining," *The Guardian*, March 30, 2017, sec. Global development, <https://www.theguardian.com/global-development/2017/mar/30/el-salvador-makes-history-first-nation-to-impose-blanket-ban-on-metal-mining>.

⁴ Dean Cheng, "U.S. Needs to Invest More in Latin America to Counteract China in the Region," United States Institute of Peace, October 19, 2023, <https://www.usip.org/publications/2023/10/us-needs-invest-more-latin-america-counteract-china-region>.

⁵ Cheng; Julio Guzmán, "10 Commandments for the U.S. to Save Its Relationship With Latin America From China," *Time*, April 27, 2023, <https://time.com/6272322/us-plan-latin-america-china/>.

⁶ Guzmán, "10 Commandments for the U.S. to Save Its Relationship With Latin America From China."

officer exchange program.⁷ The program proposed assigning ARSOF officers to billets within foreign militaries.⁸ In LAC, assigned ARSOF officers would develop relationships and provide military training to assigned nations.⁹ The program would match previous U.S. efforts in LAC that provided security assistance training.¹⁰ This program would develop country-specific ARSOF officers who could monitor PRC security efforts and provide policymakers with suggestions for military collaboration responses.

⁷ Eric Wendt, “The Green Beret Volckmann Program: Maximizing The Prevent Strategy,” *Special Warfare Magazine*, September 2011.

⁸ Wendt, 13–15.

⁹ “Personnel Exchange Program,” MyNavy HR, accessed November 16, 2023, <https://www.mynavyhr.navy.mil/Career-Management/Language-Culture/PEP/>; “Chapter 1 – Security Cooperation Overview and Relationships,” Official U.S. Government, Defense Security Cooperation Agency: Security Through Global Partnerships, 1, accessed November 16, 2023, <https://samm.dsca.mil/chapter/chapter-1>.

¹⁰ “Plan Colombia: A Development Success Story” (Washington, D.C.: U.S. Global Leadership Coalition), accessed November 17, 2023, <https://www.usglc.org/media/2017/04/USGLC-Plan-Columbia.pdf>.

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I. INTRODUCTION

The PRC aspires to establish a new world order aligning with its strategic interests—a world order where autocracies can thrive.¹ Unraveling the current world order takes time and patience, especially when the incumbent democratic powers collaborate to maintain the status quo. As such, the PRC’s immediate priorities seem to be directed at securing the Western Pacific.² The PRC continues extending its global reach and strengthening its influence in regions like Latin America to challenge and outcompete more traditional global powers like the U.S. The PRC is leveraging economics to establish footholds in such regions. Over time, the PRC has transformed its initial bases into fortified strongholds of economic and political influence in LAC, employing other levers of national power, such as security and diplomacy, to varying degrees. Such variance in PRC multipronged power projection is generally distinguishable between Central and South America but the common denominator is a diplomatic relationship established through economic means. For some countries, the PRC’s influential reach stops with bilateral economic relations, while others also cooperate on security grounds.

Current research tends to assess PRC influence in LAC regionally at the expense of examining specific countries with unique histories, economic needs, and political dynamics. This oversimplifying perception may trace its roots back to “the time a 19th-century French geographer labeled the countries south of the United States and Canada ‘Latin America’.”³ Such an outsider perspective tends to overlook the fact that LAC countries “have long been divided by almost as much as that which unites them: different colonial heritages and histories, and radically different geographies, demographics, and

¹ “China’s Approach to Global Governance,” accessed October 10, 2023, <https://www.cfr.org/china-global-governance/>.

² The International Institute for Strategic Studies (IISS), ed., *Asia-Pacific Regional Security Assessment 2022: Key Developments and Trends* (London: Routledge, 2022), 39–41, <https://www.taylorfrancis.com/books/edit/10.4324/9781003336112/asia-pacific-regional-security-assessment-2022-international-institute-strategic-studies-iiiss>.

³ Abraham Lowenthal, “Disaggregating Latin America: Diverse Trajectories, Emerging Clusters and Their Implications,” Brookings, November 1, 2011, <https://www.brookings.edu/articles/disaggregating-latin-america-diverse-trajectories-emerging-clusters-and-their-implications/>.

ethnic compositions.”⁴ Overlooking such divergence produces a gap of information in how the PRC operates at the individual country level across the region. Understanding such behavior could also offer insight into how the PRC operates in Latin American countries compared to countries in Africa or Asia over time.

The purpose of this thesis is to comparatively analyze the immediate and potential long-term impacts of the PRC’s FDI in three LAC countries (Panama, Ecuador, and El Salvador).⁵ Doing so will answer the thesis research question: what does the PRC’s influence look like at the individual LAC country level, and to what extent is it effective? These three countries are key U.S. strategic partners that share strong commitments to democracy, the rule of law, and inclusive economic development. Moreover, the U.S. is the main trading partner with each nation and each nation is situated at key locations along major U.S. transit routes. These countries are also being directly influenced to vastly varying degrees by a strategic competitor. Thus, comparatively analyzing these three countries as case studies will illuminate how the PRC can, through FDI, affect U.S. partner relations in various ways across the region.

A. THESIS CLAIM

Our research provides a granular analysis of PRC influence in three LAC countries, describes ongoing economic and security PRC engagements in those countries, and sketches out future potential risks posed by the PRC to US-LAC partner relations. As such, the PRC’s influence in LAC will continue to rise if the U.S. does not respond in kind with more enticing mutually beneficial economic and security initiatives. Failing to respond accordingly may result in the PRC eventually replacing the U.S. as the region’s top economic and security partner as well as establishing a permanent presence in the central and southern portions of the hemisphere.

⁴ Lowenthal.

⁵ Lin et al., “A New Framework for Understanding and Countering China’s Gray Zone Tactics.”

B. LITERATURE REVIEW

Generally, the main sources of information regarding PRC activities in LAC focus on economic activities taking place across the region, leaving an opportunity to explore the issue on a state-by-state basis. Most of the PRC's activities in LAC involve FDI through schemes like the Belt and Road Initiative (BRI). China's total investments in LAC from 2005 to mid-2022 totaled \$148.9 billion, with \$68.6 billion dedicated to construction projects.⁶ Chinese banks have become large lenders in LAC with an estimated \$138 billion in accumulated loans from 2005 to 2021 across the LAC region.⁷ This economic activity, coupled with rising global security concerns with the PRC over the last several decades, has caught the attention of U.S. political leaders, experts, and academics.

The purpose of this literature review is two-fold. The first part is to assess existing academic literature addressing PRC economic activities in LAC, primarily through FDI initiatives like the BRI, and possible host-nation security concerns linked to those PRC activities in LAC. The second part is to identify gaps within the current literature that we intend to address when developing our thesis. Most experts and policymakers agree that PRC activities in LAC threaten US-LAC partner relations, democracy, and economic security across the region.

1. Current Literature

When addressing the US-China Economic and Security Review Commission in 2021, US-China relations expert Dr. Ryan Berg stressed the return of strategic rivalry to LAC in the form of the PRC. He also emphasized to the commission that how the U.S. manages the PRC's relationship with LAC will significantly affect the future of US-LAC relations.⁸ He is not alone in his concern about the rise of the PRC's global undertakings. The Biden administration's 2022 National Security Strategy identifies China as a strategic

⁶ Mark P Sullivan and Thomas Lum, "China's Engagement with Latin America and the Caribbean," n.d., 1, <https://crsreports.congress.gov/product/pdf/IF/IF10982>.

⁷ Sullivan and Lum, 1–2.

⁸ Ryan C. Berg, "China in Latin America and the Caribbean." (Center for Strategic and International Studies (CSIS), 2021), 2, <https://www.jstor.org/stable/resrep37529>.

competitor that “uses its economic power to coerce countries” and “seeks to make the world more dependent on the PRC.”⁹ Many Western critics, including top U.S. officials, share Dr. Berg’s concerns.¹⁰ A common belief among these critics is that PRC FDI initiatives like the BRI are a “predatory exercise in debt diplomacy.”¹¹ Chinese studies expert Dr. Eyck Freymann challenges this Western narrative in his book *One Belt One Road* where he provides readers with an in-depth examination of the BRI and of the PRC’s ability to attract willing countries through economic incentives.¹² Several other scholars side with Dr. Freymann in challenging the debt-trap diplomacy Western narrative.¹³

Central to the issue of the PRC’s prominent investment in the region is LAC’s serious need for infrastructure investment. Regional investments in infrastructure accounted for less than 3% of regional Gross Domestic Product (GDP) in 2019; however, a report by the Inter-American Development Bank (IDB) identified that an additional 4%

⁹ The White House, “The Biden-Harris Administration’s National Security Strategy,” U.S. National Security Strategy (Washington, D.C.: The White House, October 12, 2022), 23, <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>.

¹⁰ Caleb Harding, “China’s Coercion Is Most Effective Against Poorer Countries,” *The Diplomat*, September 2, 2023, <https://thediplomat.com/2023/09/chinas-coercion-is-most-effective-against-poorer-countries/>; Bethany Allen-Ebrahimian, “Economic Coercion Is China’s Favorite New Foreign Policy Tool,” *Axios*, February 21, 2023, <https://www.axios.com/2023/02/21/economic-coercion-chinas-foreign-policy-tool>; Victor Cha, “Examining China’s Coercive Economic Tactics,” May 10, 2023, <https://www.csis.org/analysis/examining-chinas-coercive-economic-tactics>; William Piekos, “Investigating China’s Economic Coercion: The Reach and Role of Chinese Corporate Entities,” *Atlantic Council* (blog), November 6, 2023, <https://www.atlanticcouncil.org/in-depth-research-reports/report/investigating-chinas-economic-coercion/>; Hiroyuki Akita, “Multilateral Action Key in Fight against China’s Economic Coercion – Nikkei Asia,” accessed November 14, 2023, <https://asia.nikkei.com/Spotlight/Comment/Multilateral-action-key-in-fight-against-China-s-economic-coercion>; Bryan Frederick and Howard J. Shatz, “The Global Movement Against China’s Economic Coercion Is Accelerating,” June 9, 2023, <https://www.rand.org/pubs/commentary/2023/06/the-global-movement-against-chinas-economic-coercion.html>.

¹¹ Eyck Freymann, *One Belt One Road: Chinese Power Meets the World*, Harvard East Asian Monographs 439 (Cambridge, Massachusetts: Harvard University Asia Center, 2021), 3.

¹² Freymann, *One Belt One Road*.

¹³ Michal Himmer and Zdeněk Rod, “Chinese Debt Trap Diplomacy: Reality or Myth?,” *Journal of the Indian Ocean Region* 18, no. 3 (September 2, 2022): 250–72, <https://doi.org/10.1080/19480881.2023.2195280>; Lee Jones and Shahar Hameiri, “Debunking the Myth of ‘Debt-Trap Diplomacy’ | Chatham House – International Affairs Think Tank,” August 19, 2020, <https://www.chathamhouse.org/2020/08/debunking-myth-debt-trap-diplomacy>; Deborah Brautigam and Meg Rithmire, “The Chinese ‘Debt Trap’ Is a Myth,” *The Atlantic* (blog), February 6, 2021, <https://www.theatlantic.com/international/archive/2021/02/china-debt-trap-diplomacy/617953/>.

to 7% of GDP was needed to sustain development and social well-being.¹⁴ The gap identified by IDB is what some experts believe the PRC is attempting to exploit through FDI mechanisms like the BRI.

S&P Global analysts assess that LAC remains “in a very fragile state given the economic fallout from the Coronavirus disease 2019 (COVID-19) pandemic, a deteriorated fiscal position, weak FDI, and the erosion of real wages due to high inflation.”¹⁵ Several critics agree that LAC is in a fragile state and the PRC is taking advantage of this situation.¹⁶ One example is the 18 percent trade increase between LAC and China during the height of the pandemic in June 2020 from the previous month while the PRC provided the region with medical equipment, medical teams, online expertise exchanges, and joint research to discover a vaccine.¹⁷

Academics agree that the PRC is projecting power economically, with FDI tools like the BRI as the most recent mechanism projecting the PRC’s power. At its core, the BRI is facilitating the expansion of the PRC’s global power through a diverse array of foreign construction projects and investments that Chinese firms have supported since the initiative’s inception in 2013.¹⁸ It became quite apparent to many that the PRC viewed LAC as a “national extension of the Maritime Silk Route” once the region was officially

¹⁴ “Inter-American Development Bank Annual Report 2019: The Year in Review | Publications,” Annual Report, IDB Annual Report (Washington, D.C., United States: Inter-American Development Bank, 2019).

¹⁵ Carlos Caicedo, Jeremy Smith, and Rafael Amiel, “Emerging Risks in Latin America in 2022,” S&P Global, January 5, 2022, <https://www.spglobal.com/marketintelligence/en/mi/research-analysis/emerging-risks-in-latin-america-in-2022.html>.

¹⁶ Ciara Nugent and Charlie Campell, “China’s Effort to Become Latin America’s Most Important Ally | Time,” February 4, 2021, <https://time.com/5936037/us-china-latin-america-influence/>; Lucy Stevenson-Yang and Henry Tugendhat, “China’s Engagement in Latin America: Views from the Region,” United States Institute of Peace, August 8, 2022, <https://www.usip.org/publications/2022/08/chinas-engagement-latin-america-views-region>; Francisco Urdinez, “Economic Displacement: China’s Growing Influence in Latin America | Wilson Center,” Wilson Center, June 16, 2023, <https://www.wilsoncenter.org/blog-post/economic-displacement-chinas-growing-influence-latin-america>.

¹⁷ Haibin Niu, “China’s Economic Engagement with Latin America beyond COVID-19,” *Woodrow Wilson International Center*, October 2020, 1.

¹⁸ Freymann, *One Belt One Road*, 10–11.

included in the BRI starting in January 2018.¹⁹ Another FDI tool is the Global Development Initiative (GDI). Several scholars believe that the PRC is slowly replacing the BRI with the GDI after China's President Xi Jinping publicly introduced the GDI concept in September 2021, with more than 60 countries signing up for the GDI by September 2022.²⁰

2. The Gap

The key limitation of the literature on the PRC's FDI in the LAC region is the scope of the analysis. Focusing on the LAC region promotes generalization when in fact PRC FDI activities and impacts vary from country to country, across the region. Depth and detail are forfeited when the scope of analysis stops at the regional level. Examples of varied PRC impacts across the region include replacing the U.S. as the top trading partner in Brazil, Chile, and Peru as well as eight LAC countries still recognizing Taiwan (Belize, Guatemala, Haiti, Honduras, Paraguay, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines).²¹ Additionally, country location, economic strength, language, ethnic makeup, and historical views on the PRC are just some variables that can

¹⁹ Fabricio Rodríguez and Jürgen Rüland, "Cooperative Counter-Hegemony, Interregionalism and 'Diminished Multilateralism': The Belt and Road Initiative and China's Relations with Latin America and the Caribbean (LAC)," *Journal of International Relations and Development* 25, no. 2 (June 1, 2022): 477, <https://doi.org/10.1057/s41268-021-00248-6>.

²⁰ Lunting Wu, "China's Transition From the Belt and Road to the Global Development Initiative," July 11, 2023, <https://thediplomat.com/2023/07/chinas-switch-from-the-belt-and-road-to-the-global-development-initiative/>; Ruby Osman, "Bye Bye Belt and Road?," TIME, October 1, 2023, <https://time.com/6319264/china-belt-and-road-ten-years/>; Mary Gallagher, "China Hasn't Abandoned Its Global Development Ambitions," *World Politics Review* (blog), October 3, 2023, <https://www.worldpoliticsreview.com/belt-and-road-china-gdi-bri/>; Samuel Garrett, "Has China's Global Development Initiative Replaced Its Belt and Road?," United States Studies Centre, September 7, 2023, <https://www.usssc.edu.au/has-chinas-global-development-initiative-replaced-its-belt-and-road/>; Joseph Lemoine and Yomna Gaafar, "There's More to China's New Global Development Initiative than Meets the Eye," *Atlantic Council* (blog), August 18, 2022, <https://www.atlanticcouncil.org/blogs/new-atlanticist/theres-more-to-chinas-new-global-development-initiative-than-meets-the-eye/>.

²¹ "Latin America's Delicate Dance With China," U.S. News & World Report, September 25, 2017, <http://www.usnews.com/news/best-countries/articles/2017-09-25/latin-america-is-wary-of-china-despite-closer-ties>; Fatma Khaled, "Which Countries Recognize Taiwan Independence? Pelosi Trip Sparks Question," August 5, 2022, <https://www.newsweek.com/which-countries-recognize-taiwan-independence-pelosi-trip-sparks-question-1731428>.

drastically affect analysis within the region.²² Very little literature focuses on individual countries or takes a refined analytical view of how PRC FDI initiatives impact individual LAC countries. Dr. Freymann's One Belt One Road is a scholarly example in that he restricts his analysis of the BRI's impact on countries throughout Asia, the Middle East, Europe, and Africa. Dr. Freymann does not include an analysis of the BRI's impact on countries within LAC. Economist Dr. Rhys Jenkins attempts to analyze beyond the regional level of LAC but falls short in analyzing source material beyond 2017, including BRI impacts, in his 2019 book *How China is Reshaping the Global Economy: Development Impacts in Africa and Latin America*.²³ Even less literature exists that comparatively analyzes BRI impacts between individual LAC countries.

Furthermore, most literature predominantly addresses PRC FDI in LAC through an economic lens with slight mention of security considerations. This type of literature is problematic for U.S. policymakers and military leaders who focus on PRC security considerations in LAC. Treating PRC FDI in LAC as both an economic and security matter, however, gives equal credence to both sectors, thus encouraging more literature to be produced that emphasizes both matters.

3. Research Design

The most significant PRC FDI initiative in the modern era is the BRI. The BRI launched globally ten years ago, and, in that time, various reports have been produced documenting BRI impacts across the globe. The concern with many of these reports is the scope of research. BRI reports either tend to “cherry-pick” individual countries as case studies, such as Sri Lanka or Djibouti, where the PRC intentions are overt and easy to analyze in support of an argument or focus on entire regions of the globe, such as Africa or Southeast Asia. In the case of Sri Lanka, the government was forced to foreclose on a

²² Ariel C. Armony and Nicolás Velásquez, “Anti-Chinese Sentiment in Latin America: An Analysis of Online Discourse,” *Journal of Chinese Political Science* 20, no. 3 (September 2015): 319–46, <https://doi.org/10.1007/s11366-015-9365-z>.

²³ Rhys Owen Jenkins, *How China Is Reshaping the Global Economy: Development Impacts in Africa and Latin America* (Oxford: Oxford University Press, 2019).

\$1.1 billion loan and sign over the Port of Hambantota to the PRC for a 99-year lease.²⁴ In the case of Djibouti, the government allowed the PRC to establish its first overseas military base, the People's Liberation Army Navy (PLA) Support Base.²⁵ BRI study on the LAC region is no different. Various LAC regional-level reports were produced since the initiative's formal introduction to the region in 2017; along with various "cherry-picked" cases that focus on the BRI agreements between the PRC and two of LAC's authoritarian regimes: Cuba and Venezuela.²⁶

For that reason, this thesis will focus on the impacts of FDI initiatives like the BRI in three case study countries across the LAC region: Panama, Ecuador, and El Salvador. These countries were selected to expand the scope to include Central and South America. Panama, Ecuador, and El Salvador also represent vastly different economies, and all contain vastly different security issues. Additionally, all three countries have historical ties to the PRC, though the length of these PRC relationships varies. Most importantly, these three countries have all recently signed BRI bilateral agreements with the PRC. This thesis will qualitatively analyze and compare the economic and security impacts of PRC FDI in the three countries. Current literature generally suggests that the PRC is using FDI as predatory economic foreign policy mechanisms across Latin America, including Panama, Ecuador, and El Salvador; this thesis fills the gap in comparing PRC FDI impacts on individual Latin American countries across the region.

4. Research Method

The thesis will identify PRC FDI economic and security impacts in the countries of Panama, Ecuador, and El Salvador. Such PRC FDI economic considerations include Chinese financial lending practices, debt accumulation, infrastructure projects, Chinese

²⁴ Lauren Frayer, "In Sri Lanka, China's Building Spree Is Raising Questions About Sovereignty," *NPR*, December 13, 2019, sec. World, <https://www.npr.org/2019/12/13/784084567/in-sri-lanka-chinas-building-spree-is-raising-questions-about-sovereignty>.

²⁵ Jonathan E. Hillman, "Game of Loans: How China Bought Hambantota," April 2, 2018, <https://www.csis.org/analysis/game-loans-how-china-bought-hambantota>.

²⁶ Diana Roy, "China's Growing Influence in Latin America," Think Tank, Council on Foreign Relations, April 12, 2022, <https://www.cfr.org/background/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>.

investments, and other FDI to meet developmental needs. Next, the thesis will explore PRC FDI security considerations such as the PRC's applied diplomatic pressure in favor of PRC objectives and dual-purpose infrastructure deals. Starting with economic considerations is key because that is the way in which the PRC initiates foreign dealings in LAC. Furthermore, analyzing economic considerations first facilitates exploring the downstream security considerations of economic statecraft and investment. Economic and security impacts will be studied using a multitude of documents and outlets.

Primary sources incorporate publicly available government policies, regulations, and documents in each respective country as well as in the U.S. Foreign and domestic secondary sources supplement the primary sources and include journal articles, books, and other scholarly content. All the sources discuss PRC impacts and offer viewpoints from each individual country in their native language. Additionally, secondary sources incorporate country-specific national and local newspaper articles, think tank studies and other reports to portray PRC FDI impacts on each country's native language. Some PRC newspapers include *Xinhua*, *The People's Daily*, and *The Global Times*, as well as the PRC magazine *China Today*. Some national newspaper examples in each of the three case study countries include *El Comercio* and *El Universo* (Ecuador), *La Prensa Grafica* and *El Diario de Hoy* (El Salvador), and *La Prensa* and *Panama America* (Panama). Quantitatively, we leverage PRC FDI dealings and associated statistics, announced FDI infrastructure projects and contracts, FDI key infrastructure pursuits, and any domestic issues that each country is dealing with that could affect its willingness to participate in PRC FDI.

When considering the literature available from other relevant countries, limited access to systematic and objective resources from the PRC and those LAC countries is a concern. Literature publicly released by other countries is subject to manipulation, especially when published in the international community. This is a reasonable consideration given that the thesis studies certain countries that operate autocratically or have autocratic tendencies. Nevertheless, the most recent publicly available pertinent information researched in this thesis provides detailed and relevant information to answer the thesis question. Another typical area of concern is the language barrier that exists when access is granted to literature from those countries. Interpretations of the literature can be

inaccurate or misleading. These areas of concern will be mitigated by the fluent Spanish-speaking authors of this thesis.

5. Chapter Outline

This thesis is divided into six chapters. The first chapter includes the introduction, literature review, and outline sections already presented to this point. The second chapter provides a quantitative analysis of PRC FDI projects across the region, including the three country case studies in this thesis. The analysis conducted in Chapter II focuses on determining whether the PRC commits more investment projects to LAC countries that are more or less democratic. The data reveals that the PRC tends to commit more projects to less democratic LAC countries, but some more democratic LAC countries also maintain higher numbers of PRC investment projects.

Chapter III applies Voutline specific economic and security data along with an analysis of the PRC's ongoing or potential influence in each country concerning those factors. It will become quite apparent in these three chapters that the PRC's influence in each country varies greatly from strong influence in Panama to weak influence in El Salvador. Mainly, the PRC has been heavily economically involved with Panama and Ecuador for the last several decades while investing in El Salvador mainly after Quito denounced Taiwan in August 2018.²⁷

The sixth chapter is the conclusion chapter and consists of two parts. The first part concludes the findings across all three countries followed by a deduction of how ongoing PRC FDI has set conditions for future endeavors. The findings section highlights how the PRC leveraged the BRI to invigorate PRC FDI into each country in the form of infrastructure projects followed by debt accumulation. Additionally, Panama and Ecuador are recipients of the PRC's Smart Technology as well as PRC mining endeavors. El Salvador is the anomaly of the three country case studies because it has only recently started benefiting from PRC FDI and the Salvadoran leadership is keen on avoiding the PRC's presumed deb-trap diplomacy. The second part includes U.S. policy

²⁷ Evan Ellis, "China and El Salvador: An Update," March 22, 2021, <https://www.csis.org/analysis/china-and-el-salvador-update>.

recommendations that could assist in mitigating increased PRC influence in these three countries and how to ultimately prevent additional PRC influence across the LAC region. These policy recommendations are economic- and security-oriented with the goal of restoring the US's status as the global superpower partner of choice in the hemisphere.

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II. THE IMPACT OF DEMOCRACY LEVEL ON PRC PROJECT DEVELOPMENT: A QUANTITATIVE ANALYSIS OF LATIN AMERICA

The PRC has exercised relatively unopposed influence in Latin America since the early 2000s with mounting success. In fact, AidData estimates that PRC government institutions and state-owned enterprises made financial commitments of almost \$17 trillion USD to the Latin American region in the form of development, commercial, or representational intent projects from 2000–2017.²⁸ Whether those commitments were fulfilled or not, it is evident that the PRC has a vested interest in Latin America. This substantial amount of economic activity in just one region, coupled with rising global security concerns with the PRC over the last several decades, has caught the attention of U.S. political leaders, experts, and academics alike. Evidently, the PRC primarily leverages its economic lever of national power to spread influence across Latin America, with investment projects being one of the most enticing mechanisms that the PRC offers to spread its influence across the region.

As strategic competition continues shifting the focus of the United States, a better understanding of how the most significant near-peer competitor operates in regions like Latin America may result in effective countermeasures for the United States to use in the future. Operating across the strategic competition continuum requires all levers of national power to synchronize efforts effectively to successfully outcompete a near-peer competitor like the PRC. As such, carefully analyzing the various ways in which the PRC extends its influence into the Latin American region, as it does through economic means analyzed in this research report, offers a glimpse into how effective this near-peer competitor can be in a region that has been dominated by the United States for over a century.

²⁸ S. Custer et al., “Tracking Chinese Development Finance: An Application of AidData’s TUFF 2.0 Methodology” (Williamsburg, VA: AidData at William & Mary), accessed June 15, 2023, <https://www.aiddata.org/data/aiddatas-global-chinese-development-finance-dataset-version-2-0>.

A. RESEARCH QUESTION AND HYPOTHESIS

The research question posed in this chapter is: Does the PRC commit more investment projects in Latin American countries that are more or less democratic? This research study hypothesizes that Latin American countries with lower democracy levels (independent variable-IV) will experience higher levels of Chinese investment projects (dependent variable-DV). Less democratic Latin American countries are more likely to accept Chinese investment projects given their likeness in government structure to the PRC rather than to a democratic country like the United States. Conversely, more democratic Latin American countries are less likely to accept investment projects from an autocratic country like the PRC.

B. RESEARCH DESIGN

To examine our research question, data addressing two different areas were required: (1) a quantitative measurement of democracy levels globally, and (2) a quantitative measurement of PRC projects globally. Fortunately, datasets that addressed both areas were available through trusted open-source organizations.

To determine the impact democracy levels will have on PRC projects, we compiled V-Dem data and AidData. The democracy levels were attained from the V-Dem dataset. This multidimensional and disaggregated dataset distinguishes between and measures five high-level principles of democracy: electoral, liberal, participatory, deliberative, and egalitarian.²⁹ PRC Projects were measured using the AidData dataset. This dataset captured over 13,000 Chinese-financed projects across the world.³⁰

To test our hypothesis, we first observed data that reflected extreme cases of democracy across the globe. We utilized the 2022 V-Dem Institute Democracy Report to determine the bottom 10% of countries globally to identify the most autocratic countries in

²⁹ Michael Coppedge et al., “V-Dem [Country-Year/Country-Date] Dataset V13,” Varieties of Democracy (V-Dem) Project, accessed June 15, 2023, <https://doi.org/10.23696/vdemds23>.

³⁰ Custer et al., “Tracking Chinese Development Finance: An Application of AidData’s TUFF 2.0 Methodology.”

the world.³¹ We then referenced the same report to determine the top 10% of countries globally to identify the most democratic countries in the world.³² In both cases (Figures 1, 2, 3, and 4) we observed the impact that democracy levels had on PRC Projects between the years 2000 and 2020. We observed a strong correlation between global democracy levels and PRC projects, where countries with lower democracy levels had a higher amount of PRC projects and countries with higher democracy levels had a lower amount of PRC projects.

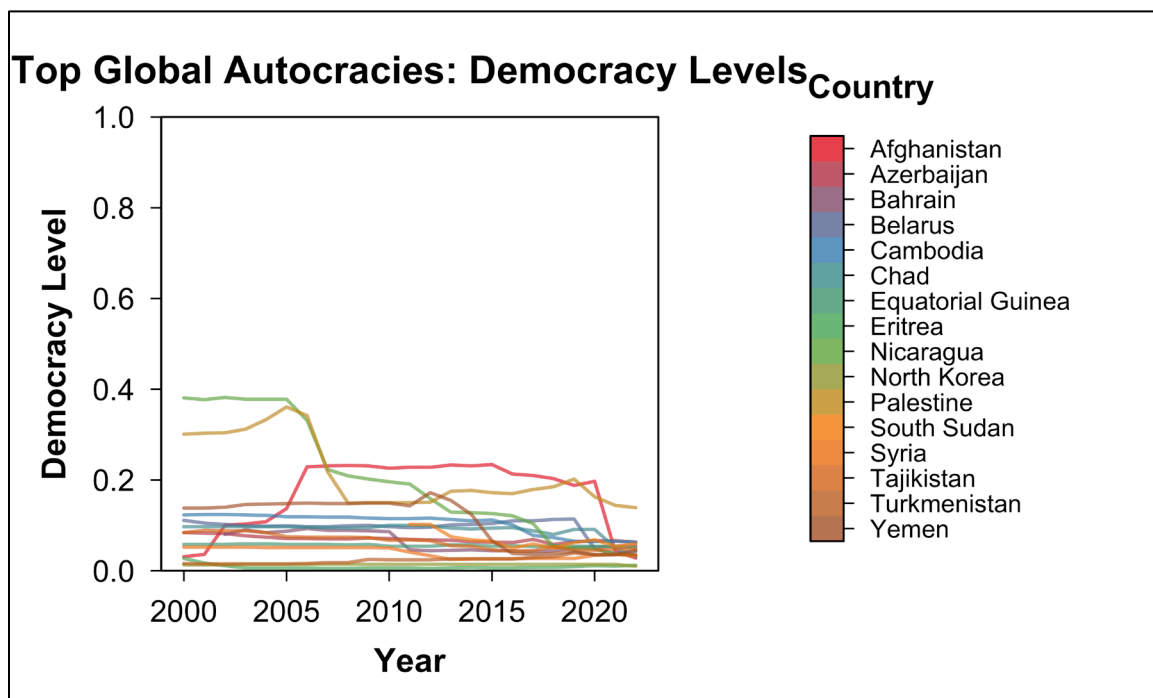


Figure 1. Democracy Levels of Top Global Autocracies

³¹ Vanessa Boese et al., “Autocratization Changing Nature? Democracy Report 2022,” Democracy Report (University of Gothenburg: Varieties of Democracy Institute (V-Dem), March 2022), 11, https://www.v-dem.net/documents/19/dr_2022_ipyOpLP.pdf.

³² Boese et al., 10.

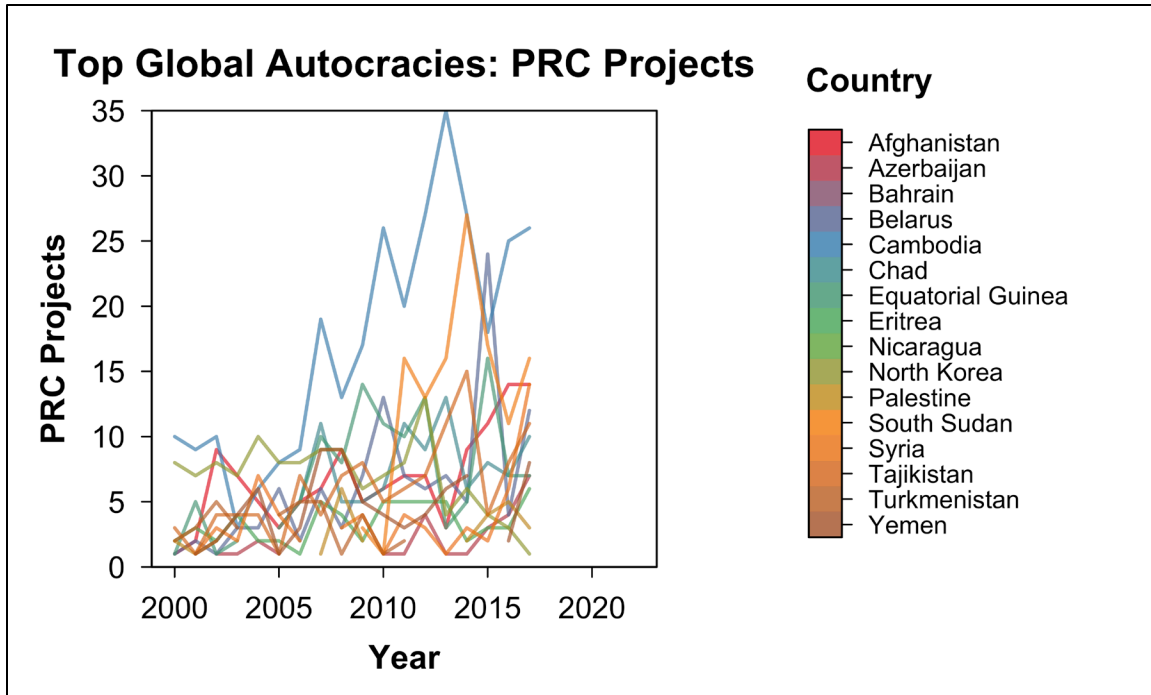


Figure 2. Number of PRC Projects for Top Global Autocracies

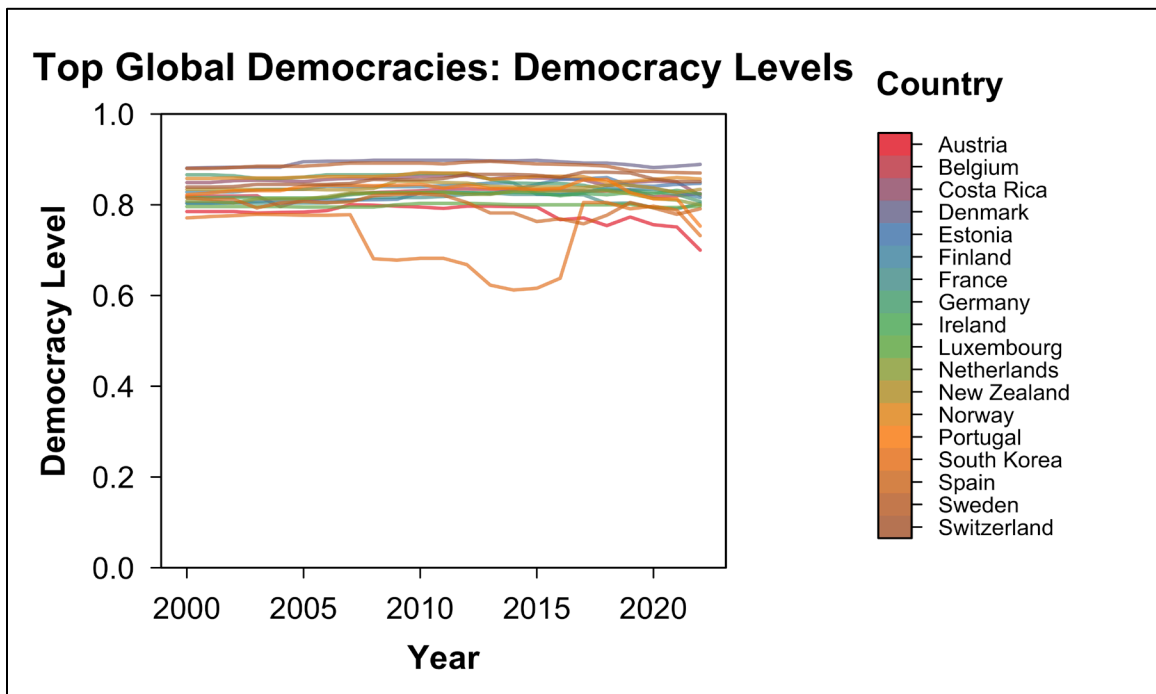


Figure 3. Democracy Levels for Top Global Democracies

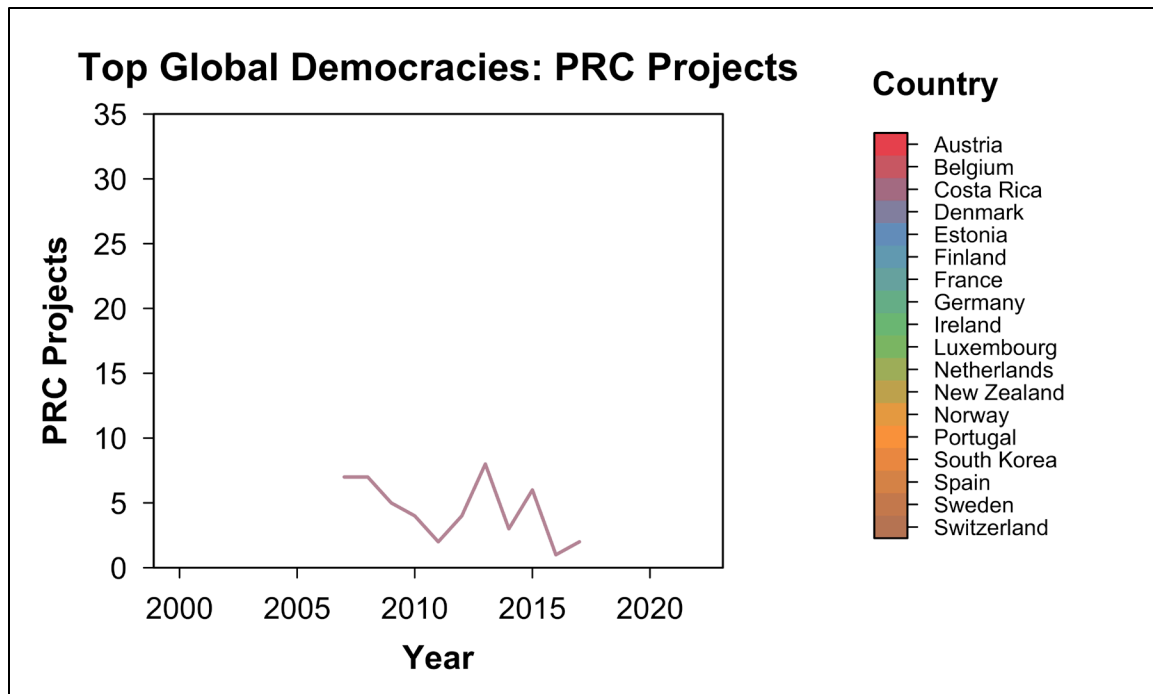


Figure 4. Number of PRC Projects for Top Global Democracies

We then tested the hypothesis by assessing the correlation between Latin American democracy levels and PRC projects (Figures 5 and 6) between the years 2000 and 2020. When examining the countries of Latin America, we did not identify an immediate correlation between global democracy levels and PRC projects. Therefore, we turned to regression models to further test our hypothesis.

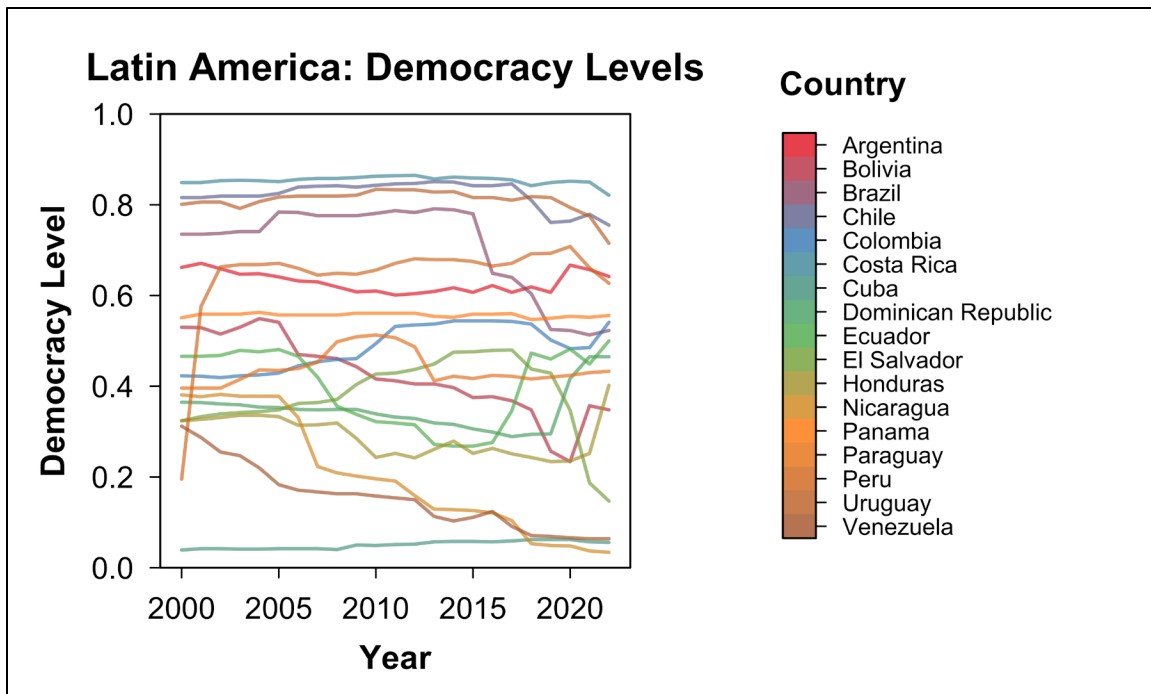


Figure 5. Democracy Levels for Latin American Countries

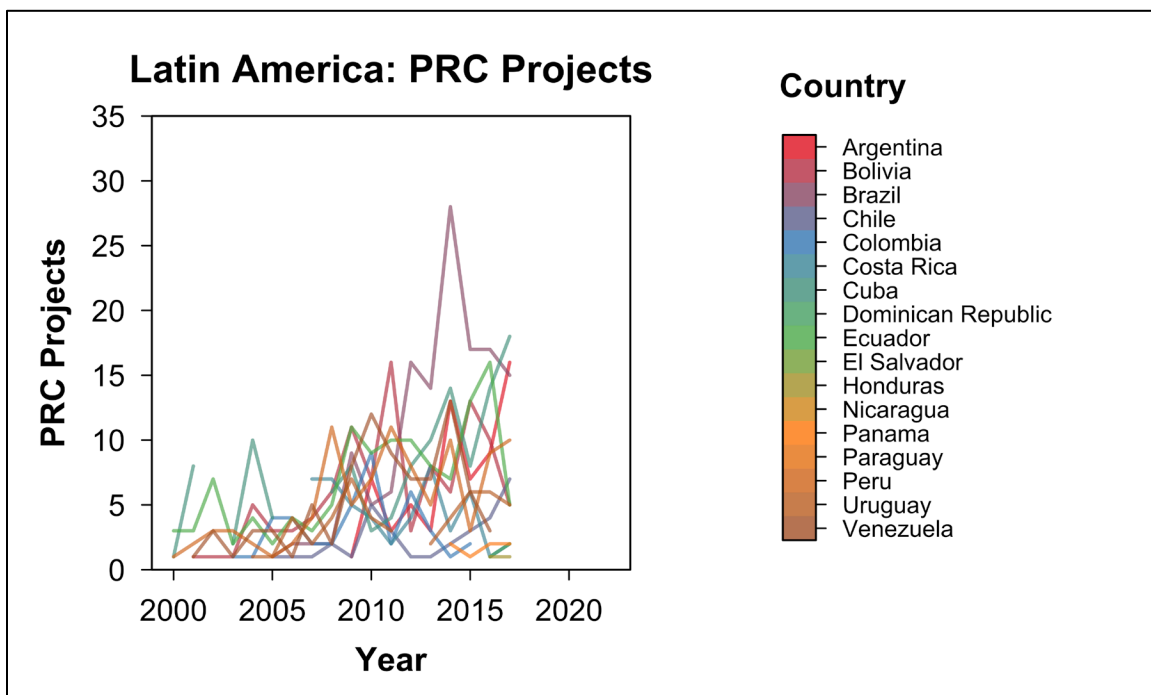


Figure 6. Number of PRC Projects for Latin American Countries

To determine if lower democracy levels correlate to a higher level of PRC projects, we conducted statistical modeling using four regression models: a linear model, a log linear model, a Poisson model, and a negative binomial model. We used country years as our unit of analysis and each model included democracy levels, PRC project count, and three control variables (CV) (GDP per capita, conflict onset, and year).

We utilized V-Dem's liberal democracy index (LDI) to assess each country's democracy levels over time. The liberal aspect of democracy stresses the protection of minority and individual rights against the tyranny of the majority and state.³³ The liberal aspect measures the quality of democracy based on government-instituted constraints. Some examples include robust checks and balances across the various branches of government, constitutionally protected civil liberties, and effective rule of law.³⁴ V-Dem's LDI also considers the level of electoral democracy.³⁵ V-Dem's LDI is a viable democracy-level measuring tool because it considers qualities a democratic country would exemplify as opposed to qualities an autocratic country, like the PRC being assessed in our hypothesis, would exemplify.

To attain the PRC project count in individual countries throughout Latin America, we utilized AidData's Global Chinese Development Finance Dataset, Version 2.0 dataset. This dataset considers projects that are commercial, developmental, or possess representational intent, and that are supported by official PRC financial commitments.³⁶ The dataset specifically includes 13,427 Chinese-financed projects worth over \$843 billion from 2000–2017.³⁷ These projects were financed by more than 300 Chinese government institutions and state-owned entities across 165 countries worldwide.³⁸ Additionally, "this

³³ "V-Dem Codebook V13," Varieties of Democracy (V-Dem) Project (University of Gothenburg: Varieties of Democracy Institute (V-Dem), March 2023), 45, https://www.v-dem.net/documents/24/codebook_v13.pdf.

³⁴ "Codebook," 45.

³⁵ "Codebook," 45.

³⁶ S. Custer et al., "Tracking Chinese Development Finance: An Application of AidData's TUFF 2.0 Methodology," AidData: A Research Lab at William & Mary, accessed July 11, 2023, <https://www.aiddata.org/data/aiddata-global-chinese-development-finance-dataset-version-2-0>.

³⁷ Custer et al.

³⁸ Custer et al.

dataset was made possible through a cooperative agreement between USAID's Global Development Lab and AidData at William and Mary under the Higher Education Solutions Network (HESN) Program.”³⁹ As AidData did not specifically confirm or deny if any of the PRC projects included in the dataset were attached to the Belt and Road Initiative (BRI), we defaulted to using the terminology of PRC projects throughout the quantitative analysis.

We utilized the World Bank's collection of World Development Indicators to capture each country's economic development and wealth levels by utilizing GDP per capita (GDPPC).⁴⁰ We also used Uppsala University's Uppsala Conflict Data Program to measure the effects of region-wide conflict utilizing Intrastate Country Level Multiple Onset (Conflict Onset).⁴¹ We utilized the GDPPC measure to control for wealth and the Conflict Onset data to control for conflict. The last control variable, Year, tracked change over time.

Intrastate Country Level Multiple Onset refers to the initiation of multiple violent conflicts occurring within the boundaries of a country over time. Conflict Onset is used as a viable control variable because it enhances the validity of this research study by limiting the influence of peripheral variables while also attempting to avoid research bias. Conflict onset is prevalent in Latin America and can be viewed by some as a deterrent to foreign investment, however, the PRC is willing to invest in the region regardless.

We also had to consider some constraints with the V-Dem and AidData data. The two main constraints related to the time and quantity of countries assessed. The V-Dem dataset included 202 countries through the period ending in 2021 while the AidData dataset included 165 countries through the period ending in 2017.⁴² Accounting for these restrictions, our data on Latin America represented 17 countries within the region spanning the period of 2000–2017. The constraints we implemented ourselves involved which

³⁹ Custer et al.

⁴⁰ World Bank, “World Bank Open Data | Data,” World Bank Open Data, accessed June 15, 2023, <https://data.worldbank.org>.

⁴¹ Uppsala University, “Uppsala Conflict Data Program,” UCDP Conflict Encyclopedia (Uppsala University, Sweden), accessed June 15, 2023, <https://www.pcr.uu.se/>.

⁴² Custer et al., “Tracking Chinese Development Finance: An Application of AidData's TUFF 2.0 Methodology”; Coppedge et al., “Varieties of Democracy (V-Dem) Project.”

countries we specifically analyzed. More specifically, we observed only the Spanish/Portuguese-speaking countries of Latin America and the Caribbean including Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

Model 1 is a linear model with the IV, the DV, GDPPC (CV1), Conflict Onset (CV2), and Year (CV3). Model 2 is a log linear model with IV, logarithmically transformed DV, CV1, CV2, and CV3. Model 3 is a Poisson model with IV, DV, CV1, CV2, and CV3. Finally, Model 4 is a negative binomial model with IV, DV, CV1, CV2, and CV3.

C. RESULTS

Since all four model forms varied, the Akaike Information Criterion (AIC) and the Bayesian Information Criterion (BIC) could not be used to compare them with each other, leaving the error metrics of the Mean Absolute Error (MAE) as our only option. Utilizing the MAE, we determined that Model 2 was the best model due to it having the lowest score (reference Table 1). Thus, the coefficient for Model 2 is both negative and statistically significant ($p < 0.001$). As Model 2 indicates (reference Figure 7), higher democracy levels are generally associated with lower levels of PRC projects.

Table 1. Regression Model Results

PRC Projects Vs Democracy Level in Latin America				
	PRC Projects Log (PRC Projects + 1) Linear	PRC Projects Linear	PRC Projects Poisson	PRC Projects Negative Binomial
	(1)	(2)	(3)	(4)
Democracy Level	-2.583*** (0.697)	-0.257*** (0.076)	-0.400*** (0.050)	-0.422*** (0.091)
GDPPC	-0.0003*** (0.00004)	-0.00004*** (0.00000)	-0.0001*** (0.00000)	-0.0001*** (0.00001)
Conflict Onset	1.686*** (0.557)	0.111* (0.061)	0.161*** (0.032)	0.160** (0.068)
Year	0.464*** (0.027)	0.059*** (0.003)	0.071*** (0.002)	0.076*** (0.004)
Constant	-923.585*** (54.219)	-117.004*** (5.916)	-141.452*** (3.881)	-149.680*** (7.039)
Observations	1,757	1,757	1,757	1,757
MAE	3.83254	3.64888	3.79808	3.80332
RMSE	5.61556	5.80358	5.60580	5.61330
AIC	11,062	3,277	12,005	9,678
BIC	11,095	3,309	12,032	9,711
Log Likelihood	-5,525	-1,632	-5,997	-4,833
<i>Note:</i> * p < 0.1; ** p < 0.05; *** p < 0.01 Error metrics for Model 2, Log (PRC Projects + 1) Linear are reported on the original scale of the untransformed variable (the variable prior to the logarithmic transformation).				

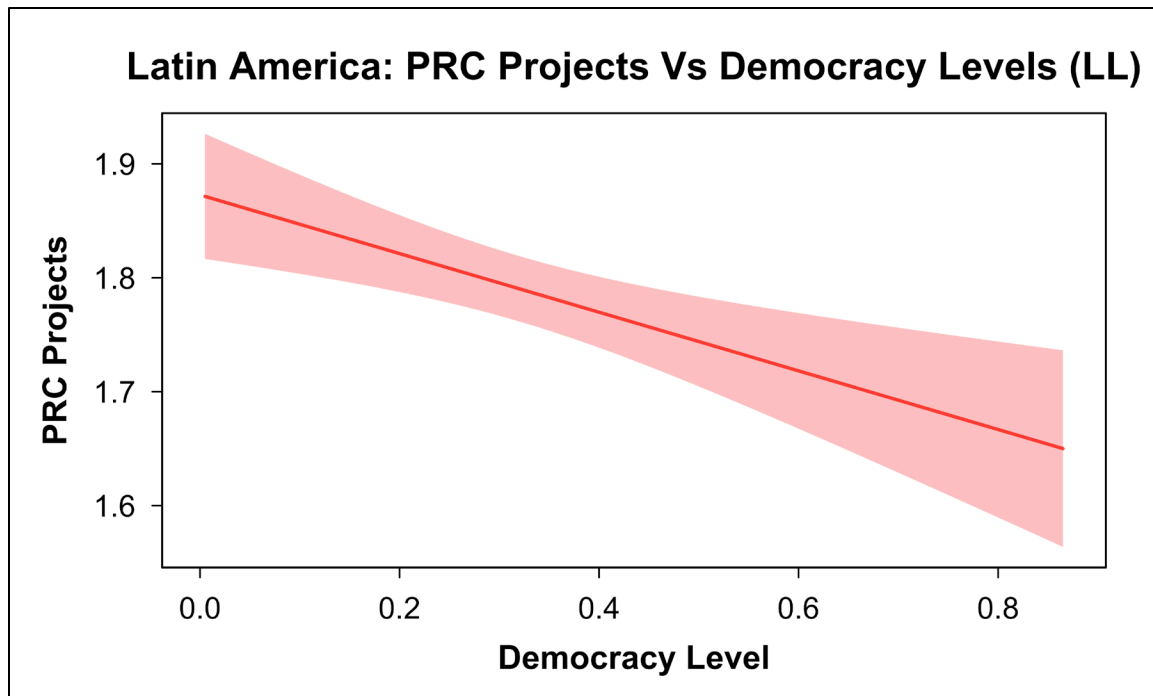


Figure 7. Log Linear Regression Model 2

Figure 7 uses linear regression to create a line plot of the relationship between the Democracy Level and PRC Project count. The x-axis highlights how the Democracy Level increases from left to right, which indicates that a country is more democratic as the Democracy Level increases. The y-axis highlights how the PRC Project count increases as the value increases, which indicates that a country possesses more PRC projects as the count increases. The red line displayed illustrates that a more democratic country tends to have fewer PRC Projects, which is why the line has a negative slope. The confidence band above and below the red line represents the range of plausible values for the fitted line at the 95% confidence level. The confidence band indicates that we are 95% confident that the true regression line lies somewhere within that band range. Each time, this confidence band was calculated through a series of separate samples using the same study design and generated through the RStudio computer program. Figure 7 only accounts for PRC Project count and Democracy Levels in Latin America but has a substantively large effect in that it aligns with the global trend of leading democratic countries and PRC Project count within those countries versus leading autocratic countries and PRC Project count.

The decision to apply a logarithmic transformation to the DV was made to improve the interpretability of our graphs. Additionally, taking the logarithm of a variable is usually done when the variable is always positive and when there is concern about the influence of very large values. As this didn't apply to democracy levels, we did not logarithmically transform the IV. Taking the logarithm of GDPPC would have made sense as GDPPC tends to represent extreme values and a log-transformed GDPPC variable could lead to a better model fit. However, we opted not to logarithmically transform GDPPC to not overcomplicate the model.

Though Poisson and negative binomial models are generally used for “count” variables (positive integers), in this case, we utilized these models to help demonstrate the “robustness” of our main results. The fact that we obtained statistically significant coefficients in each model demonstrates that regardless of which of these forms we selected, we would come to the same basic conclusion about whether the hypothesis was supported.

To further test the validity of our results, we once again observed data that reflected extreme cases of democracy. We utilized the 2022 V-Dem Institute Democracy Report to determine the bottom 10% of countries in Latin America to identify the most autocratic countries in the region.⁴³ We then applied the same report to determine the top 10% of countries in Latin America to identify the most democratic countries in the region.⁴⁴ In both cases (Figures 8, 9, 10, and 11) we once again observed the impact that democracy levels had on PRC Projects between the years 2000 and 2017. As observed previously, we identified a strong correlation between Latin American democracy levels and PRC projects, where countries with lower democracy levels had a higher amount of PRC projects and countries with higher democracy levels had a lower amount of PRC projects.

⁴³ Boese et al., “Autocratization Changing Nature? Democracy Report 2022,” 11.

⁴⁴ Boese et al., 10.

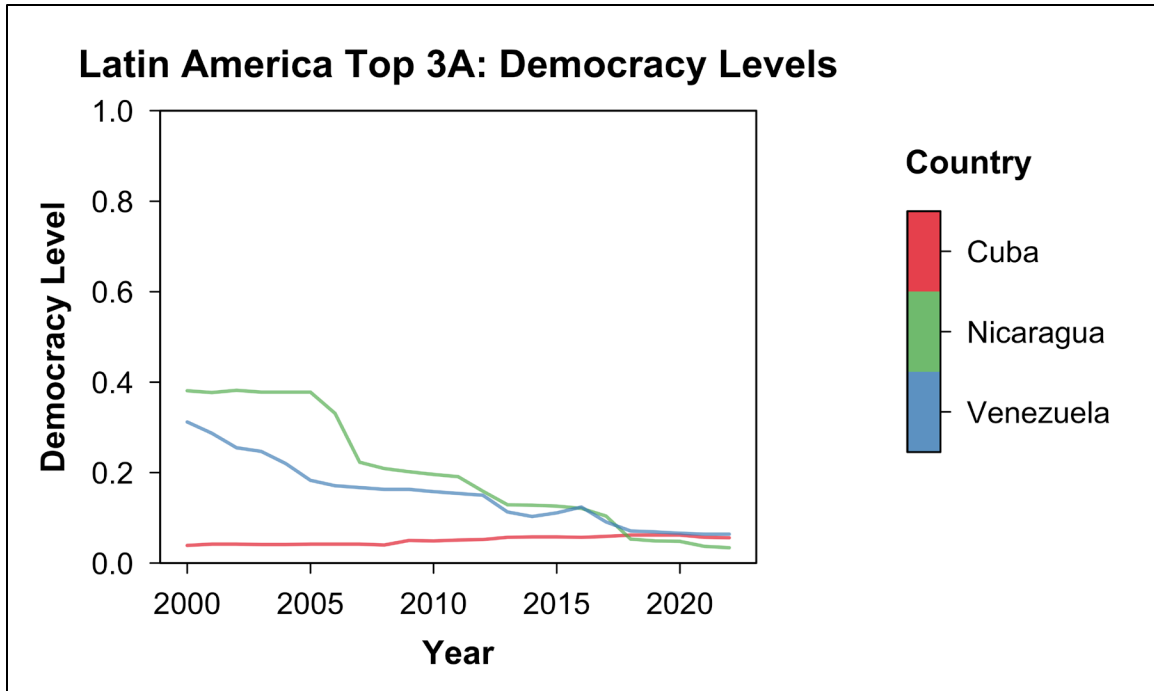


Figure 8. Democracy Levels for Top 3 Latin American Autocracies

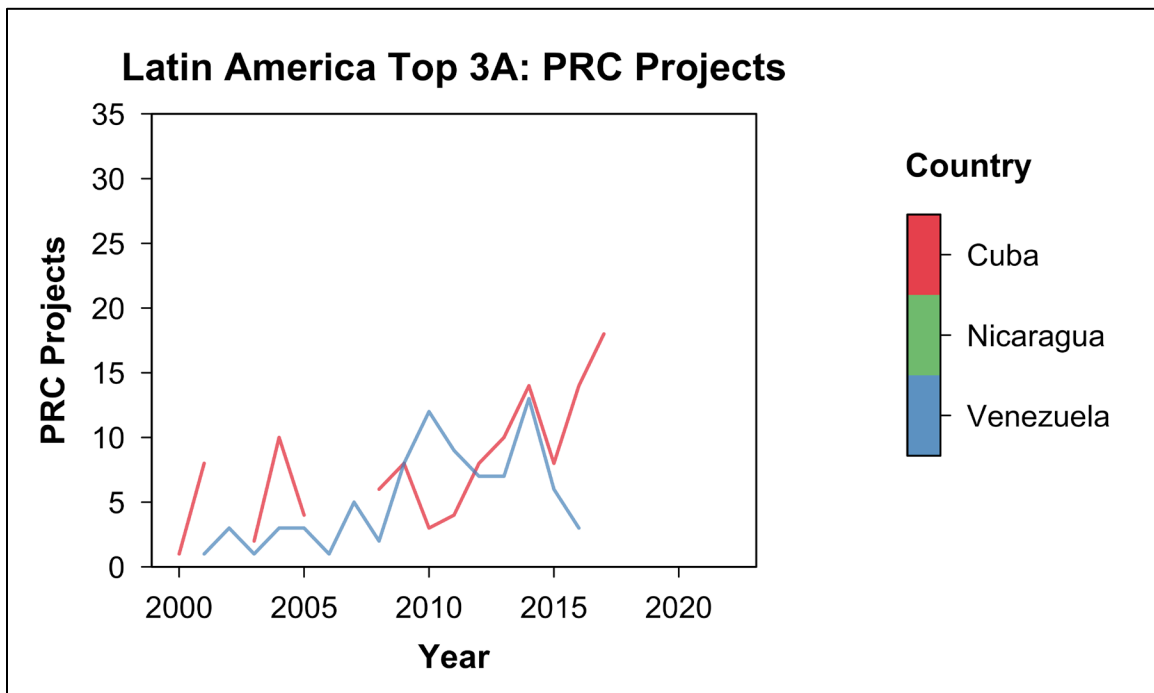


Figure 9. Number of PRC Projects for Top 3 Latin American Autocracies

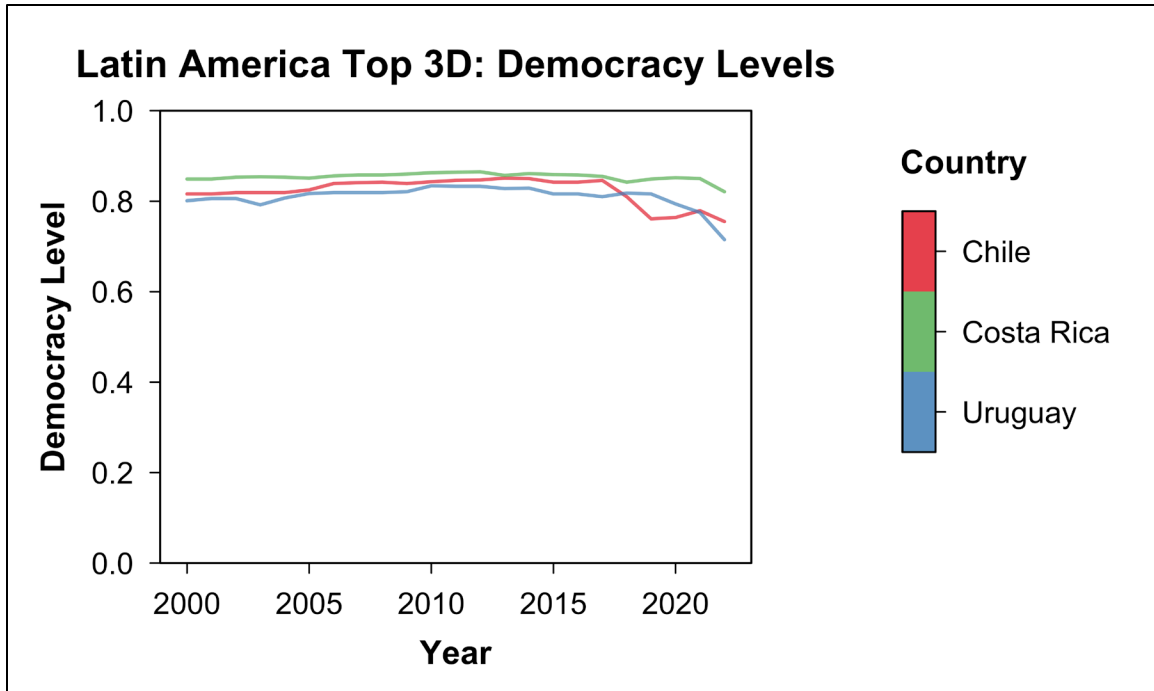


Figure 10. Democracy Levels for Top 3 Latin American Democracies

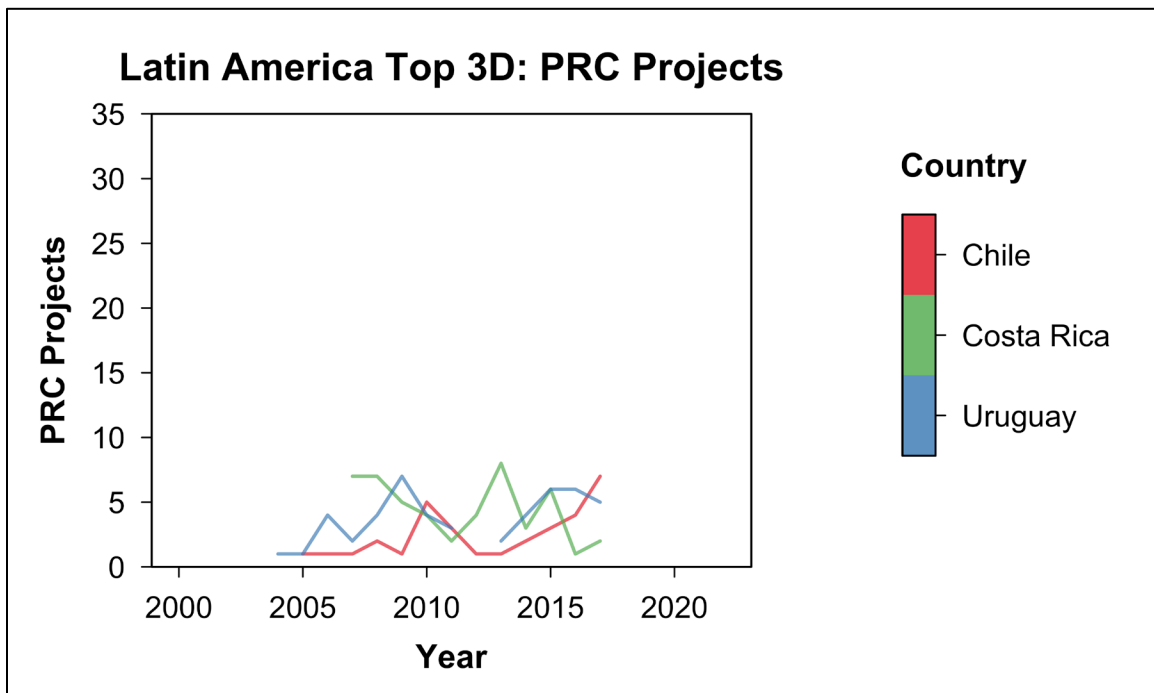


Figure 11. Number of PRC Projects for Top 3 Latin American Democracies

D. CHAPTER CONCLUSION

Though the overall regional data did align with our hypothesis, we still observed several PRC projects in countries with higher democracy levels. Though there are several reasons that could account for this dynamic, the most prominent ones seem to be tied to the changing economic and strategic focus of the PRC in the LAC region.

Economically, Beijing may be looking to just build upon historical precedents in the region by continuing to invest in commodity markets and expanding its own export markets. The PRC is actively investing in a wide variety of LAC mineral deposits. The region is home to a vast array of elements such as copper, lithium, and nickel; all necessary to drive the green-technology revolution. Additionally, the PRC is actively investing in LAC consumer markets. The region is home to a prosperous middle class that continues to purchase high-end Chinese-made telecommunications, technology, and other manufactured goods.

Strategically, the PRC may be looking to develop its domestic defense by investing in several LAC sectors associated with food, energy, and logistical security. The PRC is actively investing in LAC agricultural projects. The region recently became a major supplier of soy, grain, and corn to the PRC, with over 17% of all LAC agricultural output exported to the PRC in 2018.⁴⁵ The PRC is also continuing to invest in oil production across LAC. The region became the third-largest supplier of oil to China after the Middle East and Africa, supplying over 13% of the PRC's overall oil consumption in 2018.⁴⁶ Finally, the PRC is interested in continuing to invest in the countries immediately surrounding the region's logistical chokepoints, the Panama Canal, and the Strait of

⁴⁵ Sofia Boza, Aracely Núñez, and Marcela Molina, "Agricultural Trade and Investments between Latin America and China: Development, Implications, and Challenges," in *China's Trade Policy in Latin America: Puzzles, Transformations and Impacts*, ed. Dorotea López et al., Contributions to International Relations (Cham: Springer International Publishing, 2022), 148, https://doi.org/10.1007/978-3-030-98664-3_10.

⁴⁶ Alvaro Mendez and Chris Alden, "China in Panama: From Peripheral Diplomacy to Grand Strategy," *Geopolitics* 26, no. 3 (May 3, 2021): 847, <https://doi.org/10.1080/14650045.2019.1657413>.

Magellan. In 2017, Argentina became one of the top recipients of Chinese state finance in LAC and Panama formally began recognizing the PRC and signed onto the BRI.⁴⁷

In addition to the above-mentioned reasons, there are also various underlying factors that may be at play. For example, the U.S. tends to do more business and cooperate more with other democracies, prompting autocratic countries to look elsewhere for foreign direct investment (FDI).⁴⁸ Thus in the last two decades, the PRC has been accused of acting as “an incubator of populism” based on their continued cooperation with regional authoritarian regimes such as Cuba, Nicaragua, and Venezuela.⁴⁹

Overall, it seems that the PRC’s increasing role in LAC is more complex than the above models illustrate. This leads us to believe that additional analysis is required to determine the other contributing factors influencing the data. As such, the remainder of this thesis will focus on a qualitative comparative analysis of three Latin American countries (Panama, Ecuador, and El Salvador) to identify underlying factors that may offer insight as to why certain countries are more enticed to accept PRC FDI.

⁴⁷ Margaret Myers and Rebecca Ray, “China in Latin America: Major Impacts and Avenues for Constructive Engagement: A U.S. Perspective” (Atlanta, GA: The Carter Center, August 29, 2019), 9, https://www.cartercenter.org/resources/pdfs/news/peace_publications/china/china-in-latin-america-june-2019.pdf.

⁴⁸ Edward Mansfield, Helen Milner, and B. Rosendorff, “Why Democracies Cooperate More: Electoral Control and International Trade Agreements,” in *Global Trade*, 1st ed. (Abingdon, Oxon: Routledge, Taylor and Francis Group, 2009), 38.

⁴⁹ Diana Roy, “China’s Growing Influence in Latin America | Council on Foreign Relations,” Council on Foreign Relations, June 15, 2023, <https://www.cfr.org/backgrounder/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>.

III. CASE STUDY PANAMA: THE RISKS POSED BY BEIJING'S GROWING INVESTMENTS IN PANAMA

Panama is a Central American country whose geography, government, and economy have all helped cement it as a regional financial power and a major global trading hub. Geographically, Panama is strategically positioned between North and South America. Additionally, over 500 million tons of cargo transit the Panama Canal annually.⁵⁰ Governmentally, Panama holds regular free elections, and its government has generally respected both its people's individual rights and civil liberties.⁵¹ Economically, Panama has maintained a vibrant economy which rebounded to double-digit percentage level expansion following the COVID-19 pandemic in 2021, thanks to the country's dynamic services and banking sectors.⁵²

Though Panama has historically maintained very close ties with the U.S., in recent years it has greatly expanded its relationship with the People's Republic of China (PRC). Panama and the U.S. have a strong link that dates to the 19th and 20th Centuries when the U.S. constructed the transcontinental railroad, the Panama Canal, and several military installations in the country.⁵³ Throughout the last century, the U.S. has also continued to remain Panama's largest trading partner, and the U.S. dollar is used as a local currency.⁵⁴ Despite these historical and economic bonds, China's increasing trade and diplomacy has prompted greater cooperation with Panama. In 2017, Panama made a major political decision and ended its 68-year-long relationship with Taiwan and formally recognized the

⁵⁰ "Flow of Goods through Panama Canal Hits Record," *Reuters*, October 29, 2021, sec. Americas, <https://www.reuters.com/world/americas/flow-goods-through-panama-canal-hits-record-2021-10-29/>.

⁵¹ June S Beittel and Ramon Miro, "Panama: An Overview," Congressional Research Service Report (Washington, D.C.: Congressional Research Service, May 17, 2023), 1–2, <https://sgp.fas.org/crs/row/IF10430.pdf>.

⁵² Beittel and Miro, 1–2.

⁵³ Beittel and Miro, 1–2.

⁵⁴ "Panama," World Bank, accessed October 24, 2023, <https://www.worldbank.org/en/country/panama>.

PRC.⁵⁵ Between 2017 and 2019, Panama built upon its new relationship with the PRC by signing 48 bilateral Belt and Road Initiative (BRI) memoranda of understanding (MoU) and several more agreements with Beijing, ranging from judicial cooperation to cultural exchange, to infrastructure development.⁵⁶ Throughout this period, the PRC has also become Panama's second-largest trading partner.⁵⁷ Beijing's relationship with Panama poses several risks to its economy and national security. This chapter argues that China's recent string of BRI infrastructure development projects within the Panama Canal zone, notably the fourth bridge over the Panama Canal and the Amador Pacific-Coast Cruise Terminal, pose a major economic risk to Panama because the dual-use nature of these projects could increase PLA activity in the area and drive away several major trade partners. This chapter will also show how China's recent expansion into Panama's technology, media, and mining sectors poses major security risks for Panama associated with the protection of sensitive data, safety of public and private property, the spread of disinformation, rise of human rights and environmental abuses, and potential for political backsliding.

A. ECONOMIC CONSIDERATIONS

China and Panama have a long diplomatic relationship that dates back over a century. Since Panama's formation in 1903, it has maintained formal relations with the Chinese Qing Dynasty, then the Republic of China (ROC), and today, with the PRC. Though the official establishment of formal diplomatic relations between Panama and the PRC began in 2017, both countries have maintained a long-standing trade relationship marked by several ties initiated throughout the 1990s.⁵⁸ In 1994, the PRC opened both a government office and a Bank of China branch location in Panama City.⁵⁹ Both locations

⁵⁵ "Panama Cuts Ties with Taiwan in Favour of China," BBC News, June 13, 2017, <https://www.bbc.com/news/world-latin-america-40256499>.

⁵⁶ Mendez and Alden, "China in Panama," May 3, 2021, 851.

⁵⁷ Emilie Sweigart, Gabriel Cohen | October 19, and 2021, "Panama's Evolving Relationship with China," *Americas Quarterly* (blog), accessed October 24, 2023, <https://www.americasquarterly.org/article/panamas-evolving-relationship-with-china/>.

⁵⁸ Mendez and Alden, "China in Panama," May 3, 2021, 850.

⁵⁹ Mendez and Alden, 850.

marked the PRC's first steps into the greater Latin American and Caribbean (LAC) region. In 1996, the PRC then opened a Trade Representative office in Panama City.⁶⁰ Panama quickly followed suit, opening a Trade Representative office in Beijing that same year.⁶¹ The most prominent early entry of the PRC into Panama came in 1999, when the PRC firm Hutchison Whampoa outbid the U.S. firm Bechtel and won the concessions to operate both the ports of Cristóbal and Balboa, two of the Panama Canal's Atlantic and Pacific terminals.⁶²

Today, similar to other nations in the LAC, Chinese economic policy in Panama is greatly informed by the "South-South Cooperation": a PRC economic and business strategy that concentrates on the three economic aspects of aid, investment, and trade.⁶³ Beijing's focus on Sino-Panamanian aid, investment, and trade has helped drive massive economic growth over the last two decades, with Panamanian exports to the PRC growing from \$2 million in 2002 to \$33 million in 2019, and PRC imports to Panama growing from \$41million in 2002 to \$905 million in 2019.⁶⁴ Trade between Panama and the PRC has also greatly diversified during these two decades, with Chinese firms developing closer ties to several Panamanian business sectors. Beginning in 2019, several PRC firms began construction on a multitude of infrastructure development projects tied to the bilateral BRI MoUs, originally signed in 2017.⁶⁵ Though Panama needs the projects to modernize its aging infrastructure, the dual-use implications of several of Panama's PRC BRI projects risk driving away several other major trade partners.

⁶⁰ Jorge I Domínguez et al., "China's Relations With Latin America: Shared Gains, Asymmetric Hopes," Working Paper (Washington, D.C.: The Inter-American Dialogue, June 2006), 16, https://wcfia.harvard.edu/files/wcfia/files/dominguez_chinas.pdf.

⁶¹ Domínguez et al., 16.

⁶² Keith Wallis, "Hutchison Completes Panama Canal Deal," South China Morning Post, March 4, 1997, <https://www.scmp.com/article/186992/hutchison-completes-panama-canal-deal>.

⁶³ Roy, "China's Growing Influence in Latin America | Council on Foreign Relations."

⁶⁴ Evan Ellis, "China's Advance in Panama: An Update," *Global Americans* (blog), April 14, 2021, <https://theglobalamericans.org/2021/04/chinas-advance-in-panama-an-update/>.

⁶⁵ Mendez and Alden, "China in Panama," p 850.

1. BRI Infrastructure Development Projects

Between 2017 and 2020, Chinese firms were awarded several large contracts ranging from the construction of a new bridge spanning the Panama Canal to the management of several Panama Canal ports. In 2017, the PRC firm China Construction Americas was awarded both the \$193 million contract to build the Amador Convention Center and the \$165 million contract to build the Amador Pacific-Coast Cruise Terminal.⁶⁶ By 2021, the Amador Convention Center was completed, with The Amador Pacific-Coast Cruise Terminal set for completion by the end of 2023.⁶⁷ In 2019, a consortium made up of the three PRC firms of China Harbour, China Construction Americas, and China Landbridge was awarded a \$1.42 billion contract to construct the fourth bridge over the Panama Canal.⁶⁸ The contract included the construction of both highway and rail traffic lines over the bridge, the rerouting of a major highway, and a series of overpasses enabling bridge entry. Construction officially began in 2020 following a restructuring of the contract and several COVID-19 pandemic-related delays. Additionally, in 2021, the Panama Maritime Authority (AMP) renewed its lease with the PRC Firm Hutchison Whampoa to continue to operate both the ports of Cristóbal and Balboa for another 25 years, granting the PRC firm control of two of Panama's five principal canal zone ports.⁶⁹

2. Economic Risks Posed by BRI Infrastructure Development Projects

As the Panama Canal is a global logistical choke point, it is no surprise that increased PRC activity in the region has sparked concern over the nature of the port-related

⁶⁶ Adelita Coriat, "Hoteles deben \$630 millones la banca," *La Estrella*, November 3, 2021, <https://www.laestrella.com.pa/economia/210311/hoteles-deben-630-millones-banca>.

⁶⁷ Ellis, "China's Advance in Panama."

⁶⁸ R. Evan Ellis, "PRC Engagement with Central America – An Update (on CEEP)" (Fort Leavenworth, KS: U.S. Army War College Strategic Studies Institute, March 7, 2023), 8, https://ceeep.mil.pe/wp-content/uploads/2023/03/PDF_PRC-Engagement-with-Central-America-An-Update-R-Evan-Ellis_7mar.pdf.

⁶⁹ Marc Allen, "Panama Renews Hutchinson Panama Ports' 25-Year Concession – Maritime Direct," June 25, 2021, <https://maritime.direct/en/2021/06/25/panama-renews-hutchinson-panama-ports-25-year-concession/>.

BRI infrastructure development projects in Panama.⁷⁰ These concerns stem from several PRC business, legal, and military precedents dating back to 2019 which suggest that current PRC port-related infrastructure in Panama can and will be used for dual-use purposes.

Regarding business precedents, several PRC firms currently constructing BRI infrastructure development projects in Panama have deep-seated relationships with both the Chinese Communist Party (CCP) and the People's Liberation Army (PLA). Landbridge, one of the PRC firms currently working on the construction of the fourth bridge over the Panama Canal is a self-described private firm. However, Landbridge's chairman, Ye Cheng, is a leading member of the Chinese People's Political Consultative Conference (CPPCC), a network of individuals under CCP supervision that serves to advance the party's interests.⁷¹ Additionally, the firm has housed a PLA-sponsored "people's armed militia" unit in its ranks for nearly a decade.⁷² Several recent examples from within China have shown civilian business militias providing the PLA with various resources ranging from access to work equipment for emergency repairs, access to local depots for fuel resupply, and access to airport terminals for transportation assistance.⁷³ The PRC could soon leverage civilian business militias operating within Panama in similar ways to directly support PLA and PLAN operations across the LAC region.

Regarding legal precedents, following the implementation of the BRI, the PRC amended several national mobilization laws to ensure improved PLA civil-military cooperation across the gamut of PRC-managed port facilities worldwide. The Central Military Commission (CMC), the highest national defense organization in the PRC that directs the PLA, and the State Council, the chief administrative authority of the PRC, issued defense mobilization regulations in 2003 which authorized the military utilization of the

⁷⁰ Leland Lazarus Berg Ryan C., "Washington Must Respond to China's Growing Military Presence in Latin America," *Foreign Policy* (blog), March 14, 2022, <https://foreignpolicy.com/2022/03/14/china-latin-america-military-pla-infrastructure-ports-colombia/>.

⁷¹ Christopher Cairns, "China's Investment Setbacks in Panama," *The Diplomat*, February 26, 2022, <https://thediplomat.com/2022/02/chinas-investment-setbacks-in-panama/>.

⁷² Cairns.

⁷³ Thomas Corbett and Peter Singer, "China's War Planners Are Leaning Harder on Its Militia," *Defense One*, August 9, 2023, <https://www.defenseone.com/ideas/2023/08/militia-getting-larger-role-chinas-war-planning/389256/>.

entire civil transportation capacity.⁷⁴ In 2011 and 2019, the State Council further built upon the military's authority by amending the 2003 regulations to specifically authorize the military to utilize all civilian ports, airports, rail, and road facilities.⁷⁵ Thus, these national mobilization laws allow the People's Liberation Army Navy (PLAN) to use PRC-managed port facilities the world over. The legal authority to utilize a regional network of port facilities, together with Beijing's strong regional commercial trade and robust civilian and military fleet presence could soon establish the PRC as a Sea Power in the Mahanian sense and allow them to establish a maritime presence in the region.⁷⁶ This could allow the PRC to pursue its "far seas" ambitions, advancing a variety of maritime missions across LAC ranging from the defense of China's perceived sea lines of communication (SLOCs) to countering naval security threats, to assisting in UN-mandated peace-keeping operations, to carrying out humanitarian assistance/disaster relief missions.⁷⁷ These points are fully embraced by PLAN officers, as seen by a recent statement by Deng Xianwu, a captain of a PLAN amphibious transport dock vessel: "as long as there are Chinese firms ... there will be a forward transportation support point for Chinese warships."⁷⁸

Finally, regarding military precedents, several recent cases have shown how the PRC is actively leveraging its managed port infrastructure all over the world to support various security-focused efforts. PRC firms presently operate terminals located in 96 ports spread out across 53 countries all over the world according to a 2022 report produced by research analysts at Indiana University and the U.S. Naval War College (USNWC).⁷⁹ Several of these

⁷⁴ Isaac B. Kardon and Wendy Leutert, "Pier Competitor: China's Power Position in Global Ports," *International Security* 46, no. 4 (April 1, 2022): 35, https://doi.org/10.1162/isec_a_00433.

⁷⁵ Kardon and Leutert, 36.

⁷⁶ Thomas Jamison, "Alfred Thayer Mahan: 'The Influence of Sea Power Upon History' as Strategy, Grand Strategy, and Polemic – Classics of Strategy and Diplomacy," February 9, 2022, <https://classicsofstrategy.com/2022/02/09/alfred-thayer-mahan-the-influence-of-sea-power-upon-history-as-strategy-grand-strategy-and-polemic/>.

⁷⁷ Michael D. Swaine, "The PLA Navy's Strategic Transformation to the 'Far Seas': How Far, How Threatening, and What's to Be Done?," Carnegie Endowment for International Peace, accessed October 24, 2023, <https://carnegieendowment.org/2019/05/07/pla-navy-s-strategic-transformation-to-far-seas-how-far-how-threatening-and-what-s-to-be-done-pub-80588>.

⁷⁸ Kardon and Leutert, "Pier Competitor," 36.

⁷⁹ Kardon and Leutert, 12.

PRC-managed terminals, directly linked to BRI infrastructure development projects, in countries like Singapore, Tanzania, and Greece have already served as refuel, resupply, and repair docks for PLAN vessels since 2019.⁸⁰ Additionally, in 2021, following Uruguay's signature of BRI MoUs tied to port infrastructure development, Uruguay's General Assembly approved the implementation of joint defense efforts between both country's respective Defense Ministries.⁸¹

Beijing's intentions to develop dual-purpose infrastructure on the Panama Canal directly threaten the well-established neutrality of the waterway and run the risk of locking Panama out of the global economy. Several countries currently use the canal daily to transport goods, including the U.S., Japan, South Korea, and Taiwan.⁸² An increased presence of agents of the PLA working within the Panama Canal zone and an increased presence of PLAN vessels on the canal could force the U.S., Japan, South Korea, or Taiwan, who are currently combatting PLAN expansion in the South China Sea, to question their continued use of the waterway.⁸³ At that point, any aggressive PRC action, such as enhanced PLA surveillance or a strategically timed PLA stoppage on the waterway, could force the U.S., Japan, South Korea, and Taiwan to choose another global transport option, such as movement via Cape Horn or the Suez Canal. As U.S., Japanese, South Korean, and Taiwanese trade with Panama is tied to canal transport, the decision to shift away from using the waterway would additionally diminish those nations' economic relationships with Panama. A complete exodus of one or all the above-mentioned Panamanian trade partners could have major reverberations across the global trade community, forcing other major Panamanian trade partners such as Canada or various members of the EU to quickly

⁸⁰ Isaac Kardon and Wendy Leutert, "China's Port Power," *Foreign Affairs*, May 22, 2023, <https://www.foreignaffairs.com/united-states/chinas-port-power>.

⁸¹ "China Expands Strategic Ports in Latin America," *Center for a Secure Free Society* (blog), October 18, 2022, <https://www.securefreesociety.org/research/monitor28/>.

⁸² "Table 1–10 Top 25 Countries Using the Panama Canal by Origin and Destination of Cargo, FY2007 (Long Tons)," United States Department of Transportation, November 30, 2011, https://dotocio.gov1.qualtrics.com/jfe/form/SV_1NdO5jpfKbPKNrT?Q_CHL=si&Q_CanScreenCapture=1.

⁸³ Amy Hawkins et al., "Asia's Arms Race: Potential Flashpoints from Taiwan to the South China Sea," *The Guardian*, April 4, 2023, sec. World news, <https://www.theguardian.com/world/2023/mar/30/asia-pacific-flashpoints-fuelling-regional-arms-race-taiwan-north-korea-south-china-sea-pacific-islands>.

follow suit. With canal trade making up 80 % of Panama’s GDP, any reshuffling of Panama Canal use could seriously debilitate the country’s economy.⁸⁴

B. SECURITY CONSIDERATIONS

The PRC is currently leveraging several of its economic inroads to pursue security-focused initiatives in Panama. Outside of a few minor Sino-Panamanian diplomatic interactions focused on security, such as PRC Ambassador to Panama Wei Qiang’s recent donation of 6,000 People’s Liberation Army (PLA) bulletproof vests and helmets to Panamanian Public Forces in 2023, security cooperation between both nations has remained extremely limited.⁸⁵ This lack of security cooperation has driven the PRC and its firms to instead develop collaboration across several Panamanian sectors ranging from the growth of both *safe city* and *smart city* technologies, the expansion of targeted media interactions, and investments into rare-earth element mining.⁸⁶ Though Beijing’s continued entry into Panama’s technology, media, and mining sectors is driving growth, it also poses major security risks to Panama.

1. PRC Involvement in the Technology Sector

Panamanian sales of a wide range of PRC digital technologies including telecommunications, *smart city* technology, *safe city* technology, and cloud computing have expanded greatly over the last decade.⁸⁷ PRC firms maintain a robust presence across Panama’s digital sector. Since 2022 Huawei has accounted for over 30% of all cell phone

⁸⁴ “Panama – Market Overview,” U.S. Department of Commerce, April 4, 2023, <https://www.trade.gov/country-commercial-guides/panama-market-overview>.

⁸⁵ Douglas Bravo, “China dona miles de equipos tácticos de protección a Panamá,” Defensa.com (Grupo EDEFA S.A., February 14, 2023), <https://www.defensa.com/centro-america/china-dona-miles-equipos-tacticos-proteccion-panama>.

⁸⁶ Ryan C. Berg, “Combating Chinese Dual-Use Infrastructure: Bringing In the Private Sector,” December 9, 2022, <https://www.csis.org/analysis/combating-chinese-dual-use-infrastructure-bringing-private-sector>.

⁸⁷ “CHINA - CELAC JOINT ACTION PLAN FOR COOPERATION IN KEY AREAS (2022-2024),” Government website, December 13, 2021, http://gy.china-embassy.gov.cn/eng/xwfw/202112/t20211213_10469237.htm.

sales in Panama.⁸⁸ The PRC firms Huawei and ZTE have become major equipment providers for three of Panama's largest cellular service providers: Movistar, Más Móvil, and Claro.⁸⁹ Huawei is also currently in talks to construct future 5G infrastructure throughout the country.⁹⁰ Since 2010, PRC firms like Huawei, ZTE, Hangzhou Hikvision Digital Technology, and Zhejiang Dahua Technology have championed the deployment of both *smart city* and *safe city* technologies across Panama.⁹¹ Using advanced marketing techniques, that differ between countries in the region, PRC firms have been able to create demand for *smart city* and *safe city* technologies by highlighting their abilities to both greatly reduce crime and manage data.⁹² *Smart city* technology linking and automating various digital services like utility management, transportation administration networks, digital banking, power distribution, and crisis response systems has operated in Panama City for nearly a decade.⁹³ *Safe city* technology linking enhanced biometric identification cameras, in-person and online tracking software, and predictive analytics programs were installed across various parts of Panama beginning in 2017. The most notable locations where *safe city* technologies were deployed were around the Port of Colón and the Colón Free Trade Zone, Panamanian hubs for the diffusion of modern electronics and computer systems.⁹⁴ In conjunction with the array of *smart city* and *safe city* technology suites operating in Panama, Huawei also operates several data centers across the LAC region.⁹⁵ These data centers are responsible for the cloud storage of large amounts of both public

⁸⁸ Datt, "Panama: Beijing's Global Media Influence 2022 Country Report," Freedom House, accessed October 24, 2023, <https://freedomhouse.org/country/panama/beijings-global-media-influence/2022>.

⁸⁹ Ellis, "China's Advance in Panama."

⁹⁰ Ellis, "PRC Engagement with Central America – An Update (on CEEP)," 8.

⁹¹ Ellis, "China's Advance in Panama."

⁹² Sheena Chestnut Greitens, "Dealing with Demand for China's Global Surveillance Exports," *GLOBAL CHINA*, April 2020, 5.

⁹³ Mileika Lasso, "Panamá cada vez más cerca de convertirse en una 'smart city'," *La Estrella de Panamá*, July 16, 2017, <https://www.laestrella.com.pa/economia/170716/vez-cerca-panama-convertirse>.

⁹⁴ "China Regional Snapshot: Mexico and Central America," Foreign Affairs Committee Republicans, October 25, 2022, <https://foreignaffairs.house.gov/mexico-and-central-america/>.

⁹⁵ R. Evan Ellis, "China's Digital Advance in Latin America," *Diálogo Américas* (blog), July 7, 2022, <https://dialogo-americas.com/articles/chinas-digital-advance-in-latin-america/>.

and private sector data.⁹⁶ Though none of these facilities are currently located within Panama, Huawei is currently in talks to expand its cloud storage footprint across the region.⁹⁷

2. Security Risks Posed by PRC Involvement in the Technology Sector

Though governmental concern over *smart city* and *safe city* technologies led Panamanian officials to request the removal of certain systems from operational sites around Panama City and the Port of Colón, the deeply embedded nature of the technology and its continuous spread poses severe threats to Panama.⁹⁸ Several intelligence experts, academics, and politicians from all over the world have stated that both *smart city* and *safe city* technologies carry inherent risks associated with both the theft of sensitive data and the possibility of providing the PRC with “kill switches” possible of turning off entire business networks or entire cities.⁹⁹ Additionally, across Panama and several other LAC countries, where local government officials have evermore involvement in the implementation of new infrastructure, PRC firm “off-the-shelf” systems are proving cheaper and easier to set up and start using. Thus, in these local political structures, Chinese technology faults associated with data vulnerability and security are often overlooked for their low cost and short-term ease of use.¹⁰⁰ While Panamanian officials are concerned with the technological risks posed to local and federal government infrastructure, PRC firms like Huawei and Hangzhou Hikvision Digital Technology are busy expanding the technology into both the home surveillance and corporate security markets of Panama.¹⁰¹

Like the concerns associated with the dual-use nature of certain BRI infrastructure development projects, most of the scrutiny with *smart city* and *safe city* technologies comes

⁹⁶ Ellis.

⁹⁷ “Global-Infrastructure_HUAWEI CLOUD,” Company website, September 2023, <https://www.huaweicloud.com/intl/en-us/about/global-infrastructure.html>.

⁹⁸ Ellis, “China’s Digital Advance in Latin America.”

⁹⁹ Helen Warrell et al., “Exporting Chinese Surveillance: The Security Risks of ‘Smart Cities,’” *Financial Times*, June 9, 2021, sec. The Big Read, <https://www.ft.com/content/76fdac7c-7076-47a4-bcb0-7e75af0aadab>.

¹⁰⁰ Greitens, “Dealing with Demand for China’s Global Surveillance Exports.”

¹⁰¹ Ellis, “China’s Digital Advance in Latin America.”

from recent legal action taken by the PRC. In 2017, the National People's Congress (NPC) passed the National Security Law to strengthen and safeguard national intelligence work and national security interests. The law allows Beijing to use and collect PRC firm's data to monitor and investigate foreign individuals and organizations working abroad in the name of national security.¹⁰² The law, in conjunction with the *smart city* and *safe city* technologies already in place, allows the PRC to impose what Xiao Qiang, an expert on Chinese surveillance systems at the University of California, Berkeley, calls "digital authoritarianism."¹⁰³ This "digital authoritarianism" essentially gives the PRC the "ability to control, surveil, and coerce societies" that have invested in PRC technologies.¹⁰⁴

3. PRC Involvement in the Media Sector

Chinese media has leveraged its vast broadcasting infrastructure to target Panama's population since the country's entry into the BRI.¹⁰⁵ The Xinhua News Agency, the official state news agency of the PRC, and the People's Daily, the official newspaper of the Central Committee of the Chinese Communist Party (CCP), have both produced Spanish language content for a decade which is broadcast across the region, to include Panama.¹⁰⁶ China Radio International (CRI), the state-owned international radio broadcaster of the PRC, and China Central Television (CCTV), a national television broadcaster of the PRC, have also both produced Spanish language content for a decade which is streamed across the region, to include Panama.¹⁰⁷ In addition to content broadcasted and streamed on PRC media, Beijing also develops content for use on Panamanian media outlets. The National Radio and Television Administration (NRTA), a ministry-level executive agency controlled by the Central Propaganda Department of the CCP, and the *Xinhua* News Agency have forged content-sharing and paid-insert

¹⁰² "China Passes Tough New Intelligence Law," *Reuters*, June 27, 2017, sec. Emerging Markets, <https://www.reuters.com/article/us-china-security-lawmaking-idUSKBN19I1FW>.

¹⁰³ Warrell et al., "Exporting Chinese Surveillance."

¹⁰⁴ Warrell et al.

¹⁰⁵ Warrell et al.

¹⁰⁶ Datt, "Panama."

¹⁰⁷ Datt.

agreements with both *La Estrella de Panamá*, the oldest newspaper in Panama, and *SERTV*, the State Radio and Television System of Panama.¹⁰⁸ Beijing has also begun to augment its media footprint by leveraging its diplomatic service, with several prominent PRC diplomats regularly taking to local Panamanian media outlets and social media to push PRC messaging.¹⁰⁹

Beginning in 2017, the PRC Ministry of Education (MOE) approved 100 Chinese universities to offer Spanish as a University Degree.¹¹⁰ Spanish soon became one of the most popular foreign languages to learn within China, with over 50,000 reported Spanish speakers in 2021.¹¹¹ As Spanish grows in popularity in China, so does the amount of Spanish-language social media content created. Several thousand Spanish language channels have already begun to appear on China's largest social media outlet Douyin/TikTok.¹¹² According to a recent investigation by Miburo, a U.S. firm that tracks foreign disinformation operations, over 200 influencers, with links to China's state media, are operating across Instagram, Facebook, TikTok, and YouTube in 38 different languages.¹¹³ Though the content varies by user and theme, Miburo's president Clint Watt stated that Beijing's goals on social media are clear "they're trying to infiltrate every one of these countries ... it is just about volume, ultimately. If you just bombard an audience for long enough with the same narratives people will tend to believe them over time."¹¹⁴

¹⁰⁸ Pablo Baisotti, "China's Charm Offensive in Latin America and the Caribbean: A Comprehensive Analysis of China's Strategic Communication Strategy Across the Region [Part I: Propaganda and Politics]," *Research Publications*, June 1, 2023, 9.

¹⁰⁹ Wei Qiang, "El principio de una sola China," *La Prensa*, August 15, 2022, <https://www.prensa.com/opinion/el-principio-de-una-sola-china/>.

¹¹⁰ Blanca García-Henche and Ming Yang, "The Spanish Language as a Cultural and Touristic Resource for the Chinese Market to Develop Quality Education," *Frontiers in Psychology* 12 (2022): 3.

¹¹¹ Amanda Florian, "In China, Millennials Embrace Spanish, Latino Culture and Shake It up on TikTok," *NBC News*, March 13, 2021, <https://www.nbcnews.com/news/latino/china-young-people-are-learning-spanish-embracing-latino-culture-rcna389>.

¹¹² Florian.

¹¹³ Amanda Seitz, Eric Tucker, and Mike Catalini, "How China Uses Influencers to Build a Propaganda Network," *Christian Science Monitor*, March 30, 2022, <https://www.csmonitor.com/World/Asia-Pacific/2022/0330/How-China-uses-influencers-to-build-a-propaganda-network>.

¹¹⁴ Seitz, Tucker, and Catalini.

Besides the various forms of Spanish language content created daily, the PRC also leverages its Chinese language content across Panama's Chinese diaspora. Chinese migration to Panama began in the 1850s, spurred on by both poor economic conditions in China and the promise of construction jobs across Panama aimed at expanding the country's infrastructure.¹¹⁵ Though only a few thousand Chinese immigrants made the journey throughout the 19th and 20th Centuries, citizens of Chinese origin today encompass nearly 5% of Panama's current population.¹¹⁶ As the Chinese diaspora of Panama is limited in size, only a few independent Chinese language media outlets actually exist. Therefore, only a small amount of content is created in Panama. For this reason, large amounts of pro-PRC content, produced in China, are often circulated across Panama.¹¹⁷ Additionally, based on their usage of PRC content, most Panamanian Chinese language media outlets shy away from covering topics deemed sensitive by Beijing.¹¹⁸

4. Security Risks Posed by PRC Involvement in the Media Sector

During the COVID-19 pandemic, Beijing devised several techniques for dispensing disinformation which it continues to use to this day. Between 2020 and 2021, Beijing employed several techniques to spread disinformation about COVID-19 ranging from the use of PRC media outlets to publish false stories, the use of huge amounts of fake social media accounts to create fallacious messages, and the use of PRC diplomats to spin media content published by the West.¹¹⁹ Beijing's disinformation model can best be seen by examining the Fort Detrick case. The case was initiated in 2020, when the PRC began making claims that COVID-19 had originated at

¹¹⁵ Ramon A. Mon, "The Chinese of Panamá Also Have a Story to Tell...", ReVista, April 1, 2013, <https://revista.drclas.harvard.edu/the-chinese-of-panama-also-have-a-story-to-tell/>.

¹¹⁶ "Chinese Panamanians," Minority Rights Group, June 19, 2015, <https://minorityrights.org/minorities/chinese-panamanians/>.

¹¹⁷ Datt, "Panama."

¹¹⁸ Datt.

¹¹⁹ Joshua Kurlantzick, "How China Ramped Up Disinformation Efforts During the Pandemic," Council on Foreign Relations, September 10, 2020, <https://www.cfr.org/in-brief/how-china-ramped-disinformation-efforts-during-pandemic>.

Fort Detrick, Maryland.¹²⁰ In spite of a complete lack of evidence linking the disease to the U.S. military base, PRC media outlets continued to mention Fort Detrick in over 400 press conferences, articles, and videos over the next years.¹²¹ Fake PRC social media accounts created a deluge of content that was quickly linked to the above-mentioned false articles. Lastly, PRC diplomats based in Asia, Europe, and the U.S. released over 100 tweets in nine languages backing the false claims.¹²²

Beijing's previous disinformation efforts during the COVID-19 pandemic, coupled with its expanding media network in the region, could soon present Panama with the real threat of launching a disinformation campaign to decide the country's next president. The PRC has several reasons to believe that 2024 is the right time to advance such a campaign. First, Beijing fully understands how a favorable Panamanian president can streamline Chinese diplomatic relations. In 2017, President Varela (2014-2019) ended relations with Taiwan, formally initiated relations with the PRC, and then signed over 40 BRI MoUs with Beijing.¹²³ In 2019 however, President Cortizo (2019-2024), severely restructured or cancelled several BRI projects.¹²⁴ Second, Panama is a politically divided country with the last presidential election being decided by less than 2% of the vote.¹²⁵ Third, the 2024 presidential race was recently shaken up after the front-runner for president, Ricardo Martinelli, was sentenced to over 10 years in prison for money laundering.¹²⁶ Fourth, the PRC has already witnessed how Russian advanced election interference strategies had a

¹²⁰ Bret Schafer, "China Fires Back at Biden With Conspiracy Theories About Maryland Lab," *Foreign Policy* (blog), July 9, 2021, <https://foreignpolicy.com/2021/07/09/china-fires-back-at-biden-with-conspiracy-theories-about-maryland-lab/>.

¹²¹ Schafer.

¹²² Schafer.

¹²³ Ellis, "China's Advance in Panama."

¹²⁴ Cairns, "China's Investment Setbacks in Panama."

¹²⁵ "Panama Election: Cortizo Wins Unexpectedly Close Race," *BBC News*, May 6, 2019, sec. Latin America & Caribbean, <https://www.bbc.com/news/world-latin-america-48174497>.

¹²⁶ KATHIA MARTÍNEZ, "Panama Ex-President Martinelli Is Sentenced to 10 Years in Prison for Money Laundering," *AP News*, July 18, 2023, <https://apnews.com/article/panama-martinelli-money-laundering-prison-4eae8f4581abd24c4cbb1c0f94fea4f0>.

profound impact on the 2016 U.S. presidential election, drastically increasing levels of political polarization.¹²⁷

The PRC's efforts could also extend beyond disinformation, posing additional risks to daily freedoms. According to a recent report by the U.S. Department of State's Global Engagement Center, Beijing spends billions of dollars each year to shape the global information environment.¹²⁸ The report listed various techniques the PRC uses for molding local public opinion beyond disinformation, such as digitally repressing unfavorable accounts abroad and installing censorship capabilities on Chinese-made smartphones sold in international markets.¹²⁹

5. PRC Involvement in the Mining Sector

Though Panama has never been home to a noteworthy mining sector, the discovery of prominent mineral reserves in the last two decades has spurred an expansion of Chinese investment in the mining sector. Approximately 50 billion pounds of copper, 12 million ounces of gold, and 25 thousand ounces of silver have been identified across Panama in the last decade.¹³⁰ Under the backing of Panama's Varela Administration in 2017, the Canadian firm First Quantum constructed Cobre Panamá, the largest open-pit copper development in the world.¹³¹ The mine quickly became the largest source of Panamanian exports and accounted for over 5% of the country's GDP.¹³² In 2019, the PRC firm, Jiangxi Copper purchased an 18% share in First Quantum and quickly acquired a direct interest in

¹²⁷ Ryan Lucas, "Senate Releases Final Report On Russia's Interference In 2016 Election," *NPR*, August 18, 2020, sec. National Security, <https://www.npr.org/2020/08/18/903616315/senate-releases-final-report-on-russias-interference-in-2016-election>.

¹²⁸ Mengchen Zhang, Teele Rebane, and Heather Chen, "US Warns of Chinese Disinformation. China Says That's Disinformation," *CNN*, October 1, 2023, <https://www.cnn.com/2023/10/01/world/china-disinformation-us-response-intl-hnk/index.html>.

¹²⁹ Didi Tang, "A Global Chinese Disinformation Initiative Could Threaten International Security, U.S. Officials Warn," *PBS NewsHour*, October 4, 2023, <https://www.pbs.org/newshour/world/a-global-chinese-disinformation-initiative-could-threaten-international-security-u-s-officials-warn>.

¹³⁰ International Trade Administration, "Panama Mining," Government website, U.S. Department of Commerce, May 17, 2022, <https://www.trade.gov/market-intelligence/panama-mining>.

¹³¹ Ellis, "China's Advance in Panama."

¹³² Ellis, "PRC Engagement with Central America – An Update (on CEEP)."

Cobre Panamá.¹³³ Over 60% of the copper extracted at the mine was eventually shipped to China for follow-on smelting.¹³⁴

6. Security Risks Posed by PRC Involvement in the Mining Sector

Even though PRC investment in Panama's mining sector ended abruptly in 2020, experts believe that Beijing's continued need for copper is sure to spur renewed investment. Due to several political interactions with the Cortizo Administration, business difficulties with First Quantum, and COVID-19 pandemic slowdowns, Jiangxi Copper eventually sold its stake in First Quantum and Cobre Panama in 2020.¹³⁵ Though Jiangxi Copper left the Panamanian mine, the majority of copper extracted from Cobre Panama continued to flow to China until 2023, when the mine was forced to shut down.¹³⁶ As China continues to make up over 50% of the global building stock, 50% of the global wind and solar capacity, and over 50% of global EV sales, three of the most copper-demanding industries, it is imperative that the PRC continues to locate and secure copper deposits.¹³⁷ For this reason, several analysts familiar with the Panamanian mining sector believe that Jiangxi Copper will make a bid to purchase the troubled copper operation in the near future.¹³⁸

Continued PRC investment in Panama's mining sector is dangerous because it could lead to an increase in both human rights and environmental abuses, as well as eventual political backsliding. A 2023 report by the Business & Human Rights Resource Center (BHRRC) observed over 100 allegations of both human rights and environmental abuses linked to over 20 PRC rare-earth element mining operations across the

¹³³ Ellis.

¹³⁴ Milagro Vallecillos and Daniel Wallis, "Panama Gives Canada's First Quantum Go-Ahead to Operate Port Terminal," *Reuters*, March 14, 2023, sec. Commodities, <https://www.reuters.com/markets/commodities/panama-gives-canadas-first-quantum-go-ahead-operate-port-terminal-2023-03-11/>.

¹³⁵ Ellis, "China's Advance in Panama."

¹³⁶ "First Quantum Suspends Copper Concentrate Loading at Panamanian Port," *Reuters*, February 6, 2023, sec. Commodities, <https://www.reuters.com/markets/commodities/first-quantum-suspends-copper-concentrate-loading-panamanian-port-2023-02-06/>.

¹³⁷ "Chinese Firms Position For An Energy Transition Copper Supercycle," *Forbes*, April 5, 2021, <https://www.forbes.com/sites/thebakersinstitute/2021/04/05/chinese-firms-position-for-an-energy-transition-copper-supercycle/>.

¹³⁸ Ellis, "PRC Engagement with Central America – An Update (on CEEP)."

Democratic Republic of the Congo (DRC), Indonesia, Myanmar, Papua New Guinea, Peru, the Solomon Islands, and Zimbabwe.¹³⁹ The BHRRC report listed numerous human rights and environmental abuses identified in the seven listed countries that included: pollution, ecological devastation, severe impacts on endangered species, the general lack of workplace protections, major effects on local livelihood, the use of child labor, the intimidation of local residents opposing mining operations, and rampant corruption.¹⁴⁰ In the short term, a functioning democracy like Panama could prevent several of these abuses thanks to its independent institutions, like its courts and the free press.¹⁴¹ However, according to Gerardo Berthin, Freedom House’s Vice President of International Programs, human rights and environmental abuses on a “grand scale” such as cases of major fraud or state-wide corruption, could threaten even the “aspirations and practices” of thriving democracies.¹⁴² Political troubles brought on by PRC human rights and environmental abuses in Panama could be further exacerbated by several previously-mentioned PRC advances such as election interference strategies, disinformation campaigns, and advanced tracking supplied by *smart city* and *safe city* technologies.

C. CHAPTER CONCLUSION

Panama’s strategic location, diverse economy, and long history with China have made it the prime location for Beijing’s entry into the LAC region. The PRC has leveraged its role as both Panama’s second largest trade partner and the second-largest transporter of goods on the Panama Canal to spur increased infrastructure development across the canal. The PRC has leveraged its large and diverse economy to drive a series of investments across Panama’s infrastructure, technology, and mining sectors. Finally, the PRC has used

¹³⁹ “Unpacking Clean Energy: Human Rights Impacts of Chinese Overseas Investment in Transition Minerals” (Business & Human Rights Resource Centre, July 6, 2023), 8–9, https://media.business-humanrights.org/media/documents/2023_China_TM_briefing.pdf.

¹⁴⁰ “Unpacking Clean Energy,” 3–19.

¹⁴¹ Gerardo Berthin, “Fighting Corruption Is Key to Countering Authoritarianism, and Protecting Human Rights,” Freedom House, January 11, 2023, <https://freedomhouse.org/article/fighting-corruption-key-countering-authoritarianism-and-protecting-human-rights>.

¹⁴² Berthin.

its long-standing historic and cultural relationship with the Central American country to slowly creep into Panama's media apparatus.

The recent advances made by the PRC in several Panamanian sectors pose serious economic and security risks for the people of Panama. PRC involvement in the development of key infrastructure within the Panama Canal zone along with the possibility of PLA operations in the vicinity of one of the most strategic logistical choke points presents Panama with the real risk of driving away several major trade partners and imperiling the nation's economy. PRC involvement in Panama's technology sector presents several security risks tied to the exploitation of sensitive data and the safety of both citizens and property throughout the country. PRC involvement in both Panama's local media and social media poses serious risks to Panama's security associated with the development of election interference strategies and the spread of disinformation. Finally, PRC investment in Panama's mining sector presents the short-term risk of increasing both local human rights and environmental abuses, and the long-term risk of future political backsliding.

With 2023 marking both the 6th anniversary of Panama's official diplomatic recognition of the PRC and the 10th anniversary of China's launching of the BRI, it is imperative that Panamanian policymakers conduct an in-depth review of the last decade to observe both the advantages and disadvantages associated with greater Chinese involvement and investment. Only in this way can Panamanians ensure that they are safeguarding their country from unnecessary PRC risks.

IV. ECUADOR AND ITS LOPSIDED ECONOMIC SECURITY RELATIONSHIP WITH THE PRC

Ecuador is a small country nestled between Colombia and Peru in the northwest corner of South America. The geographically and ethnically diverse country is home to over 18 million people and 14 different indigenous ethnic groups across coastal plains, the Andean Highlands, and the Amazon Rainforest.¹⁴³ Such diversity adds to Ecuador's uniqueness while also contributing to the ongoing domestic turmoil. Until recently, Ecuador was a country rife with common regional domestic issues like inadequate key infrastructure, income inequality, extreme poverty, migration issues, and environmental concerns.¹⁴⁴ An abrupt increase in domestic organized crime and drug trafficking activities over the last three years, combined with ongoing political gridlock, has exacerbated the country's struggles for economic development.¹⁴⁵

Various external influences aggravate Ecuador's situation. Chief among them: Chinese illegal unreported and unregulated fishing (IUU), illegal mining, perpetual foreign debt, transnational organized crime, and the COVID-19 pandemic economic shocks that drove the country "into a deep recession in 2020."¹⁴⁶ While many of these issues negatively impact the country, this chapter focuses strictly on the economic and security factors hindering Ecuador's economic security while also being susceptible to PRC exploitation. Ecuador's main economic concerns addressed in this chapter are substantial reliance on just a few exports and global superpowers, insufficient critical infrastructure, incessant debt, and limited FDI, all of which prevent the country from achieving economic prosperity.¹⁴⁷ Ecuador's main security concerns addressed in this chapter are the threat of

¹⁴³ "The Indigenous World 2023: Ecuador," March 27, 2023, <https://www.iwgia.org/en/ecuador/5087-iw-2023-ecuador.html>.

¹⁴⁴ "Ecuador," in *The World Factbook* (Central Intelligence Agency, October 6, 2023), <https://www.cia.gov/the-world-factbook/countries/ecuador/>.

¹⁴⁵ June Beittel and Ramon Miro, "Ecuador: Country Overview and U.S. Relations," Congressional Research Service Report (Washington, D.C.: Congressional Research Service, September 15, 2023), <https://crsreports.congress.gov/product/pdf/IF/IF11218>.

¹⁴⁶ Beittel and Miro.

¹⁴⁷ "Ecuador," October 6, 2023.

natural disasters, poverty as a driving factor for increased violent crime, and the rising violent crime and murder rate. These domestic economic and security issues are intensified by strong ethnic and political divides within the government that led to presidential impeachment, the dissolution of the National Assembly, and a vacancy in the presidential office for several months earlier in 2023.¹⁴⁸ The current insecurity, political turmoil, and economic stagnation illustrate the increased instability that the country has been enduring over the last several years.

The PRC is already exploiting Ecuador's vulnerable economy through IUU fishing, unceasing foreign debt, limited export monopolization, and increased economic bilateral agreements that heavily favor the PRC. Similarly, the PRC is already exploiting Ecuador's vulnerable security apparatus through the space sector, mining industry, and law enforcement monitoring infrastructure. For example, Ecuador recently increased PRC access to nearly 100% of Quito's main non-oil exports and expanded PRC exploitation potential through updated PRC bilateral economic agreements.¹⁴⁹

A. CURRENT PRC-ECUADOR ECONOMIC RELATIONS BRIEF OVERVIEW

Economic relations between the PRC and Ecuador have enhanced over the last several decades. The latest relationship enhancement was the May 2023 Ecuador-China Free Trade Agreement (FTA).¹⁵⁰ This deal grants the PRC 10 years of privileged access to 99% of Ecuador's exports with no tariffs on agricultural and agro-industrial products like bananas, cocoa, coffee, flowers, quinoa, and shrimp.¹⁵¹ This latest move illustrates how the PRC has transformed to be an integral economic partner to Ecuador. The PRC is now Ecuador's "largest non-oil trade partner" and "most important financial partner" with

¹⁴⁸ Beittel and Miro, "Ecuador: Country Overview and U.S. Relations."

¹⁴⁹ Joe Daniels and Joe Leahy, "China Deepens Ties in Latin America with Ecuador Free Trade Agreement," *Financial Times*, May 11, 2023, sec. Ecuador, <https://www.ft.com/content/b0cee143-1a38-4d93-b605-33e1cb91fc97>.

¹⁵⁰ Daniels and Leahy.

¹⁵¹ Daniels and Leahy; Qian Zhou, "China's Free Trade Agreements: Deal Signed with Ecuador," China Briefing, May 15, 2023, <https://www.china-briefing.com/news/china-free-trade-agreement-signed-ecuador/>.

over \$18 billion USD lent to the Andean country since 2010.¹⁵² Ecuador is China's 8th largest Latin American trading partner and their bilateral trading equated to a little over \$13 billion USD in 2022, an almost 20% increase from the year before.¹⁵³ PRC-Ecuador relations continue to rise as Ecuador's economic dependence on China deepens over time.

B. NEGATIVE IMPACTS OF CHINESE IUU FISHING TO ECUADOR'S SEAFOOD INDUSTRY AND MARINE ECOSYSTEM

Chinese IUU fishing in Ecuador's Exclusive Economic Zone (EEZ) has become a serious problem for the country. In fact, neutralizing such illicit activity has become a top priority for the country. Ecuador hosted a multinational maritime military exercise in September 2023 with participation from 12 global partners focused specifically on counteracting IUU fishing operations.¹⁵⁴ Additionally, the entire marine ecosystem in Ecuador's EEZ, including several endangered species, is vulnerable to Chinese IUU fishing and pollution without regard for their perseverance or the preservation of their living environment.¹⁵⁵ The environmental toll has attracted international attention from various organizations. One example is the U.S. Agency for International Development (USAID) which committed \$9.7 million USD in January 2023 to address the overexploitation of certain oceanic species stemming from IUU fishing in Ecuador.¹⁵⁶

¹⁵² Daniels and Leahy, "China Deepens Ties in Latin America with Ecuador Free Trade Agreement."

¹⁵³ Chris Devonshire-Ellis, "China-Ecuador Free Trade Agreement Moves Closer," Silk Road Briefing, February 8, 2023, <https://www.silkroadbriefing.com/news/2023/02/08/china-ecuador-free-trade-agreement-moves-closer/>.

¹⁵⁴ "Con éxito culmina ejercicio Galapex II-2023 en Ecuador," Official Peruvian Government, October 4, 2023, <https://www.gob.pe/institucion/marina/noticias/844721-con-exito-culmina-ejercicio-galapex-ii-2023-en-ecuador>; Comando de Operaciones Navales Ecuatorianas, "Focalizado Los Esfuerzos en el Combate a la Pesca Ilegal, Las Armadas Exhiben sus Capacidades en el Ejercicio Multinacional GALAPAX II 2023," Armada del Ecuador, September 26, 2023, <http://www.armada.mil.ec/blog/resultado-de-operaciones-1/focalizando-los-esfuerzos-en-el-combate-a-la-pesca-ilegal-las-armadas-exhiben-sus-capacidades-en-el-ejercicio-multinacional-galapex-ii-2023-1027>.

¹⁵⁵ "Ecuador combate pesca ilegal de flota China con tecnología satelital de Canadá," *Diálogo Américas* (blog), July 26, 2022, <https://dialogo-americas.com/es/articles/ecuador-combate-pesca-ilegal-de-flota-china-con-tecnologia-satelital-de-canada/>.

¹⁵⁶ "USAID anuncia USD 9,7 millones en apoyo a la pesca sostenible en aguas ecuatorianas y las islas Galápagos," *United States Department of State* (blog), June 27, 2023, <https://www.state.gov/translations/spanish/usa-id-anuncia-usd-97-millones-en-apoyo-a-la-pesca-sostenible-en-aguas-ecuatorianas-y-las-islas-galapagos/>.

The scale of the negative economic impact of Chinese IUU fishing is also noteworthy. Globally, Chinese IUU fishing has exhausted worldwide stocks over the last decade as “it generates up to \$36bn per year and accounts for one in every five fish eaten globally...[making] it the world’s sixth-largest illicit industry.”¹⁵⁷ The regional impact is worse. Approximately a third of China’s 3,000-vessel fishing fleet operates year-round in the South American region with about 75% of those vessels conducting IUU fishing and robbing between 8–15% of the region’s fish catch.¹⁵⁸ Chinese IUU fishing impedes Ecuador’s seafood industry. The country maintains “the largest small-scale artisanal fishing fleet in the Southeast Pacific Ocean” with over 58,000 people operating an estimated 20,000 boats.¹⁵⁹ Ecuador’s legitimate fishing industry is competing with Chinese IUU fishing perpetrators regularly. The country’s second and fourth most profitable export goods are shrimp and canned fish, and, ironically, China receives over half of Ecuador’s shrimp exports.¹⁶⁰ The Ecuadorian coastal communities, along with other regional coastal communities, rely on a healthy and safeguarded marine ecosystem for their livelihood, and Chinese IUU fishing is threatening that livelihood.

C. PRC PROJECTS BRING SCANDAL, ENVIRONMENTAL ISSUES, AND MORE EXPLOITATION TO ECUADOR

The PRC’s BRI reenergized diplomatic relations between the two countries even though Chinese infrastructure projects in Ecuador have produced questionable results. Ecuador’s official induction into the BRI in 2018 showed great promise for the country through “a series of infrastructure investments and diplomatic endeavors that would be the

¹⁵⁷ “South American Governments Are Trying to Curb Illegal Fishing,” *The Economist*, October 5, 2023, <https://www.economist.com/the-americas/2023/10/05/south-american-governments-are-trying-to-curb-illegal-fishing>.

¹⁵⁸ Translated by Content Engine LLC, trans., “Illegal Fishing: According to The Economist, Ecuador and Peru Fight It Better than Argentina and Uruguay,” *CE Noticias Financieras, English Ed.*, October 6, 2023, <https://www.proquest.com/docview/2873940820/citation/7842A33D545A4879PQ/1>; “South American Governments Are Trying to Curb Illegal Fishing.”

¹⁵⁹ Ana María Núñez, “Ecuador,” accessed October 18, 2023, <https://globalmarinecommodities.org/en/gmcecuador/>; “MISSION REPORT Following the Committee on Fisheries Delegation Visit to Ecuador, 22–24 February 2023,” Mission Report, Committee on Fisheries (European Parliament, March 22, 2023), https://www.europarl.europa.eu/doceo/document/PECH-CR-745390_EN.pdf.

¹⁶⁰ “MISSION REPORT Following the Committee on Fisheries Delegation Visit to Ecuador, 22–24 February 2023,” 2/18-3/18.

guiding force for China's foreign policy" in Ecuador.¹⁶¹ Although the official BRI agreement was signed by Ecuador in December 2018, PRC investment and infrastructure projects began in Ecuador several years before.¹⁶² The largest infrastructure project to originate from the PRC for Ecuador's benefit is the 2016 Coca Codo Sinclair hydroelectric plant that "cost more than \$2 billion and was financed with a \$1.7 billion loan from the Export Import Bank of China."¹⁶³ While this sustainable power source was badly needed in Ecuador, the business dealings associated with the project illustrate PRC predatorial money lending tactics to a country desperately trying to provide basic essential services to its citizens. Specific stipulations required Ecuador to use a company of the bank's choosing, which meant that Ecuador had to forfeit its right to find the best company willing to construct the plant correctly at the best possible price.¹⁶⁴ The stipulation by Export-Import Bank of China, also known as Eximbank, resulted in the Chinese company Sinohydro being awarded the construction project.¹⁶⁵ As a result, the structural integrity and practical use of the plant have been scrutinized by many Ecuadorians given that the plant already exhibits over 17,400 cracks as of July 2022 and "there is not enough water flow to generate [the intended] 1500 megawatts of power" for the country's benefit.¹⁶⁶

Furthermore, there are many legal issues revolving around the project. Ecuador's attorney general's office is currently investigating a network of corruption charges regarding the Coca Codo Sinclair hydroelectric project, deemed the Sinohydro Case, including bribery of dozens of people including former President Lenin Moreno and

¹⁶¹ Matthew Crittenden et al., "China's BRI in Latin America: Case Study – Hydropower in Ecuador," Tearline, June 15, 2021, https://www.tearline.mil/public_page/china-bri-in-ecuador-hydropower.

¹⁶² Crittenden et al.

¹⁶³ Néstor Aguilera, "China's Global Footprint | Controversy in Ecuador's Largest China-Built Infrastructure Project," February 2023, <https://projects.voanews.com/china/global-footprint/english/projects/infrastructure/controversy-in-ecuadors-largest-china-built-infrastructure-project.html>.

¹⁶⁴ Aguilera.

¹⁶⁵ Mario Alexis Gonzalez, "Gobierno y Policía desempolvan crédito chino para construir UPC y UVC," *Primicias* (blog), accessed October 30, 2023, <https://www.primicias.ec/noticias/en-exclusiva/policia-credito-chino-upc-uvc-gobierno/>.

¹⁶⁶ Aguilera, "China's Global Footprint | Controversy in Ecuador's Largest China-Built Infrastructure Project."

various members of his family.¹⁶⁷ That same project is also blamed for various environmental issues including the disappearance of the San Rafael waterfall, the erosion of the Coca River due to sediment retention, river damage to local transportation and oil infrastructure, and several oil spills that have negatively impacted “the health and livelihoods of indigenous Kichwa communities downstream.”¹⁶⁸ The Coca Codo Sinclair hydroelectric plant is the most significant BRI project that the PRC has actually constructed for Ecuador, yet the project’s mishandling has left a questionable impression on the quality and reliability of BRI projects for many Ecuadorians.

Smaller PRC projects are also causes for concern. One example involves Chinese financing and construction from Eximbank and China Road and Bridge company for 77 community police stations and five community service centers for a project that began in 2012 and is expected to be completed by 2025.¹⁶⁹ The hiring of the Chinese company was a requirement from Eximbank for Ecuador to obtain the loan—the same stipulation the same bank had for the 2016 Coca Codo Sinclair hydroelectric plant project—and is also a cause of investigation linked to multimillion-dollar bribery charges in exchange for “directing the work to the Chinese company and bank.”¹⁷⁰ This PRC project is one of the most recent currently underway in Ecuador as many projects fell off due to the global COVID-19 pandemic and economic shocks that ensued. It is too early to assess whether these community police stations and community service centers will endure similar structural problems to the Coca Codo Sinclair plant, but such concerns should be considered by the Ecuadorian leadership involved in the project.

Various other PRC projects are underway or pending in Ecuador. Some notable mentions include the “Ecuadorian 500kV Power Transmission and Transformation Project, the ECU911 Integrated Security Service, the infrastructure project cluster for post-

¹⁶⁷ Antonio José Paz Cardona, “Ecuador: Fiscalía investiga corrupción en la hidroeléctrica Coca Codo Sinclair mientras la erosión del río Coca causa estragos,” MONGABAY: PERIODISMO AMBIENTAL INDEPENDIENTE EN LATINOAMERICA, February 27, 2023, <https://es.mongabay.com/2023/02/corrupcion-en-coca-codo-sinclair-y-erosion-del-rio-coca-ecuador/>.

¹⁶⁸ José Paz Cardona.

¹⁶⁹ Alexis Gonzalez, “Gobierno y Policía desempolvan crédito chino para construir UPC y UVC.”

¹⁷⁰ Alexis Gonzalez.

earthquake reconstruction in 2016, the Mirador Cooper Mining Project, and the oil block development project.”¹⁷¹ Many of these projects are focused on Ecuador’s energy, environmental, and security sectors—all of which have long-term implications. Ecuador’s increased reliance on the PRC seems to correlate with increased bilateral infrastructure project agreements over recent years. It also seems that the PRC is leveraging that increased dependence by including strict conditions for loans and infrastructure projects that favor the PRC while simultaneously bringing a variety of problems to Ecuador. Given that access to documentation of every PRC project in Ecuador is limited, it is difficult to know for certain whether unfavorable conditions to Ecuador apply to every bilateral infrastructure deal. Given the PRC’s predatorial lending reputation, however, it is safe to assume that loan and project agreements will continue favoring the PRC at the expense of Ecuador.

D. DEBT-TRAP DIPLOMACY

Ecuador’s unceasing accumulated debt to the PRC exacerbates the country’s economic stagnation. This is mainly because Ecuador continues to borrow money well beyond its means to pay back what it would owe lenders in the future. The PRC, for example, has become Ecuador’s main financial partner over the last decade and recently restructured the country’s \$4.4 billion USD debt to Chinese banks through “long-term oil sales contracts” and “1.4 billion worth of debt relief to Ecuador through 2025.”¹⁷² The unceasing accumulation of Ecuador’s foreign debt to Chinese banks has left Ecuador vulnerable to increased PRC influence. Increased influence has already resulted in the PRC becoming one of Ecuador’s top trading partners as a major “destination for Ecuadorian exports and as a supplier of goods, services, FDI, finance, and technology,” thus forcing

¹⁷¹ Devonshire-Ellis, “China–Ecuador Free Trade Agreement Moves Closer.”

¹⁷² Augusto de la Torre, Margaret Myers, and Steven Holmes, “On the Ecuador-China Debt Deal: Q&A with Augusto de La Torre,” *The Dialogue*, September 23, 2022, <https://www.thedialogue.org/analysis/on-the-ecuador-china-debt-deal-qa-with-augusto-de-la-torre/>; “Presidente Guillermo Lasso anuncia renegociación de deuda con China en Nueva York,” *El Universo*, September 20, 2022, <https://www.eluniverso.com/noticias/economia/presidente-guillermo-lasso-anuncia-renegociacion-de-deuda-con-china-en-nueva-york-nota/>.

Ecuador to accommodate the PRC when necessary “to improve the quality and depth of its relations with China in all relevant fronts (economic, political, cultural, etc.).”¹⁷³

Unfortunately for Ecuador, overreliance on oil exports and superpower trade aggravates economic insecurity. This means that when the economies of China and the United States slow down or global oil prices drop, the “fully dollarized economy” of Ecuador could undergo an abrupt growth decline.¹⁷⁴ This ongoing decline would ultimately lead Ecuador to borrow more money from external lenders and Ecuador is running out of options. The IMF is one of Ecuador’s few remaining traditional lending partners, but no new IMF financial agreement was included in the country’s 2023 financial budget plan.¹⁷⁵ Nonetheless, Ecuador still owes billions of dollars to hemispheric lenders. Ecuador’s debt to the IMF is estimated at over \$8 billion USD with millions more owed to other external lenders like the World Bank, the Inter-American Development Bank, and the Corporacion Andina de Fomento (CAF) Development Bank of Latin America and the Caribbean.¹⁷⁶ Fortunately for Ecuador, however, money lending from these traditional lenders does not include additional loan provisions that heavily favor the lender at the cost of exacerbated economic instability for the borrowing country.

As Ecuador cuts ties with these hemispheric money lenders, the country becomes more susceptible to the predatorial money lending practices of Chinese banks. For example, Ecuador’s more traditional lending partners have offered low annual interest rates with an average of 4.38% in February 2023 compared to rates between 6–7% from Chinese banks with some loans made with Ecuadorian asset guarantees or backed by oil.¹⁷⁷

¹⁷³ de la Torre, Myers, and Holmes, “On the Ecuador-China Debt Deal.”

¹⁷⁴ Caio Ferreira and Mark Adams, “Ecuador: Financial System Stability Assessment,” Country Report (Washington, D.C.: International Monetary Fund, September 21, 2023), 16, 42, <https://www.imf.org/en/Publications/CR/Issues/2023/09/21/Ecuador-Financial-System-Stability-Assessment-539348>.

¹⁷⁵ Reuters, “Ecuador Not Looking for New Agreement with IMF, Will Maintain Ties,” *Reuters*, December 16, 2022, sec. Americas, <https://www.reuters.com/world/americas/ecuador-not-looking-new-agreement-with-imf-will-maintain-ties-2022-12-16/>.

¹⁷⁶ Evelyn Tapia, “La mitad de la deuda externa de Ecuador es con los multilaterales,” *Primicias* (blog), May 16, 2023, <https://www.primicias.ec/noticias/economia/deuda-multilaterales-juicio-politico-ecuador/>.

¹⁷⁷ Tapia.

Furthermore, loans from Chinese banks come with potentially damaging conditions for Ecuador. Ecuador's oil payback method, per loan terms, hurts the country's economy due to the unfavorable fixed price, thus causing Ecuador to lose money for each oil barrel given to the PRC.¹⁷⁸ Moreover, Ecuador's lending dealings with the PRC can complicate bilateral economic relations. The PRC's advantageous economic position affords it the ability to "impose the purchase of goods or services from a given country," including Ecuador.¹⁷⁹ This tactic is already illustrated in the latest China-Ecuador FTA that grants the PRC preferential access to 99% of Ecuador's exports over the next 10 years.¹⁸⁰ Ecuador's recent lending conduct mentioned previously is drawing the country deeper into debt with the PRC with repayment options that worsen the country's economic insecurity.

E. SECURITY CONSIDERATIONS

Ecuador remains at high risk for several types of natural disasters ranging from floods to landslides to earthquakes due to its precarious location situated along the central tropical Pacific Ocean, home to both the El Niño weather phenomenon and the Ring of Fire.¹⁸¹ El Niño is a normally occurring weather pattern associated with the warming of ocean surface temperatures which frequently causes both strong coastal flooding and major landslides.¹⁸² The Ring of Fire is a crescent moon-shaped seismically active belt of volcanoes and earthquake epicenters occurring at the edges of the Pacific basin caused by regular plate tectonic movement between the North American and Pacific tectonic plates.¹⁸³ Ecuador's population is especially susceptible to natural disasters like flooding, landslides, and earthquakes because over 95% of the urban population lives either within

¹⁷⁸ Jaime Moreno, "¿El fin de los préstamos chinos a los gobiernos de Latinoamérica?," *Voz de América*, April 9, 2022, <https://www.vozdeamerica.com/a/prestamos-chinos-gobiernos-latinoamerica-/6517942.html>.

¹⁷⁹ Moreno.

¹⁸⁰ Daniels and Leahy, "China Deepens Ties in Latin America with Ecuador Free Trade Agreement."

¹⁸¹ "Ecuador," *Climate Change Knowledge Portal: For Development Practitioners and Policy Makers*, 2021, <https://climateknowledgeportal.worldbank.org/>.

¹⁸² "Understanding El Niño," *National Oceanic and Atmospheric Administration: U.S. Department of Commerce*, February 2, 2016, <https://www.noaa.gov/understanding-el-nino>.

¹⁸³ "Ring of Fire," October 14, 2023, <https://www.britannica.com/place/Ring-of-Fire>.

the country's mountainous or coastal regions.¹⁸⁴ In February of 2022, landslides caused by flooding, triggered by hours of rainfall, killed 24 and injured over 50 in Quito.¹⁸⁵ Additionally, in March of 2023, 15 people were killed and over 400 were seriously injured when a 6.7-magnitude earthquake struck outside of Cuenca.¹⁸⁶

Ecuador has also suffered from recent bouts of both local conflict and political instability, driven by recent global and regional events. The COVID-19 Pandemic forced the Ecuadorian economy to contract by nearly 8% in 2020.¹⁸⁷ The Russia-Ukraine conflict raised Ecuador's overall inflation rate to nearly 4% and raised its food inflation rate to nearly 8%.¹⁸⁸ Between 2017 and 2022, Ecuador received over 500,000 Venezuelan migrants and refugees, placing added financial pressures on the country's already strained medical infrastructure and COVID-19 response.¹⁸⁹ The lack of local job opportunities and the influx of migrants have allowed criminal gangs to easily recruit new members.¹⁹⁰ As the criminal gangs have grown in size, they have increased their extortion activities across several communities, which has in turn chased away Ecuadorian business owners and further driven higher rates of poverty.¹⁹¹ Over the

¹⁸⁴ "Ecuador," 2021.

¹⁸⁵ Ellen Francis, "Landslide and Floods in Ecuador's Capital Kill 24, Cover Neighborhoods in Mud after Punishing Rain," *Washington Post*, February 2, 2022, <https://www.washingtonpost.com/world/2022/02/02/ecuador-landslide-quito-flooding-rain/>.

¹⁸⁶ Adam Durbin and Samuel Horti, "Ecuador Earthquake Kills at Least 15 People," *BBC News*, March 18, 2023, sec. Latin America & Caribbean, <https://www.bbc.com/news/world-latin-america-65004163>.

¹⁸⁷ Gustavo Javier Canavire Bacarreza, "Poverty & Equity Brief: Ecuador," Poverty & Equity Brief, Poverty & Equity (World Bank Group, April 2023), 1–2, https://databankfiles.worldbank.org/public/ddpext_download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/current/Global_POVEQ_ECU.pdf#:~:text=Thus%2C%20by%20the%20end%20of%202022%2C%20poverty%20measured,levels%20at%202029.9%20percent%2C%20affecting%205.4%20million%20Ecuadorians.

¹⁸⁸ Javier Canavire Bacarreza, 1–2.

¹⁸⁹ Claudia Serrano Córdova, Irene Torres, and Daniel López-Cevallos, "Exploring the Impact of Ecuador's Policies on the Right to Health of Venezuelan Migrants during the COVID-19 Pandemic: A Scoping Review," *Health Policy and Planning* 38, no. 9 (November 1, 2023): 1110–11, <https://doi.org/10.1093/heapol/czad071>.

¹⁹⁰ "Ecuador: Surging Violence Must Be Wake-up Call to Urgently Address Poverty, Says UN Expert," OHCHR, September 8, 2023, <https://www.ohchr.org/en/press-releases/2023/09/ecuador-surging-violence-must-be-wake-call-urgently-address-poverty-says-un>.

¹⁹¹ "Ecuador."

course of the last decade, this poverty and fear has propelled massive protests across the country which have forced the mid-term ouster of several democratically elected presidents.¹⁹²

Finally, Ecuador has suffered from high rates of violent crimes ranging from robbery to kidnapping to murder due to its position neighboring several cocaine-producing regions in both Peru and Colombia, its dollarized economy, and its high levels of domestic corruption.¹⁹³ 2022 and 2023 are shaping up to be the most violent years in Ecuador's history, with police reporting over 4,600 violent deaths in 2022 and over 3,500 violent deaths in the first half of 2023.¹⁹⁴ Ecuador's porous border and direct access to several Pacific ports have attracted Peruvian and Colombian drug gangs to the country for decades.¹⁹⁵ Several analysts familiar with Ecuadorian crime have claimed that Ecuador's decision to dollarize its economy in 2000 made it the perfect place to both launder and move money for several criminal organizations operating in the region.¹⁹⁶ Additionally, drug money pouring into Ecuador has greatly increased corruption levels among Ecuador's government officials and security forces.¹⁹⁷

The continued risk of natural disasters, the risk of poverty driving further conflict and instability, and the recent increase in violent crime rates have forced Ecuador's policymakers to consider outside help to alleviate these issues. Though the U.S. remains Ecuador's main military partner for security cooperation, the PRC has recently made

¹⁹² "Ecuador," October 6, 2023.

¹⁹³ "Ecuador's High Tide of Drug Violence," November 4, 2022, <https://www.crisisgroup.org/latin-america-caribbean/andes/ecuador/ecuadors-high-tide-drug-violence>.

¹⁹⁴ Dan Collyns, "'We Should Treat It as a War': Ecuador's Descent into Drug Gang Violence," *The Guardian*, September 12, 2023, sec. World news, <https://www.theguardian.com/world/2023/sep/12/ecuador-violence-bloody-drug-war>.

¹⁹⁵ Collyns.

¹⁹⁶ Stefano Pozzebon, "How Gang Warfare Jumped from Ecuador's Prisons to the Open Street," CNN, July 26, 2023, <https://www.cnn.com/2023/07/26/americas/ecuador-drug-violence-crisis-explainer-intl/index.html>.

¹⁹⁷ Gabrielle Gorder, "Corrupt Security Services Worsen Ecuador's Murder Problem," InSight Crime, May 31, 2022, <http://insightcrime.org/news/corrupt-security-services-worsen-ecuadors-murder-problem/>.

several inroads into Ecuador's security infrastructure by pursuing initiatives in various sectors including space, mining, and law enforcement monitoring.

F. SECURITY RISKS POSED BY SPACE COOPERATION

Ecuador has pursued space collaboration with the PRC to better monitor natural disasters and grow its economy, opening greater opportunities for Sino-Ecuadorian security cooperation. Several recent breakthroughs in satellite technology have driven advances in both natural disaster monitoring and natural disaster response planning.¹⁹⁸ Additionally, the rise in demand for various types of space data and industry-related services is driving increased investment in the sector.¹⁹⁹ Given the ability of emerging satellite technologies to assist with future disaster response initiatives and the possibility that continued space innovation could drive massive private sector investment, Ecuador has sought to increase efforts for space collaboration with the PRC.

Though Ecuador has a long history tied to space exploration, the country has only recently developed its own space infrastructure. Ecuador's earliest entry into space occurred in 1957 when the US's National Aeronautics and Space Administration (NASA) first installed a mini-track satellite station on the Cotopaxi Volcano.²⁰⁰ In 1977, Ecuador's own Center for Natural Resources Integrated Survey by Remote Sensors (CLIRSEN) began to operate the NASA facility, both receiving and processing various satellite communications.²⁰¹ Finally, in 2007, Ecuador officially entered the global space community by announcing the creation of both the Ecuadorian Civilian Space Agency (EXA) and the Ecuadorian Civilian Space Plan (ECSP), aimed at eventually landing an

¹⁹⁸ Tatyana Woodall and The Ohio State University, "Using Satellite Data to Help Direct Response to Natural Disasters," PHYS ORG, April 27, 2022, <https://phys.org/news/2022-04-satellite-response-natural-disasters.html>.

¹⁹⁹ John Coykendall et al., "Riding the Exponential Growth in Space," Deloitte Insights, March 22, 2023, <https://www2.deloitte.com/us/en/insights/industry/aerospace-defense/future-of-space-economy.html>.

²⁰⁰ Annette Froehlich, Diego Alonso Amante Soria, and Ewerton De Marchi, "Ecuador," in *Space Supporting Latin America: Latin America's Emerging Space Middle Powers*, ed. Annette Froehlich, Diego Alonso Amante Soria, and Ewerton De Marchi, Studies in Space Policy (Cham: Springer International Publishing, 2020), 323, https://doi.org/10.1007/978-3-030-38520-0_11.

²⁰¹ Froehlich, Amante Soria, and De Marchi, 323.

Ecuadorian device on the moon.²⁰² The EXA in conjunction with both the Ecuadorian Air Force (FAE) and the Ministry of Telecommunications and the Information Society (MTSI) have collaborated on several space initiatives to include the training of the nation's first astronaut, the initiation of several space-based scientific experiments, the launch and maintenance of three technology research satellites, and several collaborations with various foreign partners.²⁰³

The PRC has worked tirelessly to establish closer diplomatic, military, and business ties with Ecuador's emerging space sector. The PRC has leveraged its space collaboration with the G77, a 135-country coalition that seeks to promote its members' collective interests and develop enhanced negotiating capacity within the United Nations (UN), to help develop bilateral space relations across the LAC.²⁰⁴ In Ecuador, these space relations have centered around Chinese provisions to supply launch services and provide opportunities for information exchanges. In 2013, the China National Space Administration (CNSA) in conjunction with EXA, launched the Ecuadorian satellite NEE-01 Pegaso from the Jiuquan Satellite Launch Center in the Inner Mongolia Autonomous Region of China.²⁰⁵ In 2016, following a 7.8 magnitude earthquake in Ecuador, the CNSA supported local disaster relief initiatives by providing the EXA and FAE with access to both satellite imagery and various remote sensing capabilities.²⁰⁶ Additionally, over the last decade, the FAE and PLA have also participated in high-level military exchanges focused on space operations.²⁰⁷ More recently, the PRC has also sought to expand its space relationship with Ecuador to include both satellite component sales and development

²⁰² Froehlich, Amante Soria, and De Marchi, 323.

²⁰³ Froehlich, Amante Soria, and De Marchi, 325.

²⁰⁴ Annette Froehlich, Diego Alonso Amante Soria, and Ewerton De Marchi, "Latin America's Space Legal Framework," in *Space Supporting Latin America: Latin America's Emerging Space Middle Powers*, ed. Annette Froehlich, Diego Alonso Amante Soria, and Ewerton De Marchi, Studies in Space Policy (Cham: Springer International Publishing, 2020), 111, https://doi.org/10.1007/978-3-030-38520-0_5.

²⁰⁵ Julie Michelle Klinger, "A Brief History of Outer Space Cooperation Between Latin America and China," *Journal of Latin American Geography* 17, no. 2 (2018): 53.

²⁰⁶ Klinger, 59.

²⁰⁷ Klinger, 53.

loans.²⁰⁸ Beijing has continuously made claims that enhanced Chinese satellite sales and development loans could greatly improve Ecuador's telecommunications infrastructure, natural resource activity monitoring capacity, and border surveillance preparedness.²⁰⁹

Continued Sino-Ecuadorian space cooperation could hamper future space collaboration efforts with the U.S. and its allies. Rather than working in the current existing space infrastructure, the PRC is currently developing its own structures for future space cooperation and pushing LAC nations to join in. In 2018, China launched its BeiDou Navigation Satellite System as an alternative to the U.S. Global Positioning System (GPS).²¹⁰ The 35-satellite system which provides global positioning services was rolled out alongside BRI initiatives in over 150 countries.²¹¹ In 2021, Chinese officials proposed the establishment of a China-CELAC Space Cooperation Forum which would allow China and the LAC to collaborate on remote sensing technology, satellite hardware, and scientific research.²¹² In 2023, the PRC led the establishment of the International Lunar Research Station Cooperation Organization (ILRSCO) to pursue lunar missions with several global partners, including LAC states.²¹³ Though Venezuela is currently the only LAC country to have joined ILRSCO, China is actively working to grow membership in the region. Ecuador has also continued to pursue several space endeavors with Western partners like the Colombian Space Agency, NASA, and the American consortium Irvine CubeSat STEM Program (ICSP).²¹⁴ This collaboration has mainly focused on the development of both miniature satellites and a future lunar lander.²¹⁵

²⁰⁸ Aleksandra Gadzala Tirziu, "China, Latin America and the New Space Race," *GIS Reports* (blog), July 4, 2023, <https://www.gisreportsonline.com/r/china-space-latin/>.

²⁰⁹ Tirziu.

²¹⁰ Maya Wang, "China's Techno-Authoritarianism Has Gone Global," *Foreign Affairs*, April 8, 2021, <https://www.foreignaffairs.com/articles/china/2021-04-08/chinas-techno-authoritarianism-has-gone-global>.

²¹¹ Wang.

²¹² Tirziu, "China, Latin America and the New Space Race."

²¹³ Tirziu.

²¹⁴ Froehlich, Amante Soria, and De Marchi, "Ecuador," 323.

²¹⁵ Froehlich, Amante Soria, and De Marchi, 323.

As PRC space efforts continue to work against contemporary space initiatives led by the U.S. and its allies, these efforts risk leading the world into a two-system global space structure. In such a two-system structure, Ecuador could be forced to make a choice on who to collaborate with on future space operations. As Ecuador has previously partnered with the PRC, Quito could be pressured into once again pursuing future space collaboration with the PRC. This decision, however, would likely end several of Ecuador's current space endeavors with the West, thus locking the EXA out of future space collaboration with the U.S. and its allies. Such a move could stifle technology innovation and limit the growth of Ecuador's space sector.

G. SECURITY RISKS POSED BY PRC ENTRY INTO THE ECUADORIAN MINING SECTOR

To fund major government programs aimed at reducing the national poverty rate, Ecuadorian policymakers greatly expanded the national mining industry by attracting Chinese investment. During the presidential administration of Raphael Correa, the government used mining proceeds to fund several programs that reduced the poverty rate from 37% in 2007 to 27% in 2017.²¹⁶ Correa's efforts both increased the nation's minimum wage from \$170 a month to \$375 a month and initiated a Human Development Bonus of \$50 a month to aid the country's 1.3 million poor families.²¹⁷ To pay for these programs, Correa expanded the nation's economy by attracting several Chinese firms to invest in Ecuador's oil, gold, and copper futures.²¹⁸ Correa's successful expansion of the mining sector and government programs to alleviate poverty have led subsequent Ecuadorian leaders to seek out Chinese investment in the industry.

Though Ecuador has not historically maintained a large mining industry with mineral sales accounting for less than 5% of Ecuador's exports in 2021, China's growing

²¹⁶ Stansfield Smith, "Ecuador's Accomplishments under the 10 Years of Rafael Correa's Citizen's Revolution," *COHA* (blog), April 17, 2017, <https://coha.org/ecuadors-accomplishments-under-the-10-years-of-rafael-correas-citizens-revolution/>.

²¹⁷ Smith.

²¹⁸ Merlin Marr-Johnson, "Challenge and Opportunity in the Mining Industry of Ecuador," *Coring Magazine* (blog), March 4, 2021, <https://coringmagazine.com/article/challenge-opportunity-ecuador/>.

demand for copper has driven increased diplomacy and investment in the sector.²¹⁹ Chile and Peru have continued to lead the LAC copper export market, with each country shipping over 65% of their respective copper exports to China annually.²²⁰ However, experts familiar with Ecuador's mining industry have claimed that by the end of this decade, Ecuador could realize annual outputs of 800,000 ounces of gold, 3,000,000 ounces of silver, 20,000 tons of zinc, and 120,000 tons of copper.²²¹ China's recent emergence as both a global leader in green technology and electric vehicle (EV) sales has driven total copper demand to grow by over 3% to 16.13 million tons in 2023.²²² The scale of this demand led PRC government officials and company heads to Quito to help the Ecuadorian government draft new legislation that would guarantee the rights of Chinese mining firms.²²³ Chinese negotiations with the Ecuadorian government eventually led to the Chinese state-owned enterprise (SOE) CRCC-Tongguan purchasing Ecuacorriente, the largest copper mining firm in Ecuador, from the Canadian firm Corriente Resources.²²⁴ The sale included 30-year rights to one of Ecuador's largest open-pit copper mines, the 10,000-hectare Mirador mine.²²⁵ In 2022, the Mirador mine produced over 100,000 tons of copper, helping Ecuador's mining exports to exceed \$2.3 billion for the year, an increase of over 30% from 2021.²²⁶ Most recently, CRCC-Tongguan announced two phases of

²¹⁹ Reuters Staff, "Ecuador Sees Mining Exports Rising 74% in 2021, Ministry Says," *Reuters*, June 24, 2021, sec. Mining & Metals – Specialty, <https://www.reuters.com/article/ecuador-mining-idUSL2N2O62FG>.

²²⁰ "What Does China's Reopening Mean for Latin America?," *The Economist*, January 18, 2023, <https://www.economist.com/the-americas/2023/01/18/what-does-chinas-reopening-mean-for-latin-america>.

²²¹ Michael Potter, "Ecuador: Back on Track to Be a Mining Country," *Mining Geology Group* (blog) (mininggeologyhq@gmail.com, September 13, 2017), https://www.mininggeologygroup.com/ecuador_mining/.

²²² Mai Nguyen and Siyi Liu, "RPT-Chinese Copper Demand Revs up, but Banking Rout Could Cap Prices," *Reuters*, March 20, 2023, sec. Banking and Financial News, <https://www.reuters.com/article/china-copper-demand-idUKL1N35P0QC>.

²²³ Cintia Quiliconi and Pablo Rodriguez Vasco, "Chinese Mining and Indigenous Resistance in Ecuador," *Carnegie Endowment for International Peace*, September 20, 2021, 4.

²²⁴ Quiliconi and Rodriguez Vasco, 4.

²²⁵ Quiliconi and Rodriguez Vasco, 4.

²²⁶ "Ecuador Mining Export Revenues Jump Nearly 33% in 2022," *Reuters*, February 17, 2023, sec. Mining & Metals – Specialty, <https://www.reuters.com/article/ecuador-mining-idUSL1N34X24E>.

growth at the Mirador mine aimed at growing annual output to 200,000 tons of copper by 2025.²²⁷

Ongoing Chinese investment in the Ecuadorian mining industry is dangerous because it could lead to a further rise in local human rights and environmental abuses that could drive political backsliding. A 2021 report by the Carnegie Endowment for International Peace observed major human rights and environmental abuses at CRCC-Tongguan's Ecuadorian site, the Mirador mine.²²⁸ The Carnegie report listed human rights abuses that included major impacts on local livelihood, the intimidation of local residents, the denial of peaceful protests, and the forced removal of indigenous communities.²²⁹ The report listed environmental abuses that included major ecological impacts on local wildlife and species habitats, incidents of water and air pollution, and widespread soil contamination.²³⁰ Several high-level meetings between Chinese and Ecuadorian officials, where diplomatic pressure was used to shape laws that protected the interests of Chinese firms involved in the local mining sector, were also identified in the report.²³¹ These meetings led to the passage of the updated Ecuadorian Mining Law and Public and State Security Law, both of which were used by CRCC-Tongguan to secure illegal land purchases and forcibly remove local members of the indigenous community opposed to the mining effort.²³² Ecuador, a functioning democracy, has worked to resolve several of these abuses through expanded elections, updates to the state's judiciary, greater collaboration with indigenous organizations, and expanded press freedoms.²³³ Several major issues within Ecuador, however, such as the influx of hundreds

²²⁷ "China Is about to Expand the Mirador Copper Mine Project in Ecuador," *Seetao* (blog), July 26, 2023, <https://www.seetao.com/details/221963.html#:~:text=In%202022%2C%20the%20Mirador%20Copper,will%20reach%20over%20200000%20tons.>

²²⁸ Quiliconi and Rodriguez Vasco, "Chinese Mining and Indigenous Resistance in Ecuador," 4.

²²⁹ Quiliconi and Rodriguez Vasco, 23–26.

²³⁰ Quiliconi and Rodriguez Vasco, 18–20.

²³¹ Quiliconi and Rodriguez Vasco, 18–20.

²³² Quiliconi and Rodriguez Vasco, 18–20.

²³³ "Ecuador: Freedom in the World 2022 Country Report," Freedom House, accessed October 31, 2023, <https://freedomhouse.org/country/ecuador/freedom-world/2022>.

of thousands of Venezuelan migrants and the recent increase in the violent crime rate, are sure to busy the next Ecuadorian administration, limiting the amount of effort directed at lowering human rights and environmental abuses. Additionally, PRC tactics used across the LAC region such as political pressure, economic pressure, and locally directed disinformation campaigns could be used to draw local ire away from Chinese firm abuses.

H. SECURITY RISKS POSED BY THE DEVELOPMENT OF A NATIONAL SURVEILLANCE SYSTEM

Advances in the study of security monitoring helped guide Ecuadorian leaders to pursue Chinese surveillance technology as a solution to its rising violent crime rate, allowing PRC firms to slowly enter the country's law enforcement monitoring infrastructure. Several academic studies have argued that advances to a nation's emergency response system can help significantly lower local murder rates.²³⁴ Additionally, various academic studies have argued that camera-based security systems are effective at deterring crime.²³⁵ Given the ability of emergency response systems to lower murder rates and camera-based technologies to deter crime, Ecuador has sought to continue to expand its Chinese surveillance technology footprint throughout the country.

The chance trip of an Ecuadorian delegation to a Beijing security command center in 2008 led to the development of Ecuador's own Chinese-style security infrastructure three years later. The delegation was so impressed by the Chinese command center's monitoring ability that they inquired about the possibility of leveraging the technology in Ecuador. In 2011, Ecuador secured a \$240 million Chinese loan, and construction of the system, dubbed ECU911, began in Quito.²³⁶ The system was designed by the Chinese firm CEIEC and relied heavily on its technicians and engineers to both install and run the

²³⁴ Thomas Stratmann and David Chandler Thomas, "Dial 911 for Murder: The Impact of Emergency Response Time on Homicides," *CESifo Working Papers*, no. CESifo Working Paper no. 6140 (October 2016): 3–20.

²³⁵ "Do Home Security Cameras Deter or Prevent Crime?," *Security.Org* (blog), May 12, 2023, <https://www.security.org/security-cameras/deter-crime/>.

²³⁶ Charles Rollet, "Ecuador's All-Seeing Eye Is Made in China," *Foreign Policy* (blog), August 9, 2018, <https://foreignpolicy.com/2018/08/09/ecuadors-all-seeing-eye-is-made-in-china/>.

system.²³⁷ The system was built utilizing several smart city and safe city technologies developed by Huawei, that consisted of hundreds of cameras, data storage units, and rapid deployment modules.²³⁸

Though it was initially developed to operate as a camera-based monitoring system in just Ecuador's capitol, ECU911 quickly spread across the entire country and began rapidly incorporating the newest Chinese technologies. Soon after its construction, ECU911 was placed under the authority of Ecuador's National Secretariat of Intelligence (SENAIAN), a newly developed office created and tasked with monitoring the physical and digital activity of Ecuador's citizens.²³⁹ SENAIAN leadership, realizing the capabilities of the ECU911 system, expanded its network across several of Ecuador's largest cities to include Guayaquil, Santo Domingo, and Cuenca. By 2016, ECU-911 consisted of over 4,300 cameras, 3,000 employees, and 16 different command centers.²⁴⁰ As the system expanded in size, so too was it leveraged by both the Ecuadorian government and Chinese firms. In 2012, ECU911's collection of personal, employment, and financial information was used by the Ecuadorian state to help develop the country's new nationwide biometric database.²⁴¹ Between 2016 and 2019, Huawei began to use ECU911 as a testbed to assess new technologies, installing a state-of-the-art artificial intelligence research lab, a set of night-vision drones, and an array of thermal-sensing and facial recognition cameras.²⁴²

Although the Ecuadorian government requested that China build the program, many recent examples have illustrated how Chinese technology was previously responsible for spying on various foreign government and military communications, posing a

²³⁷ Rollet.

²³⁸ Nargis Kassenova and Brendan Duprey, "Digital Silk Road in Central Asia: Present and Future," June 2021, 45.

²³⁹ Kassenova and Duprey, 46.

²⁴⁰ Jonah M. Kessel, "In a Secret Bunker in the Andes, a Wall That Was Really a Window," *The New York Times*, April 26, 2019, sec. Reader Center, <https://www.nytimes.com/2019/04/26/reader-center/ecuador-china-surveillance-spying.html>.

²⁴¹ Kassenova and Duprey, "Digital Silk Road in Central Asia: Present and Future," 45.

²⁴² Kassenova and Duprey, 45.

significant risk to Ecuador's security infrastructure. The Federal Bureau of Investigation (FBI) recently discovered Huawei equipment installed above cellular towers near several U.S. military bases which was capable of both monitoring and disrupting restricted Department of Defense (DOD) communications.²⁴³ In 2017, several African Union (AU) computer systems developed by Huawei were discovered to have vulnerabilities that had allowed for the illegal transfer of data to China for over five years.²⁴⁴ Though the Chinese firm claimed to have not been involved in either case, computer experts familiar with Huawei have claimed that it is nearly impossible that developers from the firm were unaware of either the inner workings, capabilities, and vulnerabilities of its various systems.²⁴⁵ As the ECU911 system is positioned all over the country, including within close proximity to several military installations and police facilities, it is possible that Huawei could infiltrate sensitive communications across Ecuador's security infrastructure. Such a capability could be used to blackmail the Ecuadorian state into cooperating with several Chinese military ambitions ranging from PLAN activity in the Pacific Ocean to PLA activity above the Ecuadorian atmosphere. Additionally, as with the AU case, it is possible that the ECU911 system has built-in vulnerabilities that could allow China to receive and monitor all its physical and digital surveillance records, allowing the PRC to spy on Ecuador's domestic and international communications.

Moreover, though Ecuador did order the ECU911 system, various cases have documented how Chinese technology was responsible for the theft of intellectual property, presenting a real risk to Ecuador's business sector. In 2003, Cisco Systems accused Huawei of stealing several software codes from its international routers.²⁴⁶ In

²⁴³ Alexandra Alper, "Exclusive: U.S. Probes China's Huawei over Equipment near Missile Silos," *Reuters*, July 21, 2022, sec. United States, <https://www.reuters.com/world/us/exclusive-us-probes-chinas-huawei-over-equipment-near-missile-silos-2022-07-21/>.

²⁴⁴ Ashley Dutta and Jonathon Marek, "A Concise Guide to Huawei's Cybersecurity Risks and the Global Responses," *The National Bureau of Asian Research (NBR)* (blog), October 3, 2019, <https://www.nbr.org/publication/a-concise-guide-to-huaweis-cybersecurity-risks-and-the-global-responses/>.

²⁴⁵ Dutta and Marek.

²⁴⁶ Jim Duffy, "Cisco Sues Huawei over Intellectual Property," *Computerworld*, January 23, 2003, <https://www.computerworld.com/article/2578617/cisco-sues-huawei-over-intellectual-property.html>.

2014, Huawei was accused of stealing a proprietary robot, used for detecting flaws in new smartphones, from T-Mobile's U.S. testing lab.²⁴⁷ In 2018, Huawei was accused of trying to steal trade secrets about Apple's iPhone and Apple Watch component production from various China-based Apple manufacturers and suppliers.²⁴⁸ As ECU911 maintains a sophisticated digital monitoring network that observes both public and private information, and Huawei terminals store and route all the data on the system, it is possible that Huawei could share sensitive data such as business records and bank information with both the PRC and Chinese firms.

Though the Chinese surveillance system was developed at Ecuador's volition to improve its own security, several reports have implicated Chinese firms in operations that keep dictators in power. These types of operations could risk leading Ecuador towards a more authoritarian form of rule. In Uganda, Huawei technicians assisted a local cyber-surveillance unit in hacking into the WhatsApp group of a prominent political opponent of Uganda's president Yoweri Museveni.²⁴⁹ In Zambia, Huawei engineers aided the government in tracking and accessing the Facebook communications of several bloggers who opposed Zambian President Edgar Lungu.²⁵⁰ In both cases, Huawei tracking and hacking efforts led to the arrest of several political dissidents, demonstrating that the Chinese firm have the capabilities and the willingness to engage in government-led espionage operations.²⁵¹ Additionally, ECU911 was previously revealed to have been used to spy on several Ecuadorian opposition politicians, indigenous activists, and prominent journalists during the Correa administration.²⁵² The PRC could collaborate with

²⁴⁷ Hiroko Tabuchi, "T-Mobile Accuses Huawei of Theft From Laboratory," *The New York Times*, September 6, 2014, sec. Business, <https://www.nytimes.com/2014/09/06/business/t-mobile-accuses-huawei-of-theft-from-laboratory.html>.

²⁴⁸ Wayne Ma, "How Huawei Targets Apple Trade Secrets," *The Information*, February 18, 2019, <https://www.theinformation.com/articles/how-huawei-targets-apple-trade-secrets>.

²⁴⁹ Joe Parkinson, Nicholas Bariyo, and Josh Chin, "Huawei Technicians Helped African Governments Spy on Political Opponents," *Wall Street Journal*, August 14, 2019, sec. Tech, <https://www.wsj.com/articles/huawei-technicians-helped-african-governments-spy-on-political-opponents-11565793017>.

²⁵⁰ Parkinson, Bariyo, and Chin.

²⁵¹ Dutta and Marek, "A Concise Guide to Huawei's Cybersecurity Risks and the Global Responses."

²⁵² Kessel, "In a Secret Bunker in the Andes, a Wall That Was Really a Window."

authoritarian-leaning Ecuadorian candidates, such as Correa and his allies, and amplify the coercive effects of ECU911 with other Chinese tools such as election interference strategies or disinformation campaigns. Such efforts would drastically risk the future of Ecuador's political freedom.

I. CHAPTER CONCLUSION

Ecuador's natural resource wealth and long history with China have made it an ideal country for Beijing to both collaborate with and invest in. The PRC has leveraged its early BRI relationship with Ecuador, its role as the country's second-largest trade partner, and Quito's dismissal of the neoliberal order in the last two decades to drive greater economic and security cooperation with Ecuador.²⁵³ China's advances into Ecuador's fishing, energy, loan, space, mining, and security industries pose both major economic and security risks for the people of Ecuador. IUU fishing practices undertaken by the Chinese fleet threaten Ecuador's coastal economy and the livelihood of several Ecuadorian communities. Chinese investment in the development of the local energy infrastructure presents Ecuador with real risks to both the country's energy and economic security. The high level of Chinese loans and increasing debt to Quito pose several risks to the future of Ecuador's economic security. Ongoing PRC involvement in Ecuador's space sector presents the real risk of locking the EXA out of future space collaboration with the U.S. and its allies. Chinese investment in Ecuador's mining industry presents the major risks of increasing both human rights and environmental abuses and driving a return to authoritarian rule. Finally, the expansion of the Chinese-created and monitored ECU911 system poses serious risks to Ecuador's national security, public and private sensitive information, and continued political freedom.

Ecuador has been a country caught in the middle of geopolitics between the U.S. and the PRC for years. On the one hand, the U.S. has remained the nation's number one trade partner, and the U.S. dollar is used as the country's currency, on the other hand, China has become heavily intertwined in both the nation's security and economy. With the recent

²⁵³ "China's BRI in Latin America: Case Study – Ports," accessed February 2, 2023, https://www.tearline.mil/public_page/china-bri-in-latin-america-caribbean-ports/.

win by centrist candidate Daniel Noboa over Luisa González, former leftist President Correa's protégé, during Ecuador's recent runoff election, the people of Ecuador answered the question: What kind of future does Ecuador want?²⁵⁴ The people spoke, opposing the corruption and authoritarian leanings associated with the Correa administration, by sending Noboa to the presidential palace with a resounding double-digit victory.²⁵⁵ In this same vein, Ecuadorian policymakers should now answer the question: What kind of country will Ecuador be if it continues to collaborate with China? In answering this question, it is important that like the people of Ecuador did in the runoff election, Ecuadorian policymakers look at the costs and benefits of working with China over the last two decades. Only then can Ecuadorians ensure that they are safeguarding their own future.

²⁵⁴ Will Freeman, "Ecuador's 2023 Election: What Noboa's Victory Means," Council on Foreign Relations, October 19, 2023, <https://www.cfr.org/in-brief/ecuadors-2023-election-what-noboas-victory-means>.

²⁵⁵ Freeman.

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V. EL SALVADOR—A CASE OF LIMITED PRC INFLUENCE

El Salvador is a small Central American country that is riddled with domestic upheavals. Chief among them: organized crime, a weak economy, corruption at all levels of government, weak governing institutions, and democratic backsliding as a populist president continues ruling with increased authoritarian tendencies.²⁵⁶ These national issues are intertwined in many respects, but this chapter focuses strictly on the security and economic factors that inhibit the country's developmental progress. The main findings of this chapter are that El Salvador's principal security issue is gang violence; a combination of unceasing debt, limited foreign direct investment (FDI), substantial economic reliance on hemisphere partners, and an unprecedented amount of investment into digital currency are the main economic issues.

This chapter also includes an analysis of exploitation opportunities that the PRC could leverage that stem from the above-mentioned main security and economic factors in El Salvador. PRC influence in El Salvador is quite different than most other countries in the region due to its limited nature. This minimal influence is starkly different than the PRC's influence in other Latin American countries like the two mentioned in previous chapters. The main contributing factors to minimal PRC influence in El Salvador identified in this chapter are either internal or external in nature. Domestically, the country's rambunctious president seems to be cautiously optimistic about PRC dealings while also primarily focusing on domestic matters. Externally, the cooperative lack of PRC interference in El Salvador likely stems from the PRC's non-intervention policy regarding domestic matters in other nations. Additionally, the PRC possibly being content with the current relationship status in this one country while prioritizing bilateral relationships elsewhere worldwide may explain their relationship stagnation. In the future, the PRC may exploit that opportunity to introduce initiatives like "smart cities" or encourage Salvadoran President Nayib Bukele's increased authoritarian tendencies to further undermine

²⁵⁶ Clare Seelke and Joshua Klein, "El Salvador: In Brief," Congressional Research Service Report (Washington, D.C.: Congressional Research Service, April 29, 2022), 2–8, <https://crsreports.congress.gov/product/pdf/R/R47083>.

democracy in the region. Economic relations between El Salvador and the PRC are already improving and are expected to continue to do so for the foreseeable future. Overall increased PRC influence in El Salvador will have lasting impacts on ongoing economic and security dilemmas in the country depending on how the Salvadoran leadership navigates that influence.

A. DOMESTIC SECURITY OVERVIEW

El Salvador's security concerns are consumed by domestic matters. Gang violence has been the main security concern for El Salvador since gangs formed in the early 1990s following the end of the country's 12-year civil war.²⁵⁷ The government response eventually evolved from the 1990s and early 2000s to serve as the foundation for the current *Mano Dura* policy: an anti-gang strategy focused on "the immediate imprisonment of gang members, who can be arrested 'simply for having gang-related tattoos or flashing signs.'"²⁵⁸ In this context, *Mano Dura* roughly translates to "iron fist" and is generally referred to as a more radical form of penal populism that involves some form of repression by the government in administering criminal justice policy.²⁵⁹

The *Mano Dura* strategy typically serves as an overcorrection to previous limitations of the government to properly provide security to its citizens. The strategy is a characteristic response of Latin American political leaders to previously poorly handled domestic crime and violence issues. Bukele's *Mano Dura* approach, however, has received high praise domestically and internationally for the significant drop in gang violence in just over a year for a country that maintained a longstanding reputation for being one of the

²⁵⁷ Mo Hume, "Mano Dura: El Salvador Responds to Gangs," *Development in Practice* 17, no. 6 (November 1, 2007): 739, <https://doi.org/10.1080/09614520701628121>.

²⁵⁸ Hume, 739.

²⁵⁹ Alisha C. Holland, "RIGHT ON CRIME? Conservative Party Politics and 'Mano Dura' Policies in El Salvador," *Latin American Research Review* 48, no. 1 (2013): 45–46.

most violent countries in the world.²⁶⁰ The country had the highest homicide rate in 2015 with over 100 homicides per 100,000 people because of escalated gang violence.²⁶¹

Since then, the Salvadorian government has taken substantial measures to eradicate gang violence from within the country's borders. The most recent significant government action taken was in response to a spike in homicide rates in March 2022 that involved an "initial month-long state of emergency [that] was introduced on 27 March 2022 and has since been regularly renewed" resulting in over 72,000 people being detained as of September 2023.²⁶² It is important to remember that incarceration is not synonymous with guilt—of those 72,000 incarcerated, more than 7,000 have been released from prison "after it was proven they had been arbitrarily detained, but their freedom came after weeks or months behind bars."²⁶³ The extreme level of gang violence that has overwhelmed El Salvador for decades understandably calls for an aggressive government response, but such a response should benefit society rather than worsen the situation.

Ironically, government responses, like variations of the *Mano Dura* anti-gang strategy, have worsened the security situation in the country over the last several decades. Two main contributing factors are government oppressive behavior and human rights violations from national security forces. Examples of oppressive behavior of the Salvadoran government include suspending "the rights to legal counsel, fair trial, and

²⁶⁰ Speck, "As El Salvador's Gang Crackdown Continues, Citizens Wonder What's Next?," United States Institute of Peace, May 10, 2023, <https://www.usip.org/publications/2023/05/el-salvadors-gang-crackdown-continues-citizens-wonder-whats-next>.

²⁶¹ María Elena Ortegón, "El Salvador Profile," *InSight Crime* (blog), September 15, 2020, <https://insightcrime.org/el-salvador-organized-crime-news/el-salvador/>; Diana Roy, "Why Has Gang Violence Spiked in El Salvador?," Council on Foreign Relations, May 4, 2022, <https://www.cfr.org/in-brief/why-has-gang-violence-spiked-el-salvador-bukele>.

²⁶² "El Salvador State of Emergency," OHCHR, March 28, 2023, <https://www.ohchr.org/en/press-briefing-notes/2023/03/el-salvador-state-emergency>; "El Salvador's Leader, Criticized Internationally for Gang Crackdown, Tells UN It Was the Right Thing," AP News, September 20, 2023, <https://apnews.com/article/el-salvador-nayib-bukele-gangs-989d6e3ec5e25449e167c7790c795823>.

²⁶³ Jessica García, "Claudia Ortiz: 'Los detenidos injustamente es muestra de que el sistema de justicia no funciona,'" Noticias de El Salvador – Noticias de El Salvador, noticias internacionales, salvadoreños por el mundo, economía, negocios, política, deportes, entretenimiento, tecnología, turismo, tendencias, fotos, videos, redes sociales, August 23, 2023, <https://www.elsalvador.com/noticias/nacional/regimen-de-excepcion-claudia-ortiz-marcela-villatoro/1084872/2023/>; Robert Valencia and Steven Dudley, "El Salvador Police Reports Contradict Bukele's Triumphalism," *InSight Crime* (blog), September 22, 2023, <https://insightcrime.org/news/el-salvador-police-reports-contradict-bukeles-triumphalism/>.

freedom of expression” as well as indiscriminate arrests that Salvadoran police forces estimate involve one in six people being innocent.²⁶⁴ These actions tainted the government’s legitimacy, further marginalized the country’s youth, stimulated gang recruitment, and rapidly increased prison populations where gangs developed “operational sanctuaries to manage their activities without fear of the law or rival gangs.”²⁶⁵ Human rights violations committed by national security forces have added a layer of significant international scrutiny and pressure to the domestic situation. Salvadoran authorities were explicitly called out for “serious human rights concerns” by the United Nations High Commissioner for Human Rights spokesperson in March 2023.²⁶⁶ Another example involves an ongoing petition hosted by Amnesty International that urges President Bukele to “end the state of exception and create human rights-focused public security policies.”²⁶⁷ Arbitrary arrests, poor detention conditions, disappearances, and torture are just a few examples of continued violations committed by national security forces since at least the country’s civil war era.²⁶⁸ The combination of governmental oppressive behavior and unchecked abuses by national security forces further complicate El Salvador’s domestic security situation.

B. DOMESTIC SECURITY ANALYSIS

The government crackdown on gang violence has produced mixed results. In terms of diminishing gang violence nationwide, the government has succeeded. The Salvadorian “National Civil Police have registered 146 homicides through Sept. 18 [2023], more than

²⁶⁴ Julia Zulver and María José Méndez, “El Salvador’s ‘State of Exception’ Makes Women Collateral Damage,” Carnegie Endowment for International Peace, May 4, 2023, <https://carnegieendowment.org/2023/05/04/el-salvador-s-state-of-exception-makes-women-collateral-damage-pub-89686>.

²⁶⁵ Ortegón, “El Salvador Profile.”

²⁶⁶ “El Salvador State of Emergency.”

²⁶⁷ “End Human Rights Violations in El Salvador,” Amnesty International, accessed October 11, 2023, <https://www.amnesty.org/en/petition/end-human-rights-violations-in-el-salvador/>.

²⁶⁸ Human Rights Watch, “El Salvador: Events of 2022,” in *World Report 2023*, 2023, <https://www.hrw.org/world-report/2023/country-chapters/el-salvador>.

72% below the same period last year [2022].”²⁶⁹ Salvadorans are relieved that decades of gang subjugation are behind them. This is especially true for citizens across the country who are returning to more than 4,500 homes previously usurped by gangs for decades.²⁷⁰

A mindset shift about gang strength seems to be permeating throughout El Salvador. This is especially true in former gang stronghold communities in the country’s western, central, and eastern regions. One former gang leader admitted that the Bukele administration has “broken up the gangs” and previously dominant gangs no longer exist as a result.²⁷¹ President Bukele’s aggressive crackdown exploits the structural vulnerabilities of the gangs. The former gang leader credits the government’s isolation of top gang leaders from their top-down-run organizations as one of the main reasons why gangs have fragmented.²⁷² Removing the top tier of gang leadership left middle- and lower-tier gang leadership with “no direction nor the capacity to make decisions at the national level.”²⁷³

Furthermore, the Salvadorian government’s effective isolation of the top-tier gang leadership generated paranoia and mistrust among unconfined gang members.²⁷⁴ The residual gangs operating throughout the country have retracted from their former strongholds and are now more focused on surviving during Bukele’s reign. One of the latest major operations involved the deployment of thousands of Salvadorian soldiers and police officers to Cabañas to extract gang members presumably hiding in the rural region.²⁷⁵

²⁶⁹ “El Salvador’s Leader, Criticized Internationally for Gang Crackdown, Tells UN It Was the Right Thing.”

²⁷⁰ Secretaría de Prensa, “Familias retornan a casas que estuvieron usurpadas por pandilleros en varias zonas de Soyapango,” *Presidencia de la República de El Salvador* (blog), January 17, 2023, <https://www.presidencia.gob.sv/familias-retornan-a-casas-que-estuvieron-usurpadas-por-pandilleros-en-varias-zonas-de-soyapango/>.

²⁷¹ Carlos Martínez, Efren Lemus, and Oscar Martínez, “Régimen de Bukele desarticula a las pandillas en El Salvador,” *Régimen de Bukele desarticula a las pandillas en El Salvador*, August 25, 2023, https://elfaro.net/es/202302/el_salvador/26691/R%C3%A9gimen-de-Bukele-desarticula-a-las-pandillas-en-El-Salvador.htm.

²⁷² Martínez, Lemus, and Martínez.

²⁷³ Martínez, Lemus, and Martínez.

²⁷⁴ Martínez, Lemus, and Martínez.

²⁷⁵ “El Salvador: Entire Region ‘under Siege’ to Hem in Gangs,” *BBC News*, August 2, 2023, sec. Latin America & Caribbean, <https://www.bbc.com/news/world-latin-america-66379555>.

Operations such as these demonstrate the mindset shift amongst the country's gangs from dominant and offensive in nature to reclusive and on the run from the law.

Despite human rights concerns, many Salvadorans support Bukele and his anti-gang approach. Since the commencement of the state of emergency decree in March 2022, approval ratings have hovered around 90% for both Bukele and his crackdown on gangs.²⁷⁶ Bukele has received much international scrutiny for the human rights violations and systematic dismantling of democratic checks and balances that have ensued following the implementation of his prolonged state of emergency decree.²⁷⁷ Although a constitutional prohibition of immediate re-election exists, Bukele publicly declared his intention to run for re-election in 2024 and is expected to receive little domestic pushback with support from an estimated 68 percent of expected voters and unchecked control in every branch of government.²⁷⁸ Essentially, reelection would allow Bukele's current controversial gang violence crackdown initiatives to continue unchecked, if not explicitly supported.

Bukele's reelection would also squander any remaining hope that lingering gang members currently maintain to one day restore their former dominance. Some gang members have already considered alternative lifestyles through rehabilitation programs that help former gang members reintegrate into society.²⁷⁹ One such program, *Vida Libre*, was founded in 2021 by a U.S. pastor in the Santa Ana Department and housed a total of

²⁷⁶ Translated by Content Engine LLC, trans., "Salvadoran President Bukele Has 91 % Approval Rating, According to Daily Newspaper," *CE Noticias Financieras, English Ed.*, March 15, 2023, English edition, <https://www.proquest.com/docview/2787672014/citation/E2D2D9289CAD4F03PQ/1>; Eddie Galdamez, "President Nayib Bukele's Approval Rating! What's Behind the President's Popularity?," *El Salvador INFO*, September 17, 2023, <https://elsalvadorinfo.net/nayib-bukele-approval-rate/>; Marcos Aleman, "In El Salvador, a Tough Anti-Gang Crackdown Proves Popular," *AP News*, December 27, 2022, <https://apnews.com/article/crime-nayib-bukele-organized-san-salvador-human-rights-72e1b8f58bdbc2098d9b940fb2049ca>.

²⁷⁷ Human Rights Watch, "El Salvador."

²⁷⁸ Seelke and Klein, "El Salvador: In Brief"; Roman Gressier and José Luis Sanz, "International Community Places No Hurdles to Reelection for Bukele," *International Community Places No Hurdles to Reelection for Bukele*, August 25, 2023, https://elfaro.net/en/202309/el_salvador/27061/International-Community-Places-No-Hurdles-to-Reelection-for-Bukele.htm.

²⁷⁹ María Teresa Hernández, "Más allá de la cárcel: pastores mantienen la esperanza de sanar a El Salvador de las pandillas," *AP News*, June 16, 2023, <https://apnews.com/world-news/general-news-46457d47cc466c3916b5ce1f7b7129a3>.

38 former gang members. While most were reintegrated back into society, all are now suspected of being incarcerated because of Bukele's crackdown initiatives.²⁸⁰ Such rehabilitation programs offer the Bukele administration more universally supported options for his ongoing controversial crackdown, but he doesn't seem interested in modifying his current approach anytime soon.

Bukele's oppressive policies may lead to future societal security problems stemming from younger generations. The state of emergency decree permitted Bukele to implement an aggressive and controversial strategy that involved lowering "the age of criminal responsibility for children from 16 to 12 years old."²⁸¹ This means that whole generations could be incarcerated for a significant part of their impressionable adolescent and young adult years, thus more susceptible to being influenced by the prison culture and imprisoned gang members. This sort of exposure may result in more young people identifying with fellow prisoners and gang members than with the rest of society. A similar demographic of young people whose parents are being imprisoned, wrongfully or otherwise, are also vulnerable. Children with incarcerated parents are more vulnerable to "the long-term socioeconomic impacts of this separation, the marginalization they suffer, and their potential involvement in criminal activity later in life."²⁸² It is evident that indiscriminate mass incarceration has profound impacts on the youth. As *El Faro*, one of the country's leading independent news outlets, puts it "The cure could be as harmful as the disease."²⁸³ Systemic, multigenerational incarceration policies may become an irreversible security problem if Bukele's administration does not improve its tactics to eradicate gang violence.

²⁸⁰ Teresa Hernández.

²⁸¹ Emma Sanderson, "El Salvador's Crackdown on Gangs, Explained," Blog Post (The Chicago Council on Global Affairs, May 9, 2023), <https://globalaffairs.org/commentary-and-analysis/blogs/el-salvadors-crackdown-gangs-explained>.

²⁸² Chris Dalby, "Q&A: Latin American Children With Parents in Prison Get No Support," *InSight Crime* (blog), June 22, 2023, <https://insightcrime.org/news/unseen-consequences-latin-american-children-parents-prison/>.

²⁸³ Tom Phillips and Jaime Quintanilla, "El Salvador Crackdown Breaks the Gangs – at Huge Cost to Human Rights," *The Guardian*, February 20, 2023, sec. World news, <https://www.theguardian.com/world/2023/feb/20/bukele-el-salvador-gangs-crackdown>; Zulver and Méndez, "El Salvador's 'State of Exception' Makes Women Collateral Damage."

Overall, this approach offers positive short-term results with possible long-term negative consequences. The *Mano Dura* strategy has benefited gangs in various hemispheric countries in the past as “periods of sharply rising incarceration, driven partly by anti-gang laws, preceded qualitative leaps in prison-gang power on the street.”²⁸⁴ El Salvador is no exception to this phenomenon and this scenario could very well play out again in the country. El Salvador’s national police claim that the largest gangs in the country “still maintain 54 armed groups, mostly in rural areas” and that around “43,000 people who have been profiled as gang members remain at large.”²⁸⁵ Bukele’s *Mano Dura* approach works to limit explicit gang violence, but his method does not completely eradicate gangs from El Salvador. Gangs have endured government crackdowns like Bukele’s in the past and they have lasted longer than any president before him. Even with consolidated gang strength currently severely degraded, they still maintain larger amounts of institutional power.

It also does not help the government’s case that the national security forces are abusing their power. According to some Salvadorans, fears of police and military power abuses have usurped concerns of gang violence.²⁸⁶ Although this blowback effect is largely overshadowed by the positives of limiting organized violent crime, there are substantial concerns that the “cure” could be worse than the disease. One such familiar consequence could be the resurgence of gangs from the younger generations to counter the security forces’ abuse of power. Even with enhanced incarceration tactics, Bukele’s current approach is not sustainable and will not survive international and domestic backlash. In a worst-case scenario, the country could witness an entire generation of Salvadorans violently acting out against what it deems an oppressive and authoritarian government once released back into society.

²⁸⁴ Benjamin Lessing, “Counterproductive Punishment: How Prison Gangs Undermine State Authority,” *Rationality and Society* 29, no. 3 (August 1, 2017): 257, 260, <https://doi.org/10.1177/1043463117701132>.

²⁸⁵ Valencia and Dudley, “El Salvador Police Reports Contradict Bukele’s Triumphalism.”

²⁸⁶ Chris Dalby, “True Cost of El Salvador’s War on Gangs Still Being Tallied,” *InSight Crime* (blog), December 6, 2022, <https://insightcrime.org/news/true-cost-el-salvador-war-on-gangs/>.

C. THE PRC'S SECURITY INTERESTS ANALYSIS

The PRC's security interests in El Salvador are minimal currently thanks to China's longstanding non-intervention policy. PRC and Salvadoran leaders have focused on enhancing diplomatic relations through economic means while avoiding public criticism of the Bukele administration's improper handling of domestic security concerns.²⁸⁷ The PRC's hands-off approach to El Salvador may be related to Bukele's March 2019 comments. He openly criticized the PRC's foreign policy tactics as invasive, and the Chinese embassy in El Salvador responded that "China never looks to intervene in internal affairs of other nations, but always opens and develops diplomatic relations with all countries, just as in the case with El Salvador."²⁸⁸ That said, the PRC may reconsider its non-intervention policy in the future if opportunities present themselves.

The COVID-19 pandemic may also have limited security bilateral relations between both countries. This outbreak sharply redirected both countries domestically. El Salvador initially introduced "one of the most stringent lockdowns anywhere in the world" which shut down all public services and obligated everyone to stay at home with enforcement administered by the Salvadoran military.²⁸⁹ Simultaneously, the Bukele administration continued its efforts to hamper gang violence while competing with gang shadow government tactics throughout the country.²⁹⁰ This inward-focused political

²⁸⁷ Kerry Brown, "Is China's Non-Interference Policy Sustainable?," *BBC News*, September 17, 2013, sec. China, <https://www.bbc.com/news/world-asia-china-24100629>; Roman Gressier, "Where Does Central America Fit in a Multipolar World?," *Where Does Central America Fit in a Multipolar World?*, May 12, 2023, <https://elfaro.net/en/202305/centroamerica/26813/where-does-central-america-fit-in-a-multipolar-world/>; Zoe Jordan, "How Beijing Squares Its Noninterference Circle," *Council on Foreign Relations* (blog), March 7, 2022, <https://www.cfr.org/blog/how-beijing-squares-its-noninterference-circle>.

²⁸⁸ Nelson Renteria, "Responding to El Salvador President-Elect, China Denies It Meddles," *Reuters*, March 14, 2019, sec. World News, <https://www.reuters.com/article/el-salvador-diplomacy-china-idINKCN1QV3AO>.

²⁸⁹ World Health Organization, "El Salvador: The Country's President Takes the Lead in Promoting a Stringent Lockdown against COVID-19 with Support from All Levels, Including the PAHO/WHO Country Office," Country Case Study, COVID-19 Country Case Studies (Geneva, Switzerland: World Health Organization, March 22, 2021), 2–3, <https://www.who.int/publications/m/item/el-salvador-the-country-s-president-takes-the-lead-in-promoting-a-stringent-lockdown-against-covid-19-with-support-from-all-levels-including-the-paho-who-country-office>.

²⁹⁰ Kate Linthicum, Molly O'Toole, and Alexander Renderos, "In El Salvador, Gangs Are Enforcing the Coronavirus Lockdown with Baseball Bats," *Los Angeles Times*, April 7, 2020, <https://www.latimes.com/world-nation/story/2020-04-07/el-salvador-coronavirus-homicides-bukele>.

agenda narrowed foreign policy considerations to just pandemic-related response and cooperation.

The PRC initially responded to COVID-19 in a very different manner than El Salvador. Initially, the PRC invoked “an emergency response system that had been developed in the wake of SARS for a wide variety of emergencies.”²⁹¹ The rising need to salvage China’s global image eventually caused the PRC to conduct “foreign policy with great care and forge the negatives into positives.”²⁹² As with the rest of the world, El Salvador and the PRC would overcome the initial shock of the COVID-19 global outbreak but bilateral security relations would remain secondary to more pressing matters for both countries for years to come.

Bukele’s increasingly authoritarian tendencies may provide the PRC with future opportunities for bilateral security cooperation. Ongoing international pressure applied to the Bukele administration by external conglomerates like the United Nations and Amnesty International to improve anti-gang crackdown methods may result in further isolation from certain democratic parts of the world. If he does not backtrack, then a window of opportunity may arise for authoritarian countries like the PRC to step in and offer their support. The PRC has done this in the past in other countries across the region such as Venezuela. After being isolated from the West in the early 2000s, “Venezuela remains the region’s top purchaser of Chinese military hardware” and the PRC “reportedly exported some \$629 million worth of arms to Venezuela” from 2006–2022.²⁹³ Other Latin American countries tenuously connected to the West have also strengthened military ties with the PRC through arms sales and associated training programs. Examples include Argentina, Bolivia, Ecuador, and Peru—all of whom have spent millions of dollars on

²⁹¹ Qiulan Chen et al., “Rapid and Sustained Containment of Covid-19 Is Achievable and Worthwhile: Implications for Pandemic Response,” *The BMJ* 375 (December 2, 2021): e066169, <https://doi.org/10.1136/BMJ-2021-066169>.

²⁹² Anna Kobierecka, “Post-Covid China: ‘Vaccine Diplomacy’ and the New Developments of Chinese Foreign Policy,” *Place Branding and Public Diplomacy* 19, no. 3 (September 1, 2023): 280, <https://doi.org/10.1057/s41254-022-00266-2>.

²⁹³ Diana Roy, “China’s Growing Influence in Latin America,” Council on Foreign Relations, June 15, 2023, <https://www.cfr.org/backgroundunder/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>.

“Chinese military aircraft, ground vehicles, air defense radars, and assault rifles.”²⁹⁴ The PRC’s bilateral security agreements continue sweeping across the region, and El Salvador may inevitably succumb to these overtures if international sentiment remains unchanged.

The PRC may also choose to leverage its smart cities program in El Salvador as it has in other regional countries. This would allow the PRC to leverage “digital technology to collect and share data about municipal operations that had been previously unavailable or disaggregated, allowing improved municipal management and services.”²⁹⁵ It is quite possible that Bukele’s increasingly authoritarian methods, combined with longstanding issues of gang violence overshadowing privacy concerns, could involve the future introduction of weaponized smart cities in his country under the guise of protecting his citizens. The PRC is well-versed in abusing smart city technology within its own country “to monitor and repress its citizens.”²⁹⁶ As such, the PRC has also become a global leader in smart city initiatives. As of January 2020, the PRC allegedly has around 800 planned or operational pilot smart city programs ongoing around the world.²⁹⁷ Various key infrastructural features of those smart city initiatives have already made their way into Latin American countries. Leading that effort are the PRC-based companies Huawei and ZTE through telecommunication projects in 16 countries across the region.²⁹⁸ While Bukele has voiced concerns in the past about the PRC’s invasive foreign policy tactics, he could become more willing to consider what the PRC has to offer if international isolation continues.

²⁹⁴ Roy.

²⁹⁵ Katherine Atha et al., “China’s Smart Cities Development,” Research Report (SOS International LLC’s Intelligence Solutions Group, January 2020), 1, <https://www.uscc.gov/research/chinas-smart-cities-development>.

²⁹⁶ Craig Faller, “SOUTHCOM’s 2020 Posture Statement to Congress,” Posture Statement, 116th Congress Senate Armed Services Committee (United States Southern Command: United States Southern Command, January 30, 2020), 5, https://www.southcom.mil/Portals/7/Documents/Posture%20Statements/SASC%20SOUTHCOM%20Posture%20Statement_FINAL.pdf?ver=2020-01-30-081357-560.

²⁹⁷ Atha et al., “China’s Smart Cities Development,” 1.

²⁹⁸ Faller, “SOUTHCOM’s 2020 Posture Statement to Congress,” 5.

D. DOMESTIC ECONOMY ISSUES AND LIMITATIONS

El Salvador's economy has struggled for decades. The country's economy has been characterized by low growth for at least the last 25 years with recent GDP growth rates remaining between 2–3%.²⁹⁹ El Salvador has endured budget deficits “that have contributed to a rising debt-to-GDP ratio” since at least 2000.³⁰⁰ Remittances have been an economic lifeline for the country's economy in recent decades. In fact, about 18% of El Salvador's gross domestic product (GDP) was made up of remittances from 2015 to 2020 with an increase to over 25% in 2021 during the COVID-19 pandemic.³⁰¹ Like the rest of the world, the pandemic imposed economic shocks on the country starting in 2020 and El Salvador's economy struggled to recover as its GDP declined 8.2% in 2020 because of pandemic-related economic shocks.³⁰² The compounded difficulties that El Salvador has endured over the last several decades have set the country's economic progress back significantly.

Certain unconventional executive actions taken by the Bukele administration in recent years also seem to exacerbate El Salvador's economic instability. The Salvadoran government enacted a Bukele-backed initiative to make Bitcoin a legal tender in the country in September 2021 to foster financial inclusion, reduce remittance transfer fees, increase FDI, and “decrease dependence on U.S. monetary policy.”³⁰³ Two years into the risky move, the Bukele administration is witnessing mixed results. On the one hand, the prospect of FDI is subtly increasing. A public-private partnership was announced in June 2023 between Volcano Energy, the Salvadoran government, and various Bitcoin industry

²⁹⁹ Luis Vargas, “El crecimiento económico que no sorprenderá al mundo,” *El crecimiento económico que no sorprenderá al mundo*, August 25, 2023, <https://elfaro.net/es/202209/columnas/26359/El-crecimiento-econ%C3%B3mico-que-no-sorprender%C3%A1-al-mundo.htm>; “The World Bank in El Salvador Overview,” Text/HTML, World Bank, April 4, 2023, <https://www.worldbank.org/en/country/elsalvador/overview>.

³⁰⁰ Seelke and Klein, “El Salvador: In Brief,” 5.

³⁰¹ Seelke and Klein, 5.

³⁰² International Monetary Fund, “El Salvador and the IMF,” IMF, accessed October 2, 2023, <https://www.imf.org/en/Countries/SLV>; “The World Bank in El Salvador Overview.”

³⁰³ Seelke and Klein, “El Salvador: In Brief,” 6.

investors agreeing to build a \$1 billion Bitcoin mining farm in the country.³⁰⁴ On the other hand, the Bukele administration seems to have misjudged how Salvadorans would respond to the introduction of digital currency. Less than 2% of Salvadorans sent remittances to El Salvador in 2022 using cryptocurrencies, the average user of the official government cryptocurrency app is a young educated male demographic, and “seven out of ten Salvadorans think that the Bitcoin law should be repealed.”³⁰⁵ It seems that the unprecedented measures the Bukele administration has been taking have yet to improve El Salvador’s economic situation.

E. DOMESTIC ECONOMIC ANALYSIS

Like several countries in Central America, El Salvador’s economy is limited and weak leaving it susceptible to superpower influence. The region’s main exports are textiles and agricultural products. These exports are in high demand worldwide, but their markets are dominated by hemispheric countries like the United States, which held the lion’s share of the destination market in 2022.³⁰⁶ This economic partnership with a hemispheric superpower benefits countries like El Salvador as they enhance regional and bilateral relationships. One example involves The Partnership for Central America. This U.S. initiative promotes economic opportunity across Central America through FDI and the development of employment opportunities across the regional job market.³⁰⁷ The White House committed an additional \$950 million USD in February 2023, bringing the total U.S. fiscal contributions to more than \$4.2 billion since the initiative’s inception in May

³⁰⁴ Reuters, “El Salvador Partnership to Build \$1 Billion Bitcoin Mining Farm,” June 5, 2023, <https://www.reuters.com/technology/el-salvador-partnership-build-1-billion-bitcoin-mining-farm-2023-06-05/>.

³⁰⁵ Leopoldo Perez-Obregon, “UNU-MERIT » El Salvador’s Bitcoin Policy: Regret or Reward?,” August 21, 2023, <https://www.merit.unu.edu/el-salvador-bitcoin-policy/>.

³⁰⁶ Statista Research Department, “Main Destinations of Central American Exports 2022,” Statista, August 9, 2023, <https://www.statista.com/statistics/1234767/export-value-central-america-destination-country/>.

³⁰⁷ “Partnership For Central America,” Partnership For Central America, September 26, 2023, <https://www.centampartnership.org>.

2021.³⁰⁸ This multinational public-private partnership includes the collaboration of about 47 hemispheric organizations and companies “across financial services, textiles and apparel, agriculture, technology, telecommunications and nonprofit sectors to strengthen the region’s economic security.”³⁰⁹ This initiative is just one of many examples depicting longstanding economic relations between the U.S. superpower and Central American countries that the PRC has to compete with if it does decide to become more economically involved in the region.

Efforts to increase FDI in El Salvador are making only incremental progress. El Salvador has maintained “some of the lowest inflows of foreign direct investment in Central America” for decades “in part to widespread, gang-related crime and extortion.”³¹⁰ The recent crackdown on gang violence by the Bukele administration might set conditions to attract foreign investors, however. The significant drop in violent crime may also free up revenue that firms in El Salvador currently dedicate to security and surveillance efforts, which are estimated to consume about 5–15% of revenue.³¹¹ The attraction of FDI and domestic firm investment are largely dependent upon whether the Salvadoran government can successfully eradicate gang-related crime that has continuously hampered the country’s economic progression.

F. THE PRC’S ECONOMIC INTERESTS ANALYSIS

Generally, the PRC’s economic interests in El Salvador resemble the limited, but increasing, economic interests that the PRC has with various other Central American countries. For the PRC, El Salvador is a consumer market that purchases Chinese goods

³⁰⁸ The White House, “FACT SHEET: Vice President Harris Announces Public-Private Partnership Has Generated More than \$4.2 Billion in Private Sector Commitments for Northern Central America,” The White House, February 6, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/02/06/fact-sheet-vice-president-harris-announces-public-private-partnership-has-generated-more-than-4-2-billion-in-private-sector-commitments-for-northern-central-america/>.

³⁰⁹ House.

³¹⁰ Aaron Feit, “2023 Investment Climate Statements: El Salvador,” United States Department of State, *United States Department of State* (blog), 2023, <https://www.state.gov/reports/2023-investment-climate-statements/el-salvador/>; Seelke and Klein, “El Salvador: In Brief.”

³¹¹ Seelke and Klein, “El Salvador: In Brief.”

with about “one in every six items bought by Salvadorans [coming] from China.”³¹² In exchange, China receives Salvadoran exports from its agricultural sector such as coffee, soybeans, sugar, and various fruits.³¹³ One contributing factor to the gradual enhancement of economic relations between the PRC and El Salvador is that their diplomatic relations are relatively new. Diplomatic relations between the two countries began only after El Salvador dissolved diplomatic relations with Taiwan in 2018, following similar commitments by other regional powers.³¹⁴ After the diplomatic switch in 2018, the value of El Salvador’s exports to China almost doubled from \$47.4 million USD in 2017 to \$85.5 million USD, the PRC committed around \$150 million USD for social projects, and several tons of rice to Salvadorans who suffered from a drought.³¹⁵ Unfortunately for El Salvador, the economic benefits of switching from Taiwan to the PRC were short-lived for several reasons, including “diplomatic pushback and counterincentives from the United States, and the PRC’s failure to follow through on some of its promises-not to mention the arrival of the Covid-19 pandemic, which devastated the global economy and put projects on hold across the region.”³¹⁶ The young and fragile state of diplomatic relations between the two countries may also demonstrate lukewarm or cooling interest from the PRC to take on more responsibilities in the region. Nonetheless, the current limited economic relations between the PRC and El Salvador are slowly improving.

Another possible setback to enhanced economic relations between the PRC and El Salvador may stem from President Bukele’s outspoken condemnations of PRC foreign policy. At the time, Bukele lambasted the PRC for predatorial debt-trap tactics, rule-

³¹² CGTN, “China and El Salvador: Deeper Cooperation since Establishment of Ties,” April 23, 2023, <https://news.cgtn.com/news/2023-04-23/China-and-El-Salvador-Deeper-cooperation-since-establishment-of-ties-1jf0IYWSyfC/index.html>.

³¹³ Ellis, “China and El Salvador.”

³¹⁴ Fabiola Leon, CGTN, “5 Years of China-El Salvador Diplomacy: Dynamic Collaboration and Global Impact,” August 21, 2023, <https://news.cgtn.com/news/2023-08-21/China-El-Salvador-Diplomacy-collaboration-and-global-impact-1mrELcqc2is/index.html>; “China and El Salvador to Begin Free Trade Talks,” *Reuters*, November 10, 2022, sec. Asia Pacific, <https://www.reuters.com/world/asia-pacific/china-el-salvador-begin-free-trade-talks-2022-11-09/>.

³¹⁵ Ellis, “China and El Salvador.”

³¹⁶ Ellis.

breaking conduct, and democracy interventionist behavior.³¹⁷ This kind of public criticism from a highly influential Latin American political figure may have tempered PRC interest in deepening bilateral relations going forward. El Salvador's official recognition of the PRC in 2018 demonstrated continued progress for the PRC. The PRC's desire to eradicate Taiwan's supporters in Latin America overshadows past condemnations made by a Latin American president who has since increased bilateral business dealings. The combination of a relatively new diplomatic relationship with a country whose president is popular worldwide, unreservedly vocal, and has openly criticized the PRC in the past could offer additional insight as to why economic activity between the two countries has slowly increased since the inception of their relationship.

A substantial opportunity for money lending to El Salvador may be on the horizon for the PRC. El Salvador has repeatedly struggled to “alleviate pressure within its bond market, and avoid defaulting on its dollar-denominated debt.”³¹⁸ Although Bukele's administration made an \$800 million USD repayment of Eurobond loans back in January 2023, the country's economic obligations to outsiders remain a constant challenge.³¹⁹ A more traditional international lender to El Salvador has been the International Monetary Fund (IMF) although the Bukele administration and the IMF had a recent fallout that continues to linger. The Salvadoran government pursued a refinancing agreement with the IMF back in March 2021 that equated to \$1.3 billion USD, but the Bukele administration's removal of the Constitutional Court magistrates and attorney general in May 2021 halted negotiations.³²⁰

Relations between the Bukele administration and the IMF have only worsened. The IMF has repeatedly criticized the Bukele administration for the risks and uncertainty

³¹⁷ Renteria, “Responding to El Salvador President-Elect, China Denies It Meddles.”

³¹⁸ Phil Rosen, “El Salvador Says China Offered to Buy All Its Foreign Debt as the Nation Looks to Avoid Default,” *Markets Insider*, November 8, 2022, <https://markets.businessinsider.com/news/bonds/china-el-salvador-debt-default-refinance-bitcoin-bond-nayib-bukele-2022-11>.

³¹⁹ Nelson Rauda Zablah, “Bukele Blocks Release of IMF Annual Report on El Salvador Economy,” *El Faro*, April 19, 2023, https://elfaro.net/en/202304/el_salvador/26810/bukele-blocks-release-of-imf-annual-report-on-el-salvador-economy.

³²⁰ Rauda Zablah.

involved in making Bitcoin a legal tender for El Salvador and for democratic backsliding.³²¹ It also does not help that FDI continues to diminish in the country. For the first time in a decade, 2022 FDI flows for El Salvador ended with a negative balance (-\$99 million USD) largely because of legal uncertainties “caused by the political climate of the country.”³²² The Bukele administration has made some risky financial decisions over the last few years to turn the country’s economy around. Several of those decisions have hindered relations with various countries and lenders like the United States and the IMF while also attracting competitors like the PRC. Amidst El Salvador’s foreign debt dilemma in 2022, the PRC reportedly offered to purchase all the country’s foreign debt.³²³ Although the Bukele administration did not accept the offer, it is possible that the administration would consider PRC financial backing in the future.

Furthermore, the PRC continues making bilateral economic strides with El Salvador. The latest progress indicator was a September 2023 visit from a PRC delegation made up of members of the Public Finance and Economic Commission of the National People’s Congress.³²⁴ Enhanced relations with the PRC have benefited El Salvador already, including a \$40 million USD water purification project to be completed by the Chinese company Hebei Construction Group with the installation of powerlines, hydraulic

³²¹ Rauda Zablah; José Luis Sanz, “Crónica de los tropiezos políticos en la negociación con el FMI,” *El Faro*, December 12, 2021, https://elfaro.net/es/202112/el_salvador/25900/Cr%C3%B3nica-de-los-tropiezos-pol%C3%ADticos-en-la-negociaci%C3%B3n-con-el-FMI.htm; Roman Gressier and José Luis Sanz, “El Salvador Government Still Floats Possibility of IMF Deal,” *El Faro*, July 14, 2022, https://elfaro.net/en/202207/el_salvador/26268/El-Salvador-Government-Still-Floats-Possibility-of-IMF-Deal.htm.

³²² Evelyn Machuca, “Flujos de inversión extranjera con saldo negativo por primera vez en una década,” *La Prensa Gráfica*, April 17, 2023, <https://www.laprensagrafica.com/economia/Flujos-de-inversion-extranjera-con-saldo-negativo-por-primera-vez-en-una-decada-20230416-0076.html>.

³²³ “China and El Salvador to Begin Free Trade Talks”; Alonso Soto and Esteban Duarte, “El Salvador Says China ‘Offered to Buy’ Its External Bond Debt,” *Bloomberg.Com*, November 7, 2022, <https://www.bloomberg.com/news/articles/2022-11-07/el-salvador-says-china-offered-to-buy-its-external-bond-debt>; Rosen, “El Salvador Says China Offered to Buy All Its Foreign Debt as the Nation Looks to Avoid Default.”

³²⁴ Diana Arias, “Delegación asambleísta de hacienda y economía de China visitan el país,” *Diario El Salvador* (blog), September 15, 2023, <https://diarioelsalvador.com/delegacion-asambleista-de-hacienda-y-economia-de-china-visit-an-el-pais/406326/>.

lines, eight drilled wells, and a water treatment plant around Lake Ilopango.³²⁵ This project is part of a non-reimbursable cooperation package granted by the PRC and managed by Bukele.³²⁶ While there is no clarity as to whether or not the project will bring jobs to Salvadorans, the Chinese Ambassador to El Salvador, Zhang Yanhui, emphasized the project's significance as a "new monument for cooperation between El Salvador and China, and...a new symbol of friendship between the two countries."³²⁷ Relations between the PRC and El Salvador continue to improve incrementally while El Salvador's relations with the West worsen. Even so, the Bukele administration maintains reservations as to the long-term benefits of a relationship with the PRC, as El Salvador's vice president said, "We are not going to sell to the first bidder, we need to see the conditions."³²⁸ That said, financial backing from the PRC seems to be a more enticing option as the Bukele administration exhausts other options and burns bridges with more traditional international lending partners.

G. PRC POTENTIAL INFRASTRUCTURE PLANS

Progress made by the PRC in enhancing bilateral relations with El Salvador may reenergize previous PRC ambitions in El Salvador. One notable example is a 2019 proposal dubbed the "Shared Opportunities, Shared Future" project. This project would have been administered by the Chinese state-owned company Asia-Pacific Xuanhao with the intent of establishing "a special economic zone along the coastal strip of El Salvador and build [ing] a deep-water port and a manufacturing area."³²⁹ For the project to be executed, the Chinese wanted guaranteed exclusive access to "a 1,076-square-mile area—13 percent of

³²⁵ Boris Lozano, "Empresa china se prepara para la construcción de potabilizadora en Ilopango," *Diario El Salvador* (blog), September 3, 2023, <https://diarioelsalvador.com/empresa-china-se-prepara-para-la-construccion-de-potabilizadora-en-ilopango/402034/>.

³²⁶ Lozano.

³²⁷ Lozano.

³²⁸ Rosen, "El Salvador Says China Offered to Buy All Its Foreign Debt as the Nation Looks to Avoid Default."

³²⁹ Julieta Pelcastre, "China Seeks to Consolidate Domination Plan in El Salvador," *Diálogo Américas* (blog), October 6, 2021, <https://dialogo-americas.com/articles/china-seeks-to-consolidate-domination-plan-in-el-salvador/>.

the country's landmass" through one of the PRC's notorious 100-year leases.³³⁰ If this project were revisited by the PRC with El Salvador, it would have strong economic and security implications. The special economic zone could enhance the PRC's interests in the region, advance the desire to develop an alternate trade route to the Panama Canal, and give the PRC "a valuable perch to expand its military and intelligence capabilities" in the Western Hemisphere.³³¹ Needless to say, a PRC ambition as massive as the "Shared Opportunities, Shared Future" project could have a profound impact on the regional economy.

Another still-tenable PRC proposition is a 2021 major port expansion. The proposal focused on the development of an airport and the expansion of "a Japanese-built deep water port called La Unión, located in the Gulf of Fonseca at the intersection of Salvadoran, Honduran, and Nicaraguan territory."³³² The PRC intended to establish trade zones that excluded U.S. and European companies while also bypassing local businesses in distributing imported Chinese goods across the region.³³³ Although the proposition seems to have stalled, recent Chinese efforts to set conditions for such a project indicate that the project remains on life support. Bo Yang, a prominent Chinese businessman living in El Salvador since the 1980s, has strongly supported closer ties between the two countries.³³⁴ He has promoted deals in the country for over 30 years and purchased land around the La Unión port including half of Perico Island by the end of 2019.³³⁵ The PRC seems to have

³³⁰ Ernesto Londoño, "To Influence El Salvador, China Dangled Money. The U.S. Made Threats.," *The New York Times*, September 21, 2019, sec. World, <https://www.nytimes.com/2019/09/21/world/americas/china-el-salvador-trump-backlash.html>.

³³¹ Londoño.

³³² Ken Dilanian, Joel Seidman, and Gabriel Sanchez, "A Project in El Salvador Shows How China Is Exerting Growing Power in America's Backyard," NBC News, September 4, 2021, <https://www.nbcnews.com/politics/national-security/project-el-salvador-shows-how-china-exerting-growing-power-america-n1278464>.

³³³ Dilanian, Seidman, and Sanchez.

³³⁴ Kate Linthicum, "In Latin America's New Cold War, Will China Lift up Autocrats?," *Los Angeles Times*, February 17, 2022, <https://www.latimes.com/world-nation/story/2022-02-17/as-china-encroaches-on-latin-america-what-happens-to-democracies>.

³³⁵ Dilanian, Seidman, and Sanchez, "A Project in El Salvador Shows How China Is Exerting Growing Power in America's Backyard."

several initiatives in the queue for El Salvador if or when bilateral relations reach a high level of mutual trust and transparency.

H. CHAPTER CONCLUSION

As depicted throughout this chapter, there are several opportunities for growing connections between the PRC and El Salvador. Furthermore, relations between the two countries are expected to continue increasing. On the one hand, increased PRC influence in the country may not be a bad thing for El Salvador, as substantial monetary commitments for development projects in El Salvador continue to rise while the Bukele administration appears to neatly sidestep the PRC's notorious debt-trap diplomacy.³³⁶ Simultaneously, El Salvador continues honoring established hemispheric relationships to maintain diversity in the country's portfolio and prevent a meltdown of the country's economy. If El Salvador can continue conservative diplomacy with the PRC while maintaining other foreign relationships, then the country's current domestic security and economic issues may be resolved with worldwide support.

On the other hand, increased PRC influence in El Salvador could worsen domestic conditions. El Salvador's current democratic backsliding may be exacerbated by embracing PRC initiatives like smart city technology to impose further restrictions on Salvadoran society in the name of security. A worsened security and economic state would add the Bukele administration to the long list of failed presidencies in attempting to elevate El Salvador out of economic and security turmoil to a stable upward trajectory. Many other regional powers have failed to extricate themselves from domestic turmoil, eventually turning to the PRC for economic relief and are now being exploited as a result. Examples include Venezuela and Ecuador which have had to repay debts to the PRC with natural resources like oil.³³⁷ If PRC influence were fully embraced, then El Salvador could

³³⁶ Ellis, "China and El Salvador."

³³⁷ Jaime Moreno, "China Changes Its Latin America Lending Practices," VOA, May 11, 2022, <https://www.voanews.com/a/china-changes-its-latin-america-lending-practices/6567361.html>.

become the latest Latin American country to succumb to the predatorial and interventionist behavior that Bukele openly disparaged the PRC about in 2019.³³⁸

Lastly, El Salvador has shown unusual, if unexpected, resilience to the PRC relative to its regional peers. The country's president and his politics may offer an explanation as the political entrepreneur turned populist president answers to nobody. As a political outsider, Bukele does not have political party constituencies he must answer to like his political opponents do. He created his own party and now operates strictly by his own myopic agenda. In fact, his hugely successful presidential campaign revolved around resolving domestic issues including corruption, violent crime, poor safety, poor education, drug trafficking, and poor infrastructure.³³⁹ After officially taking office, Bukele took action to fulfill those campaign promises, and he continues to do so with tremendous success in some areas in the short term. It is worth noting that it remains to be seen whether his short-term successes will translate into long-term power consolidation. Bukele's power grab across all the branches of government has deepened his focus on domestic matters. This is exemplified by Bukele's 2012 efforts to reorganize the legislative branch, gaining "a two-thirds supermajority in the country's Legislative Assembly," and consequently cementing his ability to select the judiciary.³⁴⁰ The latest legislative action to preserve his power occurred in March 2023 when "the Salvadoran Legislative Assembly approved the repeal of Article 291-A of the electoral code, which prohibits electoral changes or reforms within a year of elections."³⁴¹ This total control of every branch of the federal government may cement Bukele's popularity, but it also forcibly consumes the entirety of his political agenda.

³³⁸ Renteria, "Responding to El Salvador President-Elect, China Denies It Meddles."

³³⁹ Maria Martin, "President Nayib Bukele Promises To Transform El Salvador," *NPR*, June 25, 2019, sec. Latin America, <https://www.npr.org/2019/06/25/735657369/president-nayib-bukele-promises-to-transform-el-salvador>.

³⁴⁰ Will Freeman and Lucas Perelló, "In El Salvador, Broken Promises Have Forced the Establishment Out," *Foreign Policy*, March 2, 2021, <https://foreignpolicy.com/2021/03/02/el-salvador-legislative-assembly-election-nuevas-ideas-nayib-bukele-fmln-arena-corruption/>.

³⁴¹ WOLA, "Electoral Reforms in El Salvador Pave Way for Further Consolidation of Power," WOLA, March 23, 2023, <https://www.wola.org/2023/03/electoral-reforms-el-salvador-consolidation-of-power/>.

Consequently, this largely domestic and inward-focused agenda leaves little room to entertain international politics. While President Bukele may be enticed to entertain international support for his domestic efforts, the PRC does not tend to meddle with domestic politics. That said, Bukele's forays into international politics are mostly hemispheric, and the United States remains El Salvador's main trading partner thanks to international agreements like the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR).³⁴² Nevertheless, there does not seem to be a significant number of incentives for Bukele's administration to pivot away from the PRC nor hemispheric partners. Chief among those incentives may be that the current status quo is not providing swift positive economic results in accordance with Bukele's political agenda.

While China is also a major trading partner with El Salvador, the PRC seems to take precautionary measures with its foreign dealings with Bukele's administration. This may have something to do with Bukele's previous public criticism made about the PRC's predatorial diplomacy combined with his astonishing popularity and influence throughout Latin America. Gaining and maintaining positive diplomatic relations with an influential Latin American leader like Bukele may be beneficial to the PRC's desire to enhance its influence across the region. As such, growing international awareness and opposition to rising Chinese influence in a largely U.S.-favored region also requires the PRC to be more cautionary and deliberate in its approach.

Limited PRC involvement may also be explained by the seemingly marginal benefits of dramatically increasing a relationship with El Salvador. The slowly increasing economic balance may be sufficient to satiate PRC political and economic interests. Trading data over recent decades supports this idea, as China "accounted for less than 2 percent of the region's exports" and was the "seventh-largest export market for Latin

³⁴² Seelke and Klein, "El Salvador: In Brief"; International Trade Administration, "El Salvador – Market Overview," International Trade Administration, December 12, 2022, <https://www.trade.gov/country-commercial-guides/el-salvador-market-overview>; "Leading Trade Partners of El Salvador 2022," Statista, May 23, 2023, <https://www.statista.com/statistics/1184787/value-trade-el-salvador-countries/>.

America” back in 2000.³⁴³ By 2012, China rose to “10 percent of Latin America’s exports” and was the top “export destination for Brazil and Chile.”³⁴⁴ The PRC’s efforts continue to produce results at an effective pace in terms of the PRC’s long-term strategy. Between 2000–2020, trade between Latin America and China increased 26-fold from \$12 billion to \$315 billion and China has now passed the United States as the top trading partner in South America.³⁴⁵ With this achievement, it is possible that the PRC does not want to expend further resources to widen an economic lead that has not yielded substantial returns.

Ultimately, there are several factors at play that may be limiting the PRC’s growing influence in El Salvador. Some factors, like President Bukele and his political agenda, orient domestic leaders inward to focus on preserving their power and resolving domestic issues. Other factors, like the PRC’s interests and non-interference foreign policy, orient the PRC to other more receptive and promising parts of the region where immediate gains are more easily attainable. It is evident that the PRC continues leveraging its economic lever of national power to increase influence across the region and establish a footing in less receptive countries like El Salvador to set conditions for future enhanced cooperation.

³⁴³ Uri Dadush, “China’s Rise and Latin America: A Global, Long-Term Perspective,” Carnegie Endowment for International Peace, March 8, 2012, <https://carnegieendowment.org/2012/03/08/china-s-rise-and-latin-america-global-long-term-perspective-pub-47433>.

³⁴⁴ Dadush.

³⁴⁵ “China Regional Snapshot: South America,” *Committee on Foreign Affairs* (blog), October 25, 2022, <https://foreignaffairs.house.gov/china-regional-snapshot-south-america/>.

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VI. CONCLUSION

This thesis has argued that the PRC's growing presence in Panama, Ecuador, and El Salvador has produced several threats that endanger each country's national security and economy. This chapter comparatively analyzes the major findings to determine the similarities and differences of internal issues providing opportunities for PRC FDI influence from each case. This is best seen in increased violent crime in both Ecuador and El Salvador over the last decade or the juxtaposition of the major PRC infrastructure projects currently ongoing across Panama versus the limited trade relationship that has developed between El Salvador and the PRC over the last decade.

A. PRC THREAT: COMMONALITIES ACROSS CASE STUDIES

There are several reasons why the PRC conducts bilateral relations similarly across Panama, Ecuador, and El Salvador. One explanation is that the economies of all three countries have been operating on a market-oriented model since the 1980s.³⁴⁶ Although their reliance on such a model varies greatly, each country depends on globalization and free trade to ensure their few specialized export goods remain hot commodities in the global market. As such, the value of specialized export goods in the global market is typically highly volatile for such countries unless they diversify their commodities or establish bilateral economic agreements with other countries that incorporate a fixed rate for such specialized export goods for an extended period. Such an agreement can serve as an economic paradox because a fixed rate of certain goods means that the exporting country may lose out on additional profits from an increased global market value for those goods or may be protected from the decreased global market value. As a global economic superpower, the PRC thrives in such agreements with market-oriented economy countries worldwide. The BRI is the primary economic mechanism the PRC used to reinvigorate its influence in those countries. Through the BRI, the PRC has established various "overseas investment and construction projects" with several securing "supplies of natural resources"

³⁴⁶ Gerardo L. Munck and Juan Pablo Luna, *Latin American Politics and Society: A Comparative and Historical Analysis*, 1 Edition (New York: Cambridge University Press, 2022), 152–58.

while “others vertically integrate Chinese firms into foreign consumer markets” as well as “cultivate relationships with politicians and stakeholders in countries where China does business.”³⁴⁷ Panama, Ecuador, and El Salvador have all succumbed to some or all of these BRI objectives while also entertaining the PRC’s desire to monopolize rare-earth minerals, apathy toward human rights and environmental violations, and predatorial loan practices.³⁴⁸ Each country has increased its economic dealings beyond the BRI over the last several years, thus indicating stronger economic ties between them and the PRC for more years.

1. Critical Infrastructure

This section covers commonalities in PRC threats to each country’s critical infrastructure. The BRI is the common denominator in Panama, Ecuador, and El Salvador regarding critical infrastructure dealings with the PRC. Panama was the “first country in the region to join BRI” in 2017 and all three countries have signed BRI agreements with the PRC since then.³⁴⁹ The significant amount of potential investment and construction projects that the BRI offers enticed these three countries, along with the rest of Latin America, mainly because they all require some level of modernization to aging infrastructure or key infrastructure needed to provide a country with a badly needed capability. For Panama, this meant a series of Panama Canal construction and management projects that enhanced canal operations and capabilities while also granting the PRC greater access to the strategically important canal.³⁵⁰ For Ecuador, PRC projects mainly focused on the energy sector with the Coca-Codo Sinclair hydroelectric plant as the most significant project. This project brought about many unfavorable stipulations and a slew of

³⁴⁷ Freymann, *One Belt One Road*, 10.

³⁴⁸ John Polga-Hecimovich, “China’s Evolving Economic Footprint in Latin America,” *GIS Reports* (blog), November 22, 2022, <https://www.gisreportsonline.com/r/chinas-economic-power-grows-in-latin-america/>.

³⁴⁹ Jie Xi, “China Expands Influence in Central America,” *Voice of America*, February 23, 2022, <https://www.voanews.com/a/china-expands-influence-in-central-america/6456733.html>.

³⁵⁰ Coriat, “Hoteles deben \$630 millones la banca”; Ellis, “China’s Advance in Panama”; Ellis, “PRC Engagement with Central America – An Update (on CEEP)”; Allen, “Panama Renews Hutchinson Panama Ports’ 25-Year Concession – Maritime Direct.”

problems from negative environmental effects to structural issues to corruption scandals negatively impacting Ecuador.³⁵¹

Of the three case study countries, El Salvador is the anomaly regarding threats posed by PRC critical infrastructure. So far, the PRC has approximately 10 projects “underway or recently completed” in El Salvador with the most noteworthy projects involving a national library, a national stadium, and “a new dock in the Port of La Libertad.”³⁵² Each of the projects “had significant delays and are marked by corruption scandals or are on onerous loans in which the Chinese are asking for a lot...they have a lot of ‘secrecy’ in the terms that will be finally channeled.”³⁵³ These projects mark a significant improvement in PRC-Salvadoran relations in recent years as the promised over \$700 million USD in FDI to El Salvador is the most Beijing has offered El Salvador in several decades.³⁵⁴ In comparison, Panama has received over \$2.5 billion USD since 2005 USD, and Ecuador has received over \$18 billion USD since 2010.³⁵⁵ Regardless, all three countries seem to undergo a three-phase strategy the PRC: “First, it promises large amounts of infrastructure projects; second, it promotes trade agreements, causing large deficits in the long term; and third, it perpetuates an important coordination of activities and alliances between the Chinese state media and the [Latin] American media, to misinform and gain the public trust in its autocratic projects.”³⁵⁶ Initiatives like the BRI facilitate the establishment of a relationship between the PRC and the Latin American country. As was shown in the Panama, Ecuador, and El Salvador cases, the PRC provides offers too good

³⁵¹ Crittenden et al., “China’s BRI in Latin America”; Aguilera, “China’s Global Footprint | Controversy in Ecuador’s Largest China-Built Infrastructure Project”; Alexis Gonzalez, “Gobierno y Policía desempolvan crédito chino para construir UPC y UVC”; José Paz Cardona, “Ecuador.”

³⁵² “China Embeds Itself in El Salvador,” *Diálogo Américas* (blog), October 17, 2023, <https://dialogo-americas.com/articles/china-embeds-itself-in-el-salvador/>.

³⁵³ “China Embeds Itself in El Salvador.”

³⁵⁴ Kevin Moscat, “China’s Firm Hold on El Salvador’s Open Door,” *International Relations Review*, October 11, 2023, <https://www.irreview.org/articles/2023/10/11/chinas-firm-hold-on-el-salvadors-open-door>; “China Regional Snapshot: Mexico and Central America.”

³⁵⁵ “China Regional Snapshot: Mexico and Central America”; de la Torre, Myers, and Holmes, “On the Ecuador-China Debt Deal.”

³⁵⁶ “China Embeds Itself in El Salvador.”

to refuse to win over the target country, and somewhere down the line more agreements are sought after to strengthen ties to bond that target country to the PRC indefinitely.

2. PRC Debt Accumulation

This section covers commonalities in PRC threats to each country's debt accumulation. It is no secret that lending is one of the PRC's main tactics to maintain and strengthen economic ties in the Latin American region. PRC lending to the region has accumulated to over \$135 billion since 2005 and focuses primarily on "the energy, infrastructure and telecommunications sectors" with over \$90 billion in energy loans, over \$26 billion in infrastructure loans, and over \$2 billion in mining loans.³⁵⁷ Panama, Ecuador, and El Salvador are all middle- to low-income countries with Panama doing better than the other two as an "upper-middle income economy" thanks to "main drivers of growth over time" like the Panama Canal whose direct benefits in 2019 included net income of "about 2.3 percent of GDP and toll revenue equaled 3.8 percent of GDP."³⁵⁸

Aside from main drivers like the Canal, Panama endures struggles like those of Ecuador and El Salvador in terms of economic volatility and significant dependence on the global economy. These unstable economic conditions coupled with unceasing political ambitions from country leaders allow economic superpowers like the PRC to offer a lending hand. Given the significant amount of international attention directed to the Panama Canal, the PRC is likely playing the long game with Panama's accumulating debt given Panama's strategic importance to the global economy and the region. A commonly held belief is that one of the PRC's primary goals for Panama is to strengthen its "foothold on strategic infrastructure surrounding the Panama Canal including the control of ports on

³⁵⁷ Daniel Salazar Castellanos, "Which Latin American Countries Are the Most Indebted to China?," Bloomberg Línea, August 15, 2023, <https://www.bloomberglinea.com/english/which-latin-american-countries-are-the-most-indebted-to-china/>; Rebecca Ray and Margaret Myers, "China's Lending to Latin America and the Caribbean Begins Again with Smaller, Targeted Support," The China-Global South Project, March 28, 2023, <https://chinaglobalsouth.com/analysis/chinas-lending-to-latin-america-and-the-caribbean-begins-again-with-smaller-targeted-support/>.

³⁵⁸ "Low & Middle Income," World Bank Open Data, accessed November 10, 2023, <https://data.worldbank.org/>; International Monetary Fund Western Hemisphere Dept, "Panama's Growth Story," *IMF Staff Country Reports* 2023, no. 129 (March 30, 2023): 25, 34, <https://doi.org/10.5089/9798400236662.002.A002>.

the canal's Pacific and Atlantic sides by a PRC-backed consortium.”³⁵⁹ Ecuador is the most vulnerable right now to the PRC's debt-trap diplomacy. Ecuador's debt to the PRC constitutes about a tenth of the country's “total external debt.”³⁶⁰ The PRC is more forthright regarding Ecuador's accumulated debt given the overt restructuring of Ecuador's debt to the PRC in September 2022, which includes “oil-based debt payments.”³⁶¹ Ecuador's debt situation with the PRC resembles a possible scenario Panama would find itself in with the PRC if not for the Panama Canal.

El Salvador is the anomaly of the three countries regarding PRC debt accumulation. The Salvadoran country largely sidesteps debt accumulation with the PRC as most of the PRC's foreign investment it receives is considered “copious donations to the nation,” although there is much speculation as to “the costs that the government in San Salvador will have to incur as a result of China's donated investments to the nation.”³⁶² Regardless of the current level of PRC debt each country maintains, debt accumulation and leveraging such debt seems inevitable over time when conducting economic dealings with the PRC as was previously done in countries like Sri Lanka and Djibouti.³⁶³

³⁵⁹ “China Regional Snapshot: Exposing the CCP's Global Malign Influence,” *Committee on Foreign Affairs* (blog), 2023, <https://foreignaffairs.house.gov/chinas-malign-global-influence-regional-snapshots/>; Daniel F. Runde and Amy Doring, “Key Decision Point Coming for the Panama Canal,” May 21, 2021, <https://www.csis.org/analysis/key-decision-point-coming-panama-canal>; Julieta Pelcastre, “China to Proceed with Fourth Bridge over Panama Canal,” *Diálogo Américas* (blog), June 15, 2023, <https://dialogo-americas.com/articles/china-to-proceed-with-fourth-bridge-over-panama-canal/>; John Grady, “Chinese Investment Near Panama Canal, Strait of Magellan Major Concern for U.S. Southern Command,” *USNI News* (blog), March 24, 2022, <https://news.usni.org/2022/03/24/chinese-investment-near-panama-canal-strait-of-magellan-major-concern-for-u-s-southern-command>; Rachel Curry, “China Doesn't Own the Panama Canal, but Does Have a Lot of Control,” *Market Realist*, August 2, 2022, <https://marketrealist.com/global-politics/does-china-own-the-panama-canal/>.

³⁶⁰ Facundo Robles, “China's Role in Latin America, Santa Claus or Debt Collector?,” Wilson Center, September 15, 2023, <https://www.wilsoncenter.org/blog-post/chinas-role-latin-america-santa-claus-or-debt-collector>.

³⁶¹ de la Torre, Myers, and Holmes, “On the Ecuador-China Debt Deal.”

³⁶² Moscat, “China's Firm Hold on El Salvador's Open Door.”

³⁶³ Frayer, “In Sri Lanka, China's Building Spree Is Raising Questions About Sovereignty”; Hillman, “Game of Loans.”

3. PRC Smart Technology

This section covers commonalities in PRC threats of Smart Technology. The PRC's introduction of Smart Technology to LAC is also gaining traction. Such technology is gaining popularity worldwide because of what it offers to leaders at each level of government. The technology is enticing because it offers users the ability to improve “municipal management and services” and “optimize or automate previously burdensome or inefficient governance tasks.”³⁶⁴ Such potential has enticed countries like Panama and Ecuador to embrace the technology from the PRC.

The negative threat of such PRC technology is that Chinese tech companies “are exporting [this] intrusive surveillance and policing technology globally, frequently under the seemingly-benign label of ‘smart cities’—technology which was developed to facilitate the PRC’s totalitarianism and active genocide inside China, and represents a threat to civil liberties globally.”³⁶⁵ In Panama’s case, Huawei has transformed the Colon Free Trade Zone into a “regional hub for the distribution of its electronic systems and installed its intrusive ‘Safe City Technology’ that includes facial recognition cameras.”³⁶⁶ Ecuador is similarly impacted by the PRC’s smart city technology in the form of ECU911. The nationwide Chinese technology-based surveillance monitoring system collects personally identifiable information (PII), including biometric data, of Ecuadorian citizens that is leveraged by the Ecuadorian government and the PRC.³⁶⁷ El Salvador is once again the anomaly in terms of threats posed by the PRC’s smart city technology. As gang violence persists and as President Bukele becomes more authoritarian, he may introduce such technology into the country, thus granting the PRC more invasive access to Salvadoran citizens. More countries are succumbing to the PRC’s smart city technology allure, but doing so leaves them all vulnerable to being manipulated by a PRC-favorable agenda at whatever cost the PRC determines suitable for itself.

³⁶⁴ Atha et al., “China’s Smart Cities Development,” 1.

³⁶⁵ “China Regional Snapshot,” 2023.

³⁶⁶ “China Regional Snapshot.”

³⁶⁷ Kassenova and Duprey, “Digital Silk Road in Central Asia: Present and Future,” 45.

4. PRC Mining

This section covers commonalities in PRC threats to each country's mining sector. The PRC's desire for critical and rare earth minerals means significant FDI potential for countries that possess such reserves. Panama and Ecuador are target countries for the PRC in terms of their reserves of lucrative metal minerals like copper, gold, and silver.³⁶⁸ The PRC's disregard for environmental impacts and human rights has been made quite apparent in the past and continues to pose a significant risk for current and future mining business dealings with the PRC.³⁶⁹

El Salvador is once again the anomaly regarding PRC mining operations. This is mainly because El Salvador was “the first country in the world to issue a total ban on metal mining” in 2017 in response to reversing a half-century's worth of industrial water contamination issues.³⁷⁰ President Bukele's administration seems intent on reversing that course, however, as it created “a new agency to oversee extractive industries and started looking into international agreements that would facilitate investment in precious metals.”³⁷¹ President Bukele's new endeavor provides the PRC an opportunity to tap into the reserves of a Central American country that has not been mined since 2017. Such a bilateral business arrangement would prove mutually beneficial as President Bukele's desire to attract more FDI from an economic superpower is fulfilled and the PRC continues influential expansion in LAC while also gaining access to a preserved metal mineral repository. PRC mining operations bring a significant amount of badly needed FDI to these Latin American countries at the cost of doing business with a country whose indifference to human rights violations and negative environmental impacts is well-known.

³⁶⁸ Ellis, “China's Advance in Panama”; Marr-Johnson, “Challenge and Opportunity in the Mining Industry of Ecuador.”

³⁶⁹ “Unpacking Clean Energy,” 3–19; Quiliconi and Rodriguez Vasco, “Chinese Mining and Indigenous Resistance in Ecuador,” 4, 18–20, 23–26.

³⁷⁰ Maxwell Radwin, “Is El Salvador Preparing to Reverse Its Landmark Mining Ban?,” Mongabay Environmental News, February 7, 2023, <https://news.mongabay.com/2023/02/is-el-salvador-preparing-to-reverse-its-landmark-mining-ban/>.

³⁷¹ Radwin.

B. MAJOR PRC THREAT DIFFERENCES

While Ecuador, El Salvador, and Panama share many similarities, they also differ in certain regards, which may account for the disparity in economic and security-related threats presented by the PRC. One explanation for the difference in PRC threats stems from the differences in each nation's economies. El Salvador's annual GDP is roughly \$32 billion and is mainly comprised of the services and manufacturing sectors. Panama's annual GDP is roughly \$76 billion and is also mainly comprised of the services and manufacturing sectors.³⁷² Ecuador's annual GDP is roughly \$115 billion and is comprised of the commodity, fishing, and agriculture sectors.³⁷³ As the fishing industry is a main driver of Ecuador's economy, it is no surprise that the PRC's entry into Ecuadorian waters would be perceived to be a major threat. Additionally, the size of Ecuador's economy implies that Quito could eventually invest a lot more money into its space sector. If Ecuador's future space sector expansion involves collaboration with Chinese firms, then it will also be presented with an additional PRC threat.

Another explanation for the difference in PRC threats stems from the differences in each nation's level of freedom. According to Freedom House's Global Freedom rating, which scores countries based on local access to political rights and civil liberties, the three nations significantly differ on the level of domestic freedom.³⁷⁴ Freedom House's Global Freedom rating, scores countries on a scale from 0 to 4 along 25 separate political rights and civil liberties, for a possible 100-point total score.³⁷⁵ Total scores of 0–35 equate to a rating of “not free,” total scores of 36–69 equate to a rating of “partly free,” and total scores of 70 to 100 equate to a rating of “free.”³⁷⁶ El Salvador scored 56 suggesting that the country is only partially free. Ecuador scored a 70 suggesting that the country is generally

³⁷² “GDP (Current US\$) – Latin America & Caribbean,” World Bank Open Data, 2023, <https://data.worldbank.org>.

³⁷³ “GDP (Current US\$) – Latin America & Caribbean.”

³⁷⁴ “Countries and Territories Global Freedom Scores,” Freedom House, 2023, <https://freedomhouse.org/countries/freedom-world/scores>.

³⁷⁵ “Countries and Territories Global Freedom Scores.”

³⁷⁶ “Countries and Territories Global Freedom Scores.”

free. Finally, Panama scored an 83 suggesting that the country is mostly free.³⁷⁷ Panama's high score hints at the presence of robust and free media. The presence of free media suggests that PRC media operations could pose a major threat to the people of Panama.

Another reason for the difference in PRC threats seen across these three Latin American nations is the history of their diplomatic relationship with the PRC. Ecuador and China have a relationship that dates back a century when several hundred Chinese migrants first arrived in Ecuador to work in the agricultural sector.³⁷⁸ Though both nations began formal diplomatic relations in 1980, robust trade and investment were not initiated until the 1990s.³⁷⁹ Panama also has a long history with the PRC that dates back to the 19th Century, when several Chinese migrants first came to Panama.³⁸⁰ Though official diplomatic relations between Panama and the PRC weren't formalized until 2017, both nations have maintained a strong relationship marked by heavy trade which was initiated in the 1990s.³⁸¹ While Ecuador and Panama have lengthy relationships with China, El Salvador, and the PRC have a much more limited history. It is most recently marked by El Salvador's decision to initiate formal relations with the PRC in 2018. The long-standing PRC relationships maintained by Ecuador and Panama have helped lead to the early adoption of trade and BRI relationships in both LAC countries. The nature of these relationships, however, could eventually pose a major threat to both Ecuador and Panama.

Lastly, geography is a major reason for the difference in PRC threats seen across the three LAC nations. Ecuador's location, situated along the Eastern Pacific Ocean and positioned along the Andean Mountain range, has helped the country develop a prosperous agriculture, mining, fishing, and trade economy.³⁸² Additionally, its position, sandwiched between both Colombia and Peru, has led its political leadership to make aggressive

³⁷⁷ "Countries and Territories Global Freedom Scores."

³⁷⁸ Robert Evan Ellis, *China in Latin America: The Whats and Wherefores* (Boulder, Colorado: Lynne Rienner, 2009), 122–25.

³⁷⁹ Ellis, 122–25.

³⁸⁰ Mendez and Alden, "China in Panama," May 3, 2021, 850.

³⁸¹ Mendez and Alden, 850.

³⁸² "Ecuador," October 6, 2023.

decisions aimed at garnering FDI and foreign influence away from its two larger neighbors.³⁸³ Panama's position, located between the Pacific and Atlantic Oceans, and situated at the point where Central America and South America meet, has helped the nation develop both major banking and trade sectors.³⁸⁴ The Panama Canal has further helped the nation develop its trade industry and serve as a hub for nations seeking to enter the LAC region. The ability of Panama to act as a hub for the LAC region has also helped the country draw greater FDI and foreign influence over the last two decades. El Salvador's small size and small coastline have limited the country's economic growth and the amount of foreign investment.³⁸⁵ Additionally, El Salvador's location, situated along the northern route leading from the LAC region to the U.S., has drawn several criminal elements to the nation seeking to capitalize on both the drug and human trafficking trade.³⁸⁶ The distinctive geography of both Ecuador and Panama has helped both nations develop economically and draw large amounts of FDI over the last two decades. Unfortunately, these same factors also pose serious risks to both Ecuador and Panama.

1. Unique Considerations: Ecuador's PRC IUU Fishing

The PRC's increasing desire for fish poses a significant risk for all countries whose waters are home to fish stocks. In 2017, the PRC was the largest seafood consumer in the entire world, consuming over 55 million tons of fish, or over 35% of the global total.³⁸⁷ Amongst the three nations observed, Ecuador alone stood out as a target country for PRC

³⁸³ Juan Carlos Herrera-Quenguan, "Explaining Ecuador's Shifting Position on FDI, Investment Treaties, and Arbitration," *Investment Treaty News* (blog), October 5, 2020, <https://www.iisd.org/itn/en/2020/10/05/explaining-ecuadors-shifting-position-on-fdi-investment-treaties-and-arbitration-juan-carlos-herrera-quenguan/>.

³⁸⁴ "Panama," in *The World Factbook* (Central Intelligence Agency, May 16, 2023), <https://www.cia.gov/the-world-factbook/countries/panama/>.

³⁸⁵ "El Salvador," in *The World Factbook* (Central Intelligence Agency, April 26, 2023), <https://www.cia.gov/the-world-factbook/countries/el-salvador/#people-and-society>.

³⁸⁶ InSight Crime, "La Unión, El Salvador," InSight Crime, March 22, 2021, <http://insightcrime.org/el-salvador-organized-crime-news/la-union-el-salvador/>.

³⁸⁷ Jacque Schrag, "How Is China Feeding Its Population of 1.4 Billion?," *ChinaPower Project* (blog), January 25, 2017, <https://chinapower.csis.org/china-food-security/>.

IUU fishing due to both the richness of the country's waters and the size of its EEZ.³⁸⁸ Though El Salvador and Panama also maintain thriving fishing industries, only in Ecuador does fishing greatly contribute to the economy, with the World Bank reporting that Ecuador's combined agriculture, forestry, and fishing industries made up nearly 10% of the nation's GDP.³⁸⁹ In fact, over the last two decades, while much of the region saw a slowing of growth across the fishing industry, Ecuador experienced a 12 % expansion across the sector.³⁹⁰ The reason that the local fishing industry has seen such growth is due to the geography of Ecuador. Ecuador, situated along Latin America's central Pacific Coast, is perfectly positioned at the crossroads of both the trade winds and several upper-ocean fronts.³⁹¹ When the trade winds hit these fronts, warm surface water mixes with cooler deep water and produces circulating events that draw nutrient-rich colder water up from the depths of the ocean.³⁹² These nutrient-rich waters help Ecuador's central Pacific Coast maintain nearly one-third of the world's fish stocks.³⁹³ Thus, the reason that PRC IUU fishing poses such a significant risk to Ecuador, and not El Salvador and Panama, stems from the fact that the PRC fishing fleet only targets fish-rich waters.

2. Unique Considerations: Ecuador's Space Program

The PRC's growing interest in space presents a major threat to any country currently developing a domestic space program. In a recently published white paper entitled *China's Space Program: A 2021 Perspective*, the CNSA stated that it had

³⁸⁸ Bureau of Oceans and International Environmental and Science Affairs, ed., review of *Limits in the Seas*, by United States Department of State, Ecuador: Maritime Claims and Boundaries, no. 147 (July 23, 2020): 2–4.

³⁸⁹ "Agriculture, Forestry, and Fishing, Value Added (% of GDP) – Ecuador," World Bank Open Data, accessed November 14, 2023, <https://data.worldbank.org>.

³⁹⁰ FAO, *The State of World Fisheries and Aquaculture 2020: Sustainability in Action*, The State of World Fisheries and Aquaculture (SOFIA) 2020-SOFIA 2020 (Rome, Italy: FAO, 2020), 23, <https://doi.org/10.4060/ca9229en>.

³⁹¹ Alberto Naveira Garabato, Alex Forryan, and Alex Hearn, "Galápagos: We've Found out Why the Islands Are Blessed with Such Nutrient-Rich Waters," *The Conversation*, February 2, 2021, <http://theconversation.com/galapagos-weve-found-out-why-the-islands-are-blessed-with-such-nutrient-rich-waters-154020>.

³⁹² Garabato, Forryan, and Hearn.

³⁹³ "Marine Fisheries – The World Factbook," CIA World Factbook, accessed November 17, 2023, <https://www.cia.gov/the-world-factbook/field/marine-fisheries/>.

successfully sent a rover to Mars, brought moon rocks back to Earth, initiated the use of the BeiDou Navigation Satellite System, and initiated the construction of its space station.³⁹⁴ While the PRC has placed great pressure on the CNSA to accomplish great feats and bring China worldwide prestige, the PRC has also recently begun to push China's commercial space industry to help increase PRC scientific influence in space and help grow the Chinese economy through the development of an international space market.³⁹⁵ Though all three of the observed nations have continued to seek out greater opportunities for space collaboration, only Ecuador has made great gains in its local space efforts. In the decade between 2007 and 2017, Ecuador announced the creation of its space program, successfully trained the first Ecuadorian astronaut, launched the first Ecuadorian satellite into space, and initiated space cooperation with several global partners including the U.S., Russia, and China.³⁹⁶ Additionally, ongoing Ecuadorian advancements in microsatellite development are spurring the need for advanced technology sales, continuing space education, and launch capabilities. In response to these needs, Chinese commercial space firms are actively working to develop relationships with Ecuador's EXA and commercial space industry. Thus, the reason that the PRC's commercial space industry poses such a major threat to Ecuador, and not El Salvador and Panama, stems from the fact that the PRC is actively directing influence efforts at nations that have developed space sectors.

3. Unique Considerations: PRC's Strong Media Influence in Panama

The PRC's global media infrastructure poses a noteworthy risk to any country that maintains a free and open press. The PRC has actively targeted foreign media in the LAC region through several different means ranging from financial to cultural.³⁹⁷ Of the three

³⁹⁴ Mike Wall, "China Lays out Ambitious Space Plans for next 5 Years," Space.com, January 29, 2022, <https://www.space.com/china-five-year-plan-space-exploration-2022>.

³⁹⁵ Neel Patel, "China's Surging Private Space Industry Is out to Challenge the US," MIT Technology Review, January 21, 2021, <https://www.technologyreview.com/2021/01/21/1016513/china-private-commercial-space-industry-dominance/>.

³⁹⁶ Froehlich, Amante Soria, and De Marchi, "Ecuador."

³⁹⁷ Angeli Datt and Anonymous, "Panama: Beijing's Global Media Influence 2022 Country Report," NGO Website, Freedom House, 2022, <https://freedomhouse.org/country/panama/beijings-global-media-influence/2022>.

nations observed, Ecuador alone stood out as a target country for greater PRC media operations due to the nation's free press and several other internal vulnerabilities linked to the deep-seated nature of Chinese firms in the country's economy and the deep roots associated with the local Chinese-diaspora population. The first of these vulnerabilities is tied to the financial pressure that can be leveraged by certain Chinese firms across the country. Huawei for example, not only commands over one-third of Panama's smartphone sales, but it is also a major advertiser.³⁹⁸ Between 2017 and 2019, several Panamanian reporters stated that they were encouraged by their respective editors to avoid covering themes that might upset the PRC because it could lead to Huawei cutting its advertising.³⁹⁹ Another vulnerability is tied to the cultural pressure that the PRC places upon Panama's local Chinese diaspora.⁴⁰⁰ As Panama's Chinese diaspora makes up nearly 5% of the country's total population, it has spurred the formation of several Chinese diaspora media outlets such as *El Expreso* and *Diario Chino*.⁴⁰¹ The PRC has used varying types of pressure to sway several Chinese diaspora outlets into signing explicit content partnerships with PRC state media agencies. Thus, the reason that PRC media operations present such a risk to Panama, and not Ecuador and El Salvador, stems from the fact that the country is home to vulnerabilities tied to both the local Chinese advertising footprint and the local Chinese diaspora.

C. FURTHER RESEARCH RECOMMENDATIONS

Our thesis provides an improved understanding of LAC through a quantitative analysis of the region and through the examination of three qualitative case studies. Regarding further quantitative research, we recommend that future researchers analyze the historic economic models of the region, comparatively analyze other major regional investors, and use a lagged response variable to assess the inverse of our hypothesis. Regarding further qualitative research, we recommend that future researchers conduct a

³⁹⁸ Datt and Anonymous.

³⁹⁹ Datt and Anonymous.

⁴⁰⁰ Datt and Anonymous.

⁴⁰¹ "Chinese Panamanians."

comparative analysis of PRC economic and security-focused influence on the region's top authoritarian regimes and conduct a comparative analysis of PRC investment in specific sectors across the Andean Ridge.

1. (Quantitative) Historic Regional Economic Models

For our hypothesis, we looked at the relationship between Latin American democracy levels and the amount of PRC investment in the region in the recent past, 2000–2017. Over the last two centuries, Latin America has utilized several different economic models to improve foreign trade. From 1880–1930, the region utilized the Agro-Export Model to promote the exchange of natural resources with the U.S. and Europe.⁴⁰² In the modern era, 1990–2010, the region utilized the Neo-Liberal Model to similarly promote the exchange of natural resources with the United States, Europe, and Asia.⁴⁰³ Further quantitative analysis can focus on expanding the scope of our hypothesis to include data from time periods of the recent past that include other countries' investments in the region.

2. (Quantitative) Comparative Analysis of Competing External Investors

Central to the issue of the PRC's investment in the region is Latin America's serious need for infrastructure investment. Average regional investments in infrastructure range from 2 to 4 percent of annual GDP, leaving Latin America at a disadvantage when compared to other regions in the world with this gap in mind, it is evident that several billion dollars of external support will be required to help Latin America meet its infrastructure development goals. For this reason, it would be useful for future research to expand our quantitative analysis to include other competing parties looking to invest in Latin America such as Russia, the Middle East, the United States, and the European Union.

⁴⁰² Gerardo L. Munck and Juan Pablo Luna, *Latin American Politics and Society: A Comparative and Historical Analysis*, 1 Edition (New York: Cambridge University Press, 2022), 51.

⁴⁰³ Munck and Luna, 51.

3. (Quantitative) Inverse Hypothesis Lagged Response Variable Assessment

For our quantitative analysis, we focused on 17 countries in Latin America over just 18 years. In this period, we observed significant short-term shifts to democracy levels across the region. For example, in Venezuela, we observed a massive drop in democracy levels between 2000 and 2015; in Peru, we observed a massive rise in democracy levels between 2000 and 2005. By utilizing a lagged response variable, we could focus our analysis on these individual countries during their periods of flux and observe if the DV (PRC projects) was influencing the IV (democracy level).

4. (Qualitative) Comparative Analysis of LAC Authoritarian Regimes

Regarding the quantitative analysis chapter, the region's authoritarian regimes have varying economic and security relationships with the PRC. For this reason, further research could be conducted to explore the role of PRC influence along economic and security cooperation initiatives among the LAC region's top authoritarian regimes: Cuba, Nicaragua, and Venezuela. Furthermore, such research could be compared and contrasted to the El Salvador country case study in this thesis as an emerging authoritarian regime.

5. (Qualitative) Comparative Analysis of PRC Investments across the Andean Ridge

The Ecuador Chapter highlighted various PRC investments that could endanger Quito's future economy and national security. Moreover, Ecuador's neighbors are also currently experiencing Beijing's entry into their own local mining, fishing, infrastructure development, and space industries. As such, a future examination could explore the role of PRC investments across all the remaining nations of the Andean Ridge: Bolivia, Colombia, Peru, and Venezuela. Such research could be compared and contrasted to the Ecuadorian case study in this thesis.

These three-country case studies function as a microcosm of recent PRC influence activities across the region. Although variance in how the PRC approaches each country exists, general trends have emerged over the last few decades. The region comprises generally weak economies and developing countries in need of an economic overhaul and

the PRC is well-equipped to fill that need. Such a gesture has granted the PRC access to a previously US-dominated hemisphere and the ability to greatly expand its influence in such a hemisphere. The PRC's initial emphasis on bilateral economic relations has, over time, ushered in other areas of emphasis like security. The expansion of PRC influence in LAC was initially incremental but is now exponential in some parts of the region such as Brazil, Chile, and Peru where the PRC has replaced the U.S. as the top trading partner.⁴⁰⁴ Regardless, the PRC's long-game approach is appropriately applicable to achieving its objectives in the region.

D. POLICY RECOMMENDATIONS

Many potential policy recommendations exist that could enhance U.S. relations while simultaneously degrading PRC relations in LAC. One of the main advantages the U.S. has over the PRC in LAC is longstanding relations with various countries throughout the region. Any policy recommendations through means of economics, security, or otherwise, would be implemented effectively only through partnerships that the U.S. has enjoyed in LAC for decades. Strengthening such partnerships would also facilitate new relationships between the U.S. and other LAC countries. Such a recommendation to U.S. policymakers has been made as recently as March 2023 when the Commander of U.S. Southern Command, General Laura Richardson, addressed the 118th Congress House Armed Services Committee with her annual posture statement.⁴⁰⁵ Her position, as well as ours, is primarily from a security standpoint given the nature of our employment and the priorities of our employer.

1. Economic Policy Recommendations

Economically, we recommend that the U.S. invest more in LAC. U.S. investment is preferable to other FDI for many reasons, including more transparency and better debt

⁴⁰⁴ "Latin America's Delicate Dance With China."

⁴⁰⁵ Laura Richardson, "2023 U.S. Southern Command Posture Statement," Posture Statement (U.S. Southern Command Headquarters: U.S. Department of Defense, March 8, 2023), 12–19, <https://www.southcom.mil/Portals/7/Documents/Posture%20Statements/2023%20SOUTHCOM%20Posture%20Statement%20FINAL.pdf?ver=rxp7ePMgfX1aZVKA6dl3ww%3d%3d>.

handling than other external investors.⁴⁰⁶ Investing more in the energy, infrastructure, mining, environmental conservation, telecommunications, and cyber security sectors would reinvigorate U.S. FDI relevance and directly counter PRC FDI. The U.S. bilateral economic agreements that would develop from such FDI pursuits would be grounded in transparency and quality products—two of the main advantages the U.S. maintains over the PRC regarding any business dealings.⁴⁰⁷ Such agreements should be inclusive of all LAC countries, including local-level inclusion, and facilitate the incorporation of more business dealings with other Western allies and partners like the European Union and Canada.⁴⁰⁸

One US-specific past example is the 1961–1969 Alliance for Progress program.⁴⁰⁹ The program involved significant financial assistance and investment between the U.S. and LAC countries along with “substantial reform of Latin American institutions.”⁴¹⁰ Although the program did not achieve its primary goal of enhancing US-LAC relations through “peaceful economic cooperation and development,” it did increase economic growth for some LAC countries as well as bring to the region “important foreign policymaking institutions” like the Peace Corps and USAID.⁴¹¹ Ideally, a new program would combine an improved and individual country-tailored version of the 1961–1969 Alliance for Progress agreement with the ongoing Americas Partnership for Economic Prosperity (APEP) initiative between the U.S. and LAC countries to enhance hemispheric

⁴⁰⁶ Cheng, “U.S. Needs to Invest More in Latin America to Counteract China in the Region.”

⁴⁰⁷ Cheng; Guzmán, “10 Commandments for the U.S. to Save Its Relationship With Latin America From China.”

⁴⁰⁸ Guzmán, “10 Commandments for the U.S. to Save Its Relationship With Latin America From China.”

⁴⁰⁹ Cheng, “U.S. Needs to Invest More in Latin America to Counteract China in the Region”; “Alliance for Progress and Peace Corps, 1961–1969,” Official U.S. Government, U.S. Department of State Office of the Historian, accessed November 15, 2023, <https://history.state.gov/milestones/1961-1968/alliance-for-progress>.

⁴¹⁰ “MILESTONES: 1961–1968.”

⁴¹¹ “MILESTONES: 1961–1968”; “Alliance for Progress (Alianza Para El Progreso),” John F. Kennedy Presidential Library and Museum, accessed November 16, 2023, <https://www.jfklibrary.org/learn/about-jfk/jfk-in-history/alliance-for-progress>.

“cooperation and promot[e] more inclusive and equitable economic growth.”⁴¹² Failing to economically prioritize the LAC region “suggests that the United States’ comparative [economic] advantage is eroding” while other global superpowers seek to gain that advantage.⁴¹³

2. Security Policy Recommendations

To further enhance U.S. security cooperation with the LAC, we recommend initiating opportunities for persistent-presence ARSOF missions across the region. Currently, ARSOF soldiers deploy throughout LAC as part of multi-month U.S. Special Operations Command South (SOC SOUTH) missions that support varying regional operations.⁴¹⁴ To supplement the current array of SOC SOUTH missions, we recommend that programs be developed that allow for the long-term embedding of ARSOF soldiers into LAC military units. One such option to accomplish this is the Volkmann Program; an ARSOF officer exchange program originally proposed by then-Colonel Eric P. Wendt in the early 2000s.⁴¹⁵ *The program proposed assigning culturally and language-aligned ARSOF officers to individual U.S. embassy Security Cooperation Officers (SCO).*⁴¹⁶ *Through the SCO, the ARSOF officers would then be placed in a three-year billet within the local military.*⁴¹⁷ *The assigned ARSOF officers would then operate under both Title 10, Personnel Exchange Program (PEP) authorities and Title 22, Security Assistance*

⁴¹² Guzmán, “10 Commandments for the U.S. to Save Its Relationship With Latin America From China”; Cheng, “U.S. Needs to Invest More in Latin America to Counteract China in the Region”; United States Agency for International Development, “United States Announces \$5 Million for the Americas Partnership for Economic Prosperity Accelerator,” U.S. Agency for International Development, November 6, 2023, <https://www.usaid.gov/news-information/press-releases/nov-06-2023-united-states-announces-5-million-americas-partnership-economic-prosperity-accelerator>.

⁴¹³ Richardson, “2023 USSOUTHCOM Posture Statement,” 4.

⁴¹⁴ “Who We Are,” U.S. Government, SOC SOUTH: U.S. Special Operations Command South, 2022, <https://www.socom.mil/socsouth/Pages/Who-We-Are.aspx>.

⁴¹⁵ Wendt, “The Green Beret Volckmann Program.”

⁴¹⁶ Wendt, 13–15.

⁴¹⁷ Wendt, 13–15.

Program authorities, thus allowing them to both develop international relationships and provide military education and training to their assigned nation.⁴¹⁸

For the LAC, a Volkmann-style program could spur the development of national strategies aimed at helping individual host-country security forces prevent or defeat local criminal organizations currently working throughout the region.⁴¹⁹ A Volkmann-style program would seek to match previous U.S. efforts such as “Plan Colombia,” which provided Colombia with security assistance to help combat the spread of narcotics trafficking criminal organizations and train local law enforcement.⁴²⁰ Additional economic development efforts could also be paired with the program to better incentivize it across the region. For the U.S., a Volkmann-style program could develop country-specific ARSOF officers who could both monitor potentially dangerous PRC security efforts, country-by-country and provide U.S. policymakers with suggestions for additional U.S. military collaboration responses.

Several of these recommendations have already been made by scholars, intellectuals, and military leaders like the current U.S. Southern Commander. Furthermore, these recommendations are not revolutionary, but rather actionable and achievable now. These characteristics are vital given the time-sensitive nature of countering the PRC’s exponentially increasing influence in LAC. The success of such policy recommendations, if enacted, hinges on the willingness of U.S. policymakers and leadership to prioritize hemispheric foreign dealings above global priorities, or at the very least balance them more evenly. The end state would involve reinstating the U.S. as the global superpower economic partner of choice.

⁴¹⁸ “Personnel Exchange Program”; “Chapter 1 – Security Cooperation Overview and Relationships,” 1.

⁴¹⁹ Wendt, “The Green Beret Volckmann Program,” 13–15.

⁴²⁰ “Plan Colombia.”

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