

A photograph of Xi Jinping and Evo Morales walking side-by-side in front of a military band. Xi Jinping is on the left, wearing a dark blue suit and tie. Evo Morales is on the right, wearing a dark blue suit and tie. They are both looking forward. In the background, a military band in white uniforms with gold accents and hats is marching, holding rifles with bayonets. The setting appears to be outdoors with greenery and a white building in the background.

NOVEMBER 2018

The Future of Latin America and the Caribbean in the Context of the Rise of China

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CSIS | CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

A Report of the
CSIS AMERICAS PROGRAM

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1 | Introduction

As a researcher whose career began with military futures and wargaming and who now works on Latin American security issues, I was intrigued when a colleague wanted to speak with me about the long-range future of Latin America. There is a dearth of research and writing about the region's future and its security issues, which can be explained by two factors: there currently is no risk of a major war in the region, and until recently no major economic or political competitors or existential threats to the United States have emerged there.

Predicting the future of intertwined political, social, and economic systems with confidence is virtually impossible. Yet, contemplating possible scenarios can be useful—not because they tell us what will happen, but rather, in analyzing what credibly *might* happen, they help us to better understand the potential implications of current dynamics, and thus to anticipate and prepare for opportunities and risks.

This work examines possible scenarios for Latin America through 2050, with particular attention to how engagement with the People's Republic of China (PRC) will shape the region. The reference date of 2050 is just past the one-hundredth anniversary of Communist rule of the Chinese mainland, when the PRC anticipates being a modern, “powerful country” with a larger GDP than that of the United States.¹

The possible dystopian future for the region depicted by this analysis is frightening, for its characteristics and for the possibility of its occurrence. It is, however, arguably a realistic extension of current trends, the PRC's declared objectives for the region² and its style of engagement. Even if it is not a future that will inevitably occur, this article aims to advance thinking about what current trends *may* mean for the region and about appropriate responses from both the U.S. perspective and for the governments of Latin America.

1. Jeff Pao, “Xi outlines his vision to achieve ‘China Dream’ by 2050,” *Asia Times*, October 17, 2017, <http://www.atimes.com/article/xi-outlines-vision-achieve-china-dream-2050/>.

2. “Full text of China's Policy Paper on Latin America and the Caribbean,” Xinhua, November 24, 2016, <http://en.people.cn/n3/2016/1124/c90000-9146474.html>.

2 | The Impact of China's Growth on the Global Environment and Latin America

Unless there is a significant economic disruption, the Organization of Economic Cooperation and Development (OECD) forecasts that by 2050, the PRC will have an \$54.4 trillion economy,³ greatly surpassing that of the United States, which will then be approximately \$32.0 trillion.⁴

The projection of China's economic growth is important not only because of the size of the Chinese economy compared to the United States. The change in relative size alone will have profound implications for Latin American perceptions of the United States and China, as well as for the perception of available PRC resources to engage in the region. Even more importantly, however, as Chinese companies grow in size and sophistication, it is likely that by 2050, they, rather than U.S. and European firms, will control a substantial portion of global production, making decisions regarding where value added is realized, and by extension, where the most lucrative managerial and technical jobs are located.

PRC-based firms will also transition from “racing to catch up” (often by imitating or appropriating the technologies of others⁵) to industrial and technological leadership, including setting standards and defining architectures in telecommunications, artificial intelligence, and other industries. This would further consolidate their influence and competitive advantage and promote their commercial dominance in Latin America and the Caribbean.

Along with the evolution of Chinese companies, and without a severe shock affecting the PRC financial system (discussed in the final section of this work), Chinese banks and funds will become fundamental pillars of the global financial system for governments

3. “GDP long-term forecast,” Office of Economic Cooperation and Development, <https://data.oecd.org/gdp/gdp-long-term-forecast.htm>.

4. “Real GDP long-term forecast,” Office of Economic Cooperation and Development, <https://data.oecd.org/gdp/real-gdp-long-term-forecast.htm#indicator-chart>.

5. Jim Talent, “Trumping China on technology theft is necessary for American security,” *The Hill*, Accessed September 29, 2018, <https://thehill.com/opinion/national-security/390247-trumping-china-on-technology-theft-is-necessary-for-american>.

and corporate activities. The PRC likely will use this dominance to maintain and advance their own enterprises in Latin America over U.S., European, or local alternatives. For Latin America, the purported hegemony of the International Monetary Fund (IMF) and U.S. institutions⁶ may thus be replaced by a different financial hegemony involving PRC-based institutions, their imposition of loan conditions requiring the use of their companies and personnel,⁷ the obligation of local partners and governments to share key technologies and data, or requirements to provide special legal regimes for labor, taxation, environmental compliance for Chinese-funded projects. Although a “Chinese banking regime” may not demand that Latin American governments agree to particular fiscal or monetary policies, transparency in contracting, or labor and environmental protections (a complaint often made about Western institutions⁸), it likely would impose different conditions that would serve Chinese commercial and strategic objectives but are prove less beneficial to the development of the region, including its institutions and people.

Along with the dominance of PRC financial institutions (and as discussed in greater detail later), the Chinese Renminbi (RNB), is likely to be one the three principal and co-equal currencies of the global financial system, with many contracts in Latin America and the Caribbean denominated in RNB. The rise of the RNB will further undercut the position of the U.S. dollar⁹ in the global financial system, which already has been weakened by continually expanding debt.

The fall of the dollar, in turn, will inhibit the United States’ ability to borrow to fund social programs, defense, or otherwise act globally, possibly plunging it into social conflict and arrested development. For Latin America, this probably means that the United States in 2050 may be much less of a positive example than it is today (both economically and institutionally), and U.S. governmental programs and commercial and credit activities in the region could be even more limited than they are today.

6. See, for example, Rosemary Foot, S. Neil MacFarlane, and Michael Mastanduno, *US Hegemony and International Organizations: The United States and Multilateral Institutions* (Oxford: Oxford University Press, 2003).

7. See, for example, Clifford Krauss and Keith Bradsher, “China’s Global Ambitions, Cash and Strings Attached,” *The New York Times*, July 24, 2015, <https://www.nytimes.com/2015/07/26/business/international/chinas-global-ambitions-with-loans-and-strings-attached.html>.

8. See, for example, G. Bird, “IMF Programs: Do They Work? Can They be Made to Work Better?” *World Development*, 29(11), 2001: 1849-1965.

9. Yongfu Huang, “The growing role of RMB in global reserve currency system,” *Asia Times*, June 26, 2017, <http://www.atimes.com/growing-role-rmb-global-reserve-currency-system/>.

3 | The Future of Taiwan

It is also likely that by 2050, the Republic of China (ROC, i.e., Taiwan) will no longer be autonomously governed. Although a military conflict between the PRC and the ROC is not inevitable, the ongoing change of diplomatic recognition from the ROC to the PRC by the last of Taiwan's diplomatic allies¹⁰ could bring the matter to a head by 2025 or even earlier. As the number of states officially recognizing Taiwan declines to zero,¹¹ the PRC will be increasingly tempted to use ever more extreme economic, and perhaps military coercion to resolve the issue, which from the PRC perspective, is merely an "internal Chinese affair."¹²

The four most likely possibilities for the almost inevitable resolution of the PRC-Taiwan dispute by 2050 are (1) surrender of Taiwan self-governance, (2) a limited struggle in which Taiwan quickly loses, (3) a major global conflict involving the United States (among others) in which the PRC ultimately prevails, and the least likely, (4) a major global conflict in which Taiwan achieves its independence.

Although the United States is committed to defending Taiwan's autonomy, given the PRC's growing military might, U.S. resource limitations, and political considerations, it is not clear whether it will be able to provide such defense,¹³ or whether Taiwan will believe it will do so. Although such statements may be heretical, it is possible that a future Taiwan government, making its cold calculations, might decide that its position is untenable and thus agree to cede its self-governance, thereby avoiding the death and destruction of war. As with the negotiated transfer of control of Hong Kong to the PRC by the British in 1997, such an agreement would likely have formal guarantees to make it seem to be acceptable at the time of signing,¹⁴ but which the PRC could later ignore or encroach upon.

10. See, for example, R. Evan Ellis, "El Salvador Recognizes the PRC: Confrontation on the FMLN's way 'out the door,'" *Global Americans*, August 22, 2018, <https://theglobalamericans.org/2018/08/el-salvador-recognizes-the-prc-confrontation-on-the-fmlns-way-out-the-door/>.

11. See Sarah Zheng, "Taiwan's critical battle to keep its diplomatic allies from switching sides," *South China Morning Post*, July 6, 2018, <https://www.scmp.com/news/china/diplomacy-defence/article/2151012/taiwans-critical-battle-keep-its-diplomatic-allies>.

12. "After historic election, China says Taiwan an internal affair," *The Straits Times*, January 17, 2016, <https://www.straitstimes.com/asia/east-asia/after-historic-election-china-says-taiwan-an-internal-affair>.

13. See, for example, Benny Avni, "Asia is wondering if Trump will defend Taiwan," *New York Post*, January 23, 2018, <https://nypost.com/2018/01/23/asia-is-wondering-if-trump-will-defend-taiwan/>.

14. A common reference case for Taiwan in this regard is the gradual encroachment on the sovereignty of Hong Kong after the British returned it to the PRC. See Tom Clifford, "Did Britain Abandon Hong Kong to the Chinese?", *Newsweek*, July 5, 2017, <https://www.newsweek.com/did-britain-abandon-hong-kong-chinese-632132>.

In the second scenario, if the “two Chinas” fight a limited battle in which the ROC is quickly defeated¹⁵—without U.S. involvement, with only token U.S. support, or with engagement that goes badly for the United States, such as the sinking of multiple aircraft carriers¹⁶—Latin America and the Caribbean would lose Taiwan as a partner and face a strengthened PRC, emboldened to act more aggressively politically and perhaps militarily in Latin America.

In the third scenario, if the Taiwan-China dispute becomes a global conflict, the results would be transformative for Latin America and the Caribbean. In the conflict itself, the PRC would probably leverage its considerable economic influence as an investor, provider of credit, and purchaser of the region’s goods, to pressure it into diplomatically, economically, or militarily supporting a U.S.-led coalition in defense of Taiwan.

In such a global conflict, the PRC also would likely use its significant commercial presence in Latin America to place and support agents and special forces to gather intelligence and disrupt U.S. deployment and sustainment activities,¹⁷ or even to disrupt the supply of food and other critical goods supplied by the US economy from nearby partners like Mexico.

In an extreme variant of this scenario, Latin American partners could be obliged to (or voluntarily) allow the Chinese People’s Liberation Army (PLA) to use their ports, airbases, or other facilities for refueling, resupply, and staging operations against the United States. Nations granting the PLA military access might include Cuba, Venezuela, and Bolivia. They might also include newer partners of the PRC such as El Salvador¹⁸ (which recognized the PRC in August 2018) or Nicaragua (whose recognition of the PRC would have been part of the road to the crisis scenario outlined here). Other nations, such as Mexico and Argentina, might follow suit, since the political configuration of the United States’ allies and adversaries in the region could very well change.

Presuming that the PRC would prevail in such a conflict, it probably would be emboldened to expand its military activities in the region. If PRC weapons systems performed credibly in a conflict with the United States and other leading militaries, many Latin American and Caribbean states would seek to acquire such weapons, particularly if granted long-term financing. Latin American and Caribbean militaries might also decide to send their officers to the PRC for professional military education and training.

Moreover, if the United States failed to defend its friend Taiwan, more Latin American governments would develop institutional relationships, sign military agreements, and otherwise cooperate with the PLA—especially if there were no negative consequences

15. See, for example, Alan Chiu, “With its current military strength, how long can Taiwan sustain a Chinese attack if the USA doesn’t get involved?”, Quora, May 31, 2018, <https://www.quora.com/With-its-current-military-strength-How-long-can-Taiwan-sustain-a-Chinese-attack-if-the-USA-doesnt-get-involved>.

16. Kyle Mizokami, “How China Plans to Win a War Against the Navy: Sink Its Aircraft Carriers,” *The National Interest*, May 16, 2018, <https://nationalinterest.org/blog/the-buzz/how-china-plans-win-war-against-the-navy-sink-its-aircraft-25846>.

17. For further discussion of this argument, see R. Evan Ellis, “China’s Activities in the Americas,” Testimony to the joint hearing of the Subcommittee on the Western Hemisphere and the Subcommittee on Asia and the Pacific, U.S. House of Representatives Foreign Affairs Committee, September 10, 2015, <http://docs.house.gov/meetings/FA/FA07/20150910/103931/HHRG-114-FA07-Wstate-EllisE-20150910.pdf>.

18. Kinling Lo, “China’s new alliance stirs US worries over possible ‘military base’ in El Salvador,” *South China Morning Post*, August 22, 2018, <https://www.scmp.com/news/china/diplomacy-defence/article/2160731/chinas-new-alliance-stirs-us-worries-over-military-base>.

for governments that permitted the PLA to use their territories in a conflict with the United States.

Beyond increased military engagement between China and Latin America, a Chinese victory in the conflict and the elimination of the ROC would encourage the PRC to increase its economic activities in the region. A military victory also would make it more likely that the PRC would apply economic and diplomatic pressure to achieve its commercial and other strategic objectives, as it does in other parts of the world where PRC dominance is clearer, such as in the South and East China Seas.

Only in the case of the fourth scenario—a PRC defeat in a major conflict¹⁹ or a conflict that disrupts both the Chinese and the global economy—could PRC-Latin American relations take a fundamentally different course. I discuss such game-changing scenarios in greater detail in the final section of this work.

19. See Kyle Mizokami, “How Taiwan Would Defend Against a Chinese Attack,” USNI News, March 16, 2014, <https://news.usni.org/2014/03/26/taiwan-defend-chinese-attack>.

4 | The Economic Profile of China in Latin America by 2050

In the next 30 years, PRC-based companies, having already invested more than \$114 billion in Latin America and the Caribbean,²⁰ are likely to use their ample capital to continue to acquire Western firms operating there and to invest in the region to build new capabilities. By 2050, Chinese firms are likely to be not only the dominant trading partners in the region, but also the leading foreign owners and investors. With PRC-based firms becoming the most important foreign entities, many Latin American and Caribbean countries will depend on them not only to buy their products and extend credit to their governments but to provide employment and increased tax revenue.

At the macro level, greater Chinese ownership of the world's major corporations and financial assets, along with the continued success of Chinese industrial policies, will mean that the PRC will sell more, and more sophisticated, Chinese goods and services to the region, and in turn, buy more of its primary products to support the growth of Chinese cities, production facilities, and other capital assets in the PRC. PRC-based companies will simultaneously purchase greater quantities of low value-added agricultural goods, such as soy and fishmeal, to produce the food to feed the Chinese people. Chinese investments in roads, railways, ports and other enabling infrastructure, along with the signing of free trade agreements and the creation of financial and legal infrastructure, will facilitate such economic patterns. The expansion of an economic relationship with Latin America favorable to the PRC will be further advanced by the likely continued lack of a coherent counterstrategy by Latin American governments.²¹

At the micro level, as Chinese companies become the owners of Latin America's most important economic activities, key decisions about locating production facilities in the region and the kind of positions located there (high-paid design and managerial jobs,

20. Enrique Dussel Peters and Samuel Ortiz Velásquez, "Monitor of China's OFDI in Latin America and the Caribbean," *Red ALC-China* (2001-2016)1, June 8, 2017, http://www.redalc-china.org/monitor/images/pdfs/menuprincipal/DusselPeters_OrtizVelasquez_2017_MonitorOFDIchinaALC_English.pdf.

21. See Mac Margolis, "Latin America Needs a China Strategy," Bloomberg, December 14, 2017, <https://www.bloomberg.com/view/articles/2017-12-14/latin-america-needs-a-china-strategy>. Through such a counterstrategy, Latin American and Caribbean governments could arguably employ their resources and legal/regulatory authorities more effectively than they do at present to nurture the realization of more high-value added production, design, services, and other activities in their own countries, as the PRC does, and thereby diversify their own economies.

versus lower- paid factory, customer service, and line management), will increasingly be made not by Latin American and Caribbean governments or firms but by the Chinese headquarters of PRC-based companies in response to Chinese government imperatives, principally for Chinese benefit.

In this new business environment, Latin American and Caribbean governments will play a losing hand. To attract Chinese employers, they likely will offer special tax breaks, privileged access to local markets, favorable contractual terms, special consideration on land use, exemptions from legal regimes governing labor and the environment, and other favors. Such offers may result in PRC-based companies locating some symbolic operations in the region when it sufficiently benefits them. This, however, ultimately will accelerate the growing contrast between the PRC, where decisions are made and to which profits flow, and Latin America, as a worksite and source of raw materials in the service of China in a new PRC-dominated economic order.

The evolution of China's commercial investment in the region by 2050 will fuel perceptions there of a lopsided relationship in which economic activity primarily benefits the PRC, enabled by compromised local political and business elites who profit directly or indirectly by advancing Chinese interests. Such perceptions likely will refocus many political and social movements in the region, from protesting Western-style capitalism to protesting a system seen as dominated by and benefiting the Chinese.

As the presence of Chinese companies expands in Latin America, and as the PRC becomes increasingly confident in applying economic and political leverage to secure its objectives in the region and suppress political dissent, movements directed against Chinese companies, the Chinese government, and those who collaborate with them are likely to grow. The new political dynamics may include "appeals" for help by local politicians and groups to the United States, the European Union, and other outside powers.

Local governments will come under considerable pressure to repress dissent in the service of the Chinese, who will be the principal employers and sources of revenue and influence in their communities, as well as possibly wielding considerable personal leverage over key Latin American elites (as will be discussed later). In identifying "anti-Chinese" protest leaders and attempting to repress and undermine their movements, China-serving local elites likely will have at their disposal new Chinese-built security systems and social control architectures (discussed in the next section). By 2050, these systems and architectures will have some positive, but also many negative effects on Latin American economies, crime, and politics.

5 | PRC Surveillance and Control Architectures in Latin America

In many Latin American countries, a combination of new (largely Chinese) surveillance technologies, options for obtaining information from smartphones and similar devices, data drawn from the “internet of things,”²² the increasing amount of financial and other activities conducted in cyberspace, and the ability to access, cross-reference, and analyze massive amounts of data through ever more sophisticated artificial intelligence algorithms will enable the state and corporations to possess virtually limitless data on individuals and economic entities and identify behaviors of concern. Although the advance of technology will principally drive this massive erosion of privacy, it will also be permitted, because such technologies will enable significant progress in the region against public corruption, public insecurity, and crime, among other benefits.

Chinese companies have already exported new-generation surveillance systems to the region, albeit to a limited degree, through contracts with leftist countries of the Bolivarian alliance (ALBA). Ecuador has purchased the national security and emergency response system ECU-911²³ from the Chinese company CEIEC,²⁴ and Bolivia has purchased the urban security system BOL-110.²⁵ These systems integrate communication and monitoring technologies, such as cameras with facial recognition, to fight crime. New systems already being pioneered in the PRC will link near-total surveillance (made possible by ubiquitous cameras), and access to location data in smartphones, as well as other information on virtually all aspects of a person, including telephone and digital communications, banking and credit card data and complementary commercial transactions, contracts, and public registries, among others.

By 2050, the integration of collection, communication, and big data (large data sets that are analyzed to reveal patterns, trends, and associations), and their interpretation through

22. The network of physical devices, vehicles, home appliances, and other items equipped with electronics, software, sensors, actuators, and the internet connectivity that enables them to collect and exchange data.

23. Charles Rollett, “Ecuador’s All-Seeing Eye is Made in China,” *Foreign Policy*, August 9, 2016, <https://foreign-policy.com/2018/08/09/ecuadors-all-seeing-eye-is-made-in-china/>.

24. “Romero verifica en China avance de Proyecto Bol-110,” *Los Tiempos*, August 29, 2017, <http://www.lostiempos.com/actualidad/nacional/20170829/romero-verifica-china-avance-proyecto-bol-110>

25. See, for example, Adam Greenfield, “China’s Dystopian Tech Could Be Contagious,” *The Atlantic*, February 14, 2018, <https://www.theatlantic.com/technology/archive/2018/02/chinas-dangerous-dream-of-urban-control/553097/>.

artificial intelligence algorithms, likely will enable a (currently unthinkable) revolution against public corruption and close the spaces in which criminal groups operate, launder money, and recruit.

These capabilities also will give the governments and other entities purchasing them (not just totalitarian China) alarming abilities to monitor and identify behaviors among virtually all residents of their territory and beyond; not only criminal activities but also those that governments deem socially or politically objectionable. These surveillance and control systems will provide military and leftist populist authoritarian regimes in Latin America and the Caribbean something that they have only dreamed about: a massive ability to sanction persons who engage in political or social behaviors the government disapproves.

The PRC's development of "social credit" systems (to standardize assessments of citizens' and businesses' economic and social reputation, or "credit") offers a glimpse of the alarming capabilities that will be fully developed by 2050 and sold to Latin American, Caribbean, and other regimes that seek greater control over their populations.²⁶ In the PRC today, social credit algorithms leverage data on individuals, including arrest records, economic data, and a range of other items the government collects to determine their trustworthiness.²⁷ Since the Chinese government directly and indirectly controls most aspects of economic life, it can use individuals' social credit ratings to determine and prioritize their access to goods and services.

Although the implementation of such systems in most Latin American countries is unthinkable today, the collection, integration, and exploitation of big data for security purposes likely will gain public acceptance as it proves useful in reducing public corruption (e.g., by cross-referencing data on the physical movements, financial and other activities and communications of public officials, and analyzing them through ever more sophisticated—and presumably objective, and therefore incorruptible—artificial intelligence algorithms). Faced with deepening public security crises, Latin American and Caribbean governments, with the acquiescence of their citizens, will pass laws permitting such monitoring and analysis of their residents. Initially, they will prove useful in reducing criminality and impunity by helping to solve crimes, apprehending perpetrators, and prosecuting them, while minimizing cumbersome requirements for witnesses and eliminating the procedural errors that are often committed in the handling of physical evidence that often lead to the release of criminals.

With successes in fighting impunity, which previously seemed endemic in Latin American societies, such surveillance and control systems will become more popular and will be implemented more broadly, while objections to them based in concerns about personal privacy will fade. At the same time, the range of behaviors on which data can be collected likely will expand.

26. See Celia Hatton "China 'social credit': Beijing sets up huge system," BBC, October 26, 2015, <https://www.bbc.com/news/world-asia-china-34592186>.

27. See R. Evan Ellis, "Las iniciativas por parte de las firmas agrícolas chinas para establecer su presencia en América Latina y el Caribe," in *Política Exterior China: relaciones regionales y cooperación*, Raquel Isamara León de la Rosa and Juan Carlos Gachúz Maya, Eds. (Puebla, Mexico: Benémerita Universidad Autónoma de Puebla, 2015): 307-336.

Even more ominous, the private sector—banks, schools, employers, apartment complexes, social clubs—could use data obtained through government surveillance and control systems to make decisions about the services they provide.

As such systems become increasingly effective and more broadly used, they will also potentially become tools of Chinese intelligence collection and influence. Because such systems, including their physical architectures and software, will have been acquired mostly by Chinese companies, with Chinese hardware used to store, process, and communicate data, those companies will have a virtually limitless capacity to collect data on citizens, political leaders, and economic elites, as well as those who control sensitive military and commercial information. The PRC could exploit this potential to compromise and blackmail political, military, and business figures, to obtain politically, militarily, or commercially valuable information, and to influence political and commercial decisions to advance Chinese strategic objectives.

6 | The Enlarged Shadow of the PRC in Latin America, by Sector

To more fully examine the implications of China's greatly expanded position as banker, employer, and military and political partner in Latin America and the Caribbean, this section considers some of the possible dynamics by sector.

Agriculture. By 2050, as a continuation of current Chinese acquisitions of agricultural technology and logistics companies, and the growing number of Chinese agricultural projects in the region,²⁸ the agro-industrial giants that today dominate the business in Latin America (e.g., ADM, Bunge, Dreyfus and Cargill) are likely to be supplanted by Chinese counterparts such as China Oilseeds and Foodstuffs Corporation (COFCO). By leveraging control over the world's largest agricultural market, through the tools of regulation and phytosanitary certification, China likely will force Latin American companies to partner with PRC-based firms to obtain access to agricultural technology. China may also impose other conditions that advance the position of its companies, in the name of the strategic objective of food security.

From a Latin American perspective, these trends imply that although Brazil and Argentina will increasingly supply basic agricultural goods to China, PRC-based firms largely will control such production, loaning money to and contracting with local farmers. Micro-lending for seeds and fertilizer, the purchase and consolidation of crops at harvest time and their processing (e.g., the crushing of soybeans) and transportation, likely will occur principally through local partners.

For political reasons, with few exceptions Latin Americans rather than Chinese will continue to own most of the land in most countries. Nonetheless, Chinese control of Latin America's agro-industrial sector and the realization of the value it generates from the farm to the transformation and transport of goods, will raise profound political questions of dependence and terms of trade. Chinese control also is likely to generate critical environmental questions, such as reduced crop diversity in the region as traditional crops planted on relatively small farms are replaced by large-scale production of monocrops

28. See, for example, "The Expanding Soybean Frontier Argentina's dangerous reliance on genetically engineered soybeans," Greenpeace Briefing, January 2015, <http://www.greenpeace.org/sweden/Global/sweden/p2/gmo/report/2006/the-expanding-soybean-frontier-2.pdf>.

of soy and similar products oriented toward the Chinese market. Indeed, this is already occurring in the Pampas of Argentina and broad parts of Brazil.²⁹ The new pattern of agriculture will also raise concerns about the impact of massive use of fertilizers and pesticides by the Chinese-owned agro-industrial companies, and their potentially toxic effects through agricultural runoff.

Although many Latin American farmers may become deeply concerned about the practices of Chinese companies and their effects on agriculture, few will dare to overtly oppose the companies, which far more than the agro-industrial firms they replace, may discourage “troublemakers” by denying them credit to purchase seeds and fertilizer or by not buying their crops on favorable terms at harvest time. Moreover, as noted previously, it is likely that local elites, compromised by the Chinese and dependent on their investment in agriculture, will cooperate with the Chinese to repress those who try to organize against Chinese-owned agro-industrial complexes in the countryside.

Fishing. Chinese fleets are likely to expand fishing off the coast of Peru and through the increasing exploitation of the exclusive economic zones of Ecuador, Chile, Argentina, and other countries.³⁰ The growing economic dependence of those countries on the PRC and their susceptibility to its political leverage will make it more difficult for them to raise objections or act against Chinese vessels illegally operating in their waters, as has occurred in recent months in the EEZs of Ecuador³¹ and Argentina,³² among others.

The likely acquiescence by Latin American governments to Chinese practices including illegal fishing, could generate anti-Chinese backlash among local populations; in many of the areas in question, overfishing by factory fishing vessels already has significantly depleted fish populations.³³ . Another 30 years of overfishing will significantly impair the ability of small-scale local fishermen to sustain themselves.

Mining. As in agriculture, Chinese-owned mining operations will become an even more important source of revenue than they are today. By 2050, it is likely that PRC-based companies will have acquired or displaced a significant portion of Canadian, Australian, U.S. and European mineral companies and will have extended their operations in Ecuador, Bolivia, Brazil, Chile, and Peru, including the expansion of “new mining” industries such as lithium (in Chile,³⁴ Bolivia,³⁵ and Argentina³⁶), as well as mining for rare-earth elements such as niobium in Brazil.

29. See Lucy Hornby, “A bigger catch: China’s fishing fleet hunts new ocean targets,” *Financial Times*, March 27, 2017, <https://www.ft.com/content/e7bd4094-ff34-11e6-96f8-3700c5664d30>.

30. “Ecuador detains Chinese boat with endangered sharks,” BBC, August 16, 2017, <https://www.bbc.com/news/world-latin-america-40944886>.

31. Argentina sinks Chinese fishing boat Lu Yan Yuan Yu 010,” BBC, March 16, 2016, <https://www.bbc.com/news/world-latin-america-35815444>.

32. Gaia Vince, “How the world’s oceans could be running out of fish,” BBC, September 21, 2012, <http://www.bbc.com/future/story/20120920-are-we-running-out-of-fish>.

33. Yashaswini Swamynathan and Marcy Nicholson, “China’s Tianqi Lithium to buy a quarter of Chile’s SQM for \$4.1 billion,” Reuters, May 17, 2018, <https://www.reuters.com/article/us-tianqi-lithium-m-a-sqm/chinas-tianqi-to-buy-stake-worth-4-07-billion-in-chiles-sqm-idUSKCN1I118>.

34. “Bolivia aspira a superar a Chile en el mercado del litio,” *La Tercera*, September 22, 2018, <https://www.la-tercera.com/pulso/noticia/bolivia-aspira-liderar-mercado-del-litio-reservas-uyuni/327128/>.

35. Mick Bowen, “Argentina pushes lithium investments,” *LatinFinance*, September 1, 2017, <https://www.latin-finance.com/web-articles/2017/9/argentina-pushes-lithium-investments>

36. “Vale to Sell 11 Giant Valemax Carriers,” *Shipping Herald*, December 7, 2015, <http://www.shippingherald.com/3847-2/>.

In Brazil, through acquisitions and infrastructure projects supporting Chinese-operated mines, and through China's using access to its internal market as leverage (as when it obliged *Companhia Vale do Rio Doce* [CVRD] to cede some trans-Pacific shipping of its ore to Chinese companies³⁷), the PRC will ultimately outmaneuver CVRD, Brazil's leading company in the sector. That will have significant political and economic implications for Brazil as PRC-based companies consolidate control over Brazilian mining.

Latin American countries will come under strong pressure to revise mining laws to increase Chinese control over supply in areas where they currently have some cause for uncertainty. Chile, for example, may be pressured to allow Chinese equity investment in established mines outside the lithium sector, revisiting the 2008 disagreement over the Gabriel Mistral mine.³⁸ Paralleling China's "loans for oil" arrangements³⁹ with Venezuela and Ecuador in the petroleum sector, Bolivia may be pushed by the PRC to sign "credit for minerals" contracts that oblige exports to China from mines such as El Mutún.⁴⁰

The expansion of Chinese mining in the region is likely to continue to generate protests over Chinese treatment of the miners, a lack of benefits for mining communities, the diversion and contamination of groundwater and other environmental issues (especially with niobium mining in Brazil⁴¹), as has already occurred in numerous locations. As seen in the contrasts between Chinese mining projects such as the relatively successful Toromocho project operated by China Aluminum Company,⁴² versus the protests accompanying the similarly sized Las Bambas mine run by China Minmetals,⁴³ some PRC-based companies will do a better job in managing their relationships with local communities and workers than others, but all will tend to become somewhat more astute over time.

Through their increased economic leverage and personal influence over Latin American leaders, governments of the region will ultimately play a key role in repressing the protests of their citizens (often in high-profile events with significant bloodshed) in the service of Chinese (and other) mining companies.

Petroleum. Even as the United States increases natural gas exports to Asia through the PRC-dominated Panama and (new) Nicaraguan canals, PRC-based petroleum companies

37. Enrique Ahumada Benítez, "China y Chile llegan a acuerdo sobre propiedad de mina Gaby," Biblioteca del Congreso Nacional de Chile, September 24, 2008, <https://www.bcn.cl/observatorio/asiapacifico/noticias/china-chile-acuerdo-propiedad-mina-ex-gaby>.

38. Prudence Ho, "Venezuela Oil Loans Go Awry for China," *The Wall Street Journal*, June 18, 2015, <https://www.wsj.com/articles/venezuela-oil-loans-go-awry-for-china-1434656360>

39. "Bolivia picks China's Sinosteel to lead Mutun iron exploration project," Xinhua, January 20, 2016, http://www.xinhuanet.com/english/2016-01/20/c_135025402.htm.

40. Dustin Moore, "Niobium: The Critical Strategic Metal That's Only Mined Two Places On Earth," *Business Insider*, December 10, 2010, <https://www.businessinsider.com/niobium-the-critical-strategic-metal-thats-only-mined-two-places-on-earth-2010-12>.

41. See Gervase Poulden, "Morococha: the Peruvian town the Chinese relocated," *China Dialogue*, April 15, 2013, <https://www.chinadialogue.net/article/show/single/en/5898-Morococha-the-Peruvian-town-the-Chinese-relocated>.

42. Alex Emery, "China Minmetals paving controversial road to Las Bambas mine," *BN Americas*, October 20, 2016, <http://www.bnamericas.com/en/news/mining/china-minmetals-paving-controversial-road-to-las-bambas-mine/>.

43. See R. Evan Ellis, "Venezuela's election, the day after: A handover of the nation's oil riches to Russia and China?" *Global Americans*, May 2, 2018, <https://theglobalamericans.org/2018/05/venezuelas-election-day-handover-nations-oil-riches-russia-china/>.

are likely to have significantly expanded their positions throughout the region, with major production operations in Venezuela, Brazil, Argentina, and Guyana (offshore), as well as Ecuador, Uruguay (offshore), Bolivia (gas), and Peru.

By 2050, Chinese companies such as CNPC, Sinopec, and CNODC will have substantially increased their technical capabilities (in conjunction with advances in the industry in general), in part through the acquisition of multiple smaller companies with claims in Latin America and a number of major commercial petroleum companies already operating widely in the region, including global giants whose acquisition by Chinese counterparts is currently unthinkable, such as ExxonMobil, and Chevron. In the process of such acquisitions, the Chinese petroleum companies will have absorbed the technical and other capabilities of those it has acquired.

By 2050, the PRC's world-class petroleum engineering and other services companies will dominate the region, leveraging contracts to the larger Chinese National Oil Companies to expand their position and perhaps buying or beating out rivals such as Schlumberger and Haliburton, to the point that it will be difficult for surviving national oil companies in the region such as Pemex, Petrobras, Petroecuador, and Ecopetrol (among others) to function unless they partner with Chinese firms, receive investment funds from Chinese banks, and employ PRC-based petroleum service companies. However, the Venezuelan crisis is resolved, it is likely that Chinese companies will emerge with substantial control over that country's oilfields,⁴⁴ and that by 2050, the PRC's long game in Venezuela will have paid off through a strong position in a functional government dependent on the PRC. Although Venezuela will benefit by supplying the PRC with crude oil from its more than 300 billion barrels of proven reserves,⁴⁵ the value-added refining operations will take place almost exclusively in Guangdong⁴⁶ or at other PRC-based refineries.

Chinese construction activities in the region will include important new pipeline projects that will connect the region by 2050, including pipelines allowing the movement of Argentine oil over the Andes to Chilean ports, Guyanese oil to Venezuela, and Guyanese and Venezuelan oil across Colombia to the Pacific for export to the PRC. The last, seemingly improbable achievement will have occurred because of the resolution of the Colombian security challenge as well as the Venezuelan crisis, both with the assistance of Chinese security, surveillance, and control technologies.

As in agricultural and other transactions, the RNB will take its place alongside the dollar as the official currency for many petroleum transactions in Latin America (and elsewhere), further undercutting the dollar's position in the international financial system. Parallel contracts for the delivery of petroleum in repayment of loans for infrastructure projects operated by PRC-based companies likely will expand beyond Venezuela and Ecuador to other Latin American countries, further increasing the dominance of Chinese banks, construction firms, and other entities whose work in the region is facilitated by Chinese lines of credit.

44. "Venezuela's oil reserves kick into reverse: Fuel for Thought," *Platts*, July 10, 2017, <http://blogs.platts.com/2017/07/10/venezuela-oil-reserves-kick-reverse/>.

45. Robert Brelsford, "Venezuela, China advance plans for Chinese refinery," *Oil & Gas Journal*, June 12, 2017, <https://www.ogj.com/articles/2017/06/venezuela-china-advance-plans-for-chinese-refinery.html>.

46. "Mexico's deepwater bid round winners revealed," *Offshore*, December 6, 2016, <https://www.offshore-mag.com/articles/2016/12/mexico-s-deepwater-bid-round-winners-revealed.html>.

The PRC is also likely to greatly expand its role in the Mexican petroleum sector.⁴⁷ It may begin this expansion under the administration of Andres Manuel Lopez Obrador (AMLO) by providing loans and partnering investment to the Mexican national oil company Pemex, as AMLO seeks to reverse the privatization of the sector⁴⁸ begin under his predecessor Enrique Pena Nieto. In the process, such loans, partnering deals, and purchases of Mexican oil will partially pull Mexico out of the U.S. economic orbit,

Chinese interest in Mexican oil and gas (and Chinese security and surveillance technologies), may also help Mexico to address the problem of the *Huachicoleros* (oil thieves).⁴⁹

As in the mining sector, and as already seen in Ecuador and elsewhere, the Chinese style of managing its petroleum operations—cutting corners regarding salaries, employee and community benefits, and work conditions—will obligate Latin American governments to repress protests in the service of Chinese oil and petroleum service companies. These companies will control important parts of petroleum exports, jobs, and access to credit for the countries of the region tied to oil production.

Construction and Logistics. As in other parts of the region's economy, Chinese companies likely will dominate the construction and logistics sectors of Latin America over the next 30 years. They will achieve this position, in part, through one acquisition and major project in the region at a time, waiting for opportunities to exploit the fall of formidable competitors, as they have done with Brazil's Odebrecht.⁵⁰ They will continue to leverage financing from PRC-based policy banks, partnering with (or buying) competitors and firms with strategic capabilities and relationships, and by becoming increasingly sophisticated in competitive procurements in the region.

As the Chinese presence in the sector expands, important Latin American national companies and banks will no longer be viable competitors to the Chinese, although they may be incorporated into projects as subordinate partners. Although the politics of some Latin American countries may require their state-owned companies to formally lead construction projects, the PRC-based firms are likely to have the leverage of financial, organizational, and technical capabilities that will enable them to “call the shots.”

In the maritime domain, by 2050, Chinese companies (not only the former Hutchison Whampoa) are likely to be the principal investors in and operators of most key Latin American port complexes, contracting dredging and expansion work to Chinese construction firms, crane suppliers, railway and road companies and partnering with companies such as China Shipping that serve those ports. Those strategic port and shipping alliances are likely to prevail over their European and Asian competitors, such that the PRC, by effectively owning the majority of the port and transport complexes, may

47. David Unsworth, “AMLO Proposes Unrealistic Protectionist, Nationalist Economic Policy,” *Panam Post*, April 5, 2018, <https://panampost.com/david-unsworth/2018/04/05/amlo-proposes-unrealistic-protectionist-nationalist-economic-policy/>.

48. Juan Ibarrola, “Huachicoleros,” *Milenio*, September 24, 2016, www.milenio.com/opinion/juan-ibarrola/cadena-de-mando/huachicoleros.

49. See R. Evan Ellis, “Washington Should Take Note of Chinese Commercial Advances in Brazil,” *Newsmax*, October 9, 2017, <https://www.newsmax.com/EvanEllis/china-brazil-investment-washington-dc/2017/10/09/id/818644/>.

50. R. Evan Ellis, “Avances y retrocesos de China con Colombia,” Instituto de Investigaciones Strategicas de la Armada de Mexico, May 29, 2017, http://cesnav.edu.mx/ININVESTAM/docs/docs_opinion/do_13-17.pdf.

substantially control maritime transport routes between Latin America and Asia, and the value that is added by moving goods along those routes (a particularly significant portion of the total value for low value-to-weight cargos such as iron ore or soybeans).

Although the shipment of goods between China and Latin America across the Atlantic is commercially viable for some cargos and operations, expanded commerce with and investment from the PRC generally will favor improvements to ports on the Pacific coast of Latin America and the road and rail infrastructures connecting the ports to the rest of Mexico, Central, and South America. With the growing capabilities, sophistication, and financial resources of Chinese construction companies vis-à-vis their U.S., European, and Latin American competitors, the Chinese will increasingly build ports and infrastructure, through loans from PRC-based financial institutions to local governments or through private investment (e.g., Chinese companies constructing mining ports and railways to connect ports to the mines). Even more so than loan-funded projects, infrastructure funded with Chinese firms' own capital will most likely be built by Chinese construction companies and workers, with Latin American firms and laborers playing only a minor role.

The increased involvement of Chinese firms in construction projects in the region is likely to have a reinforcing effect by giving firms and their Chinese subcontractors greater experience and increasing their sophistication about competitive bidding processes with local partners, as already has occurred in Colombia⁵¹ and Chile.⁵²

The growing number of construction projects by Chinese companies also will bring more Chinese workers to the region, not only in projects for small governments with relatively weak negotiating positions (h as in the Caribbean), but also in larger countries such as Brazil, whose strong institutions and domestic competitors will become less effective in pressuring their governments to resist deals involving large numbers of Chinese workers.

One politically and socially important side effect of the increased presence of Chinese workers will be the growth of Chinese communities throughout the region, as some of those workers overstay their visas or through other means remain in the countries where they were brought to work. Indeed, overstaying of visas by Chinese workers has already occurred in the smaller nations of the Caribbean basin, generating both ethnic tensions with other communities⁵³ and increasing organized crime.

By 2050, Chinese communities likely will have become part of the cultural landscapes of many Latin American and Caribbean cities where they now are invisible minorities. The growth of these communities will affect the political and cultural dynamics of the region, fueling periodic anti-Chinese protests in some countries, with increasingly influential Chinese embassies insisting that local governments protect the interests and well-being of Chinese communities.

51. R. Evan Ellis, "Chile and China: The Fight for the Future Regime of the Pacific," *China Brief*, Vol. 17, Issue 15. (November 22, 2017): 16-20 <https://jamestown.org/program/chinas-relationship-chile-struggle-future-regime-pacific/>.

52. R. Evan Ellis, "Suriname and the Chinese: Timber, Migration, and the Less-Told Stories of Globalization," *SAIS Review*, Volume 32, Number 2. (Summer-Fall 2012): 85-97.

53. David Gagne, "Rising Dragon? The Chinese Mafia Threat in Latin America," *Insight Crime*, October 15, 2014, <https://www.insightcrime.org/news/analysis/rising-dragon-the-chinese-mafia-threat-in-latin-america/>.

The growth of Chinese populations also will increase the activities of China-based criminal organizations in the region,⁵⁴ which operate partly within those traditionally insular enclaves.⁵⁵ New organized crime challenges will foster greater cooperation between the PRC and Latin American police forces,⁵⁶ at times generating complaints that PRC national police are operating with too much autonomy within Chinese communities in the region. Indeed, as Chinese police become active in Latin America in fighting trans-Pacific crime, some Chinese, whose ancestors long ago left China, may feel that the police presence enables the government to monitor and intimidate ethnic Chinese beyond the PRC's borders.

In addition, infrastructure projects influenced by Chinese interests in the region will fundamentally alter commercial flows and centers of economic activity. The volume of shipments through Latin America's Pacific coast ports will grow significantly relative to those of the Atlantic to include free trade zones and economic clusters and expanded economic activity. People from other parts of Latin America, in turn, will migrate to those Pacific cities in search of opportunity.

As with ports, the construction of new or improved road and rail linkages connecting the rest of the region to the Pacific and the associated movement of goods will stimulate an economy of support services along those routes. People from other parts of the region increasingly will come into contact with previously isolated areas, such as the Amazon and the Andes Mountains. These movements of people will fuel constructive interactions and new social tensions, as well as spread diseases previously confined to the Amazon.

Although many of the effects of the growth of Latin America's Pacific-facing infrastructure will occur within national borders, others will be international.

In South America, a transcontinental infrastructure that includes a network of highways, train, and river routes will connect Brazil to the Atlantic, the Caribbean, and the Pacific. Such connections will probably include train linkages across the Amazon to Peru's northern coast,⁵⁷ and a more southerly train route through Bolivia to southern Peru and northern Chile.⁵⁸ They also will likely include enhanced river and multimodal routes linking Brazil to the Atlantic in a southerly direction through Paraguay, Uruguay, and Argentina, and north to the Atlantic through the Guiana Shield, with improved highways through northern Brazil to the Atlantic coast of Guyana and Suriname. This infrastructure will increase the flows of people and goods across all ten countries' land borders which will focus Brazil's attention to the security of those borders and foster coordination with its neighbors, while increasing Brazil's interest in their internal affairs, affecting that coordination and security.

54. R. Evan Ellis, "Chinese Organized Crime in Latin America," *Prism*, Vol. 4. No. 1. (December 1, 2012): 67-77.

55. See, for example, Chinese cooperation with Argentina against the organized crime group Pi Xue: "China-Argentina security cooperation helps reduce crime: police source," Sina English, June 21, 2016, <http://english.sina.com/news/2016-06-22/detail-ixftsa5999154.shtml>.

56. See Fabiola Ortiz, "Brazil, Peru and China and the Inter-oceanic Dream," *Dialogo Chino*, February 5, 2018, <http://dialogochino.net/china-is-part-of-an-interoceanic-dream-between-brazil-and-peru/>.

57. See, for example, "Pedro Sánchez firmará con Evo Morales un acuerdo sobre el tren bioceánico en Bolivia," ABC, August 26, 2018, https://www.abc.es/espana/abci-pedro-sanchez-firmara-morales-acuerdo-sobre-tren-bioceanico-bolivia-201808261232_noticia.html.

58. Simon Gardner and Elida Moreno, "Panama Canal sets sights on new \$17 billion expansion project," Reuters, March 26, 2015, <https://www.reuters.com/article/us-panama-canal-idUSKBN0MM24I20150326>.

By 2050, it is further likely that expanded trans-Pacific shipping volume (including not only container ships, but also the transport of bulk goods such as soybeans and liquified natural gas), coupled with ever larger ships, will lead to the construction of a fourth set of locks in the Panama Canal⁵⁹ and the construction of a transoceanic canal through Nicaragua.⁶⁰ The establishment of diplomatic relations between Nicaragua and the PRC, in conjunction with a sufficient quantity of large ships with an interest in transiting between the Atlantic and the Pacific, will serve as the enabling conditions for the canal. As a consequence, Nicaragua will not only be a more prosperous country but will also become more strategically important in economic and political/military terms.

Manufacturing and Retail. By 2050, Chinese manufactured products, from clothing, toys, and footwear to home appliances, cars, and computers, will have become dominant across virtually all of Latin America and the Caribbean. Chinese products will have improved greatly in quality and product support, and their Latin American retail networks will be more sophisticated. Chinese companies will have attained this dominance through advances in product technology and production processes, organizational learning that enhances the capabilities of their firms as international operators, the acquisition of competitors, and by acquiring technologies from partners. Chinese companies also will use their financial might and coordination with the Chinese state and financial institutions to drive competitors out of business.

Although Chinese companies will have established their position in the manufacturing, wholesale, and retail sectors in the region principally by working with local partners, and in some cases setting up local assembly warehousing and distribution operations, by 2050, Chinese retailers will have used their control over production and finance to push out or buy out many local partners to realize the value from retail and services for themselves.

In many industries, the Chinese will employ local personnel in sales, customer service, and local management. But the value added from the local assembly and manufacturing operations will principally accrue to the Chinese owners.

By 2050, PRC-based firms likely will have greatly expanded their investment in final assembly facilities in the region for high-value products such as cars, motorcycles, heavy equipment, and consumer appliances. With the growing sophistication of Chinese companies, such assembly operations (along with supporting clusters of Chinese component suppliers and service providers) may be located not only in major markets such as Mexico, Brazil, and Argentina, but also in smaller markets in Central America and the Caribbean.

Although Chinese companies initially may establish such facilities to better serve customers and to avoid import taxes, the PRC will probably also leverage its power as the provider of jobs and investment capital in negotiations with local elites to secure the establishment of “free trade zones” where Chinese production can use infrastructure built by local governments at taxpayer expense, paying little, if any tax, and to operate under

59. Suzanne Daley, “Lost in Nicaragua, a Chinese Tycoon’s Canal Project,” *The New York Times*, April 3, 2016, <https://www.nytimes.com/2016/04/04/world/americas/nicaragua-canal-chinese-tycoon.html>.

60. “China’s Fosun to acquire Brazil investment firm,” *The Daily Mail*, July 30, 2016, <https://www.dailymail.co.uk/wires/afp/article-3715702/Chinas-Fosun-acquire-Brazil-investment-firm.html>.

a special regimen with respect to environmental and labor regulations (including wider latitude for the importation of Chinese workers and control over their employment). Such zones may also be governed by different regulations and venues for settling legal disputes.

People born in Latin America and the Caribbean will have opportunities to secure work as customer service providers, technical personnel, and mid-level managers in Chinese manufacturing and retail facilities. Indeed, the retail sector, through its need to present a Latin American face to its customers, may provide more opportunities than other China-dominated industries for reasonably remunerated employment. Yet, the Chinese headquarters of these firms are where the real decisions will be made the best-paying managerial and technical jobs will be located, and where corporate profits will be returned.

As in other sectors discussed earlier, the management and other practices of Chinese manufacturing and retail firms are likely to generate significant labor unrest and social protest. Unlike in the past, however, the combination of the dominant Chinese position in the sector and their influence over compromised local elites will allow them to ignore or stifle dissent.

Beyond Chinese “soft power” as employers and the challenges of the production and retail operations themselves, the increasing ubiquity of Chinese products will contribute to an unprecedented capability to gather, and potentially exploit, data on political and business leaders and ordinary Latin American citizens. Such opportunities will include data stored in computers and other devices designed and built by Chinese companies, with virtually everything from washing machines to children’s toys and even electric lamps taking on increasing “information content” and connectivity through the internet of things. Chinese-built cars in the region will self-report location history and potentially even passenger data. Chinese-built smart home systems in the region, integrating security monitors, lighting, heating, and other capabilities, will gather and potentially self-report data on who was in the home and when. The ubiquity of PRC-designed and built devices in Latin America, well integrated by 2050 through the internet of things, will thus create unprecedented opportunities for the Chinese government, with leverage over PRC-based companies, to collect detailed data on the lives of virtually every person in the region and securely transmit the information through China-built telecommunications architectures, available for analysis through ever more capable Chinese artificial intelligence algorithms.

Banking and Finance. Continuing the present trajectory, by 2050, Chinese institutions will be the region’s primary lenders to Latin American governments, and to a lesser degree, to corporations, individuals, and key stakeholders in the region’s most important enterprises, including those that are not recognized as Chinese companies or in which they control majority stakes.

In lending to governments and corporations, resource-rich Chinese institutions will have established numerous loan funds, including some in partnership with the region’s once-dominant multilateral institutions such as the IMF and the Andean Development Corporation (CAF), obligating those (now lesser) partners, in the interest of business, to rewrite their rules governing transparency, environmental and social compliance and other issues that once advanced good governance in the region. As the dominant supplier of capital, Chinese banks and associated loan funds will oblige governments in the region

to accept Chinese products, companies, and laborers as conditions for receiving funds and will make it very difficult for competing firms that do not partner or otherwise cooperate with the Chinese to survive. The role of Chinese money throughout the region's financial system will thus help the Chinese to consolidate and maintain their dominant position in a range of industries across Latin America and the Caribbean.

Beyond such large-scale loans for governments and major corporations, the Chinese will also leverage their ample resources and expanded sophistication and connection from more than 30 years on the ground in the region to expand and consolidate their presence in the branch banking sector, in some cases obliging governments in the region to change their banking rules to accommodate their activities where foreign-owned banks are otherwise not permitted. By 2050, PRC-based institutions will thus not only have a dominant position in financing major projects but also in integrating themselves deeply in the retail-level banking system in virtually all countries of the region, in the process acquiring or edging out competing local, European, and other institutions to accept deposits and provide loans and other services for both corporations and individuals.

Dominance of branch banking across the region will give the Chinese unparalleled visibility into the finances of commercial actors throughout the region, as well as leverage to steer their clients toward employing PRC-based companies and partners as a condition for obtaining loans, even at the retail level, in Latin America and not just China.

Beyond traditional banking, Chinese companies such as Fosun⁶¹ and others are likely to occupy a dominant position in non-traditional parts of the financial industry, such as the underwriting of electronic transactions, including networks such as Alibaba. As a result, by 2050, non-Chinese companies will be at a great disadvantage relative to Chinese ones in offering products and services over the Web in Latin America. PRC-based firms are likely to even dominate cryptocurrency operations, which will then be used much more than today as a unit of account and store of value for cyber transactions.

Complementing such advances in lending and branch banking, the RNB will have become common in the region, alongside the dollar, employed in a broad range of commercial transactions including contracts for commodities and other goods and services. Many bank accounts, credit cards, and other financial vehicles used in the region will be denominated in yuan. Correspondingly, Latin American and Caribbean governments will be forced to consider the impact of their fiscal and monetary policies with respect to the stability of their currencies against the RNB, and not simply the dollar, creating yet another reinforcing cycle of Chinese influence.

Electricity Infrastructure. By 2050, Chinese companies such as State Grid⁶² and State Power Investment Corporation (SPIC),⁶³ among others, are likely to own or dominate the

61. Rogerio Jelmayer, "China's State Grid to Acquire Additional Stake in Brazil's CPFL," *The Wall Street Journal*, Sept. 26, 2016, <https://www.wsj.com/articles/chinas-state-grid-to-acquire-additional-stake-in-brazils-cpfl-1474887072>.

62. Luciano Costa, "China's power investment group seeks new Brazil targets after \$2 billion deal," Reuters, May 15, 2018, <https://www.reuters.com/article/us-spic-brazil/chinas-power-investment-group-seeks-new-brazil-targets-after-2-billion-deal-idUSKCN1IH08M>.

63. See, for example, Vanessa Dezem and Vinicy Chan, "China State Grid Said to Near Control of \$7 Billion Utility CPFL," Bloomberg, August 12, 2016.

electricity generation and transmission sector across Latin America⁶⁴ because they use their substantial resources to acquire companies in the region, establishing themselves in countries like Brazil and competing for and winning important projects.⁶⁵

Beyond controlling transmission of electricity, Chinese firms are likely to be particularly dominant as the builders, owners, and operators (as permitted by the regulations of the sector in each country), of hydroelectric facilities,⁶⁶ wind farms,⁶⁷ solar (photovoltaic cell) generation facilities,⁶⁸ and nuclear plants,⁶⁹ among others.⁷⁰

The strategic role of PRC-based control over both electricity generation and transmission likely will be magnified by growth in the uses of electricity. The push toward clean energy means that electric power will be ubiquitously employed for functions such as cooking and heating, as well as for autos, buses, and other public vehicles. In the transportation sector, like others, Chinese electric vehicle manufacturers such as BYD will be dominant suppliers.

Going beyond current trends, by 2050, electricity may also be a viable power source for boats and even aircraft in Latin America, which will run on batteries for which Chinese companies likely will have cornered the market (in part through their control of key inputs such as lithium, obtained from mines in the north of Chile, Argentina, and southern Bolivia, where Chinese firms currently show an active interest.

Further adding to Chinese dominance of the sector, it is possible that Chinese companies also will have cornered the market for electric vehicle charging stations, leveraging the dominance of Chinese companies in electricity generation and transmission to outmaneuver competitors in setting up cost-effective networks of charging stations, with billing and other supporting data handled by Chinese software, across China-owned telecommunications infrastructures in the region, with transactions handled by PRC-based banks. Malleable Latin American and Caribbean regulators would presumably have gone along because the Chinese are the investors and thus are making possible the broader use of electric vehicles. It is also possible that PRC-based companies will have leveraged their positions in both electric vehicles and retail charging to set technical standards (e.g., for charging facilities and car charging ports) in ways that privilege Chinese solutions over others, accelerating their domination of the market.

64. Michael Place, "China's State Grid wins US\$2.2bn Brazil transmission contract," BN Americas, July 17, 2018, <http://www.bnamericas.com/en/news/electricpower/chinas-state-grid-wins-us22bn-brazil-transmission-contract1/>.

65. See Valeria Heredia, "Coca Codo Sinclair, la central más grande de Ecuador, se inauguró," *El Comercio*, November 18, 2016, <https://www.elcomercio.com/actualidad/coca-codo-sinclair-hidroelectrica-china.html>. See also Daniel Gutman, "China Generates Energy and Controversy in Argentina," Inter Press Service, June 8, 2018, <http://www.ipsnews.net/2018/06/china-generates-energy-controversy-argentina/>.

66. See, for example, Yang Yao, "China to take on wind energy project in Argentina," *China Daily*, February 2, 2015, http://usa.chinadaily.com.cn/world/2015-02/02/content_19461764.htm.

67. See, for example, "La firma china Jinko comienza en septiembre a construir su parque solar en Gualiñizuil," *Energía Estratégica*, July 24, 2017, <http://www.energiaestrategica.com/la-firma-china-jinko-comienza-septiembre-construir-parque-solar-guanizuil/>.

68. Daniel Gutman, "China Drives Nuclear Expansion in Argentina, but with Strings Attached," Inter Press Service, June 27, 2017, <http://www.ipsnews.net/2017/06/china-drives-nuclear-expansion-argentina-strings-attached/>.

69. For a detailed discussion of Chinese projects in the Latin American energy sector, see R. Evan Ellis, *China on the Ground in Latin America: Challenges for the Chinese and Impacts on the Region* (New York: Palgrave-Macmillan, 2014).

70. See, for example, "Chinese telecom company Huawei thrives in Latin America," *China Daily*, April 21, 2015, http://www.chinadaily.com.cn/business/tech/2015-04/21/content_20494765.htm.

The increased centrality of electricity to all facets of life in Latin America (and the rest of the world) by 2050, and the near-absolute dominance of electricity by Chinese firms from generation to transmission to use, almost inevitably will generate tensions with governments in Latin America and the Caribbean, which have traditionally distributed and regulated electricity as a subsidized (or imperfectly metered) public good. In 2050, Chinese control of the entire electricity value chain in Latin America will pit the Chinese desire to be paid for electricity use against Latin American governments' interest in keeping their citizens happy. Ultimately, however, the Chinese will have the upper hand, with the power to literally turn the lights on or off on persons, businesses, and governments that oppose them and their strategic interests.

Telecommunications Infrastructure. In telecommunications, as with electricity, it is likely that by 2050, Chinese companies such as Huawei,⁷¹ secondarily ZTE,⁷² and possibly others with strong positions in the PRC such as China Unicom,⁷³ will be the dominant providers of infrastructure and associated products and services in the region, including smartphones, servers, routers, and other devices. These PRC-based companies are likely to achieve near-monopoly status as providers to (and with great influence over) Latin American government telecom entities, as well as eclipsing (if not having acquired) currently leading service providers such as Telefonica, Movistar, and Claro.

As noted previously, the dominance of telecommunications infrastructures by Chinese companies will complement their control of industries such as personal vehicles, smart home systems, retail banking, automated production systems in factories, software for personal and commercial uses, and public surveillance systems, with Chinese telecommunications firms serving as vehicles for securely transmitting not only overt communications between persons and commercial entities in Latin America but also the data collected from the entirety of their systems across the internet of things. Such a near-monopoly over information “collection” devices and the means of transmission in Latin America (and elsewhere) will give the PRC virtually limitless capability to collect business intelligence or appropriate technologies to give an unfair position to PRC-based companies. Even more worrisome, they could compromise virtually any military, government, or business leader in the region, to obtain from them valuable political and military intelligence, and at the extreme, to anticipate or even shape administrative and political decisions by those figures.

71. Scott Bicheno, “ZTE kind of a big deal in Europe and Latin America,” Telecoms.com, December 19, 2016, <http://telecoms.com/478355/zte-kind-of-a-big-deal-in-europe-and-latin-america/>.

72. “Telefónica, China Unicom partner in IoT,” BN Americas, March 5, 2018, <https://www.bnamericas.com/en/news/ict/telefonica-china-unicom-partner-in-iot>.

73. “Celac And China Joint Plan of Action for Cooperation on Priority Areas (2019-2021),” Brazilian Government, Official website, Accessed September 29, 2018, <http://www.itamaraty.gov.br/images/2ForoCelacChina/Joint-Action-Plan-II-CELAC-China-Forum-FV-22-01-18.pdf>.

8 | China-Latin America Police and Private Security Cooperation

By 2050, in fulfillment of the goal of expanding cooperation against organized crime as specified in the 2019–2021 China-CELAC “plan of action,”⁷⁴ PRC-based companies and police will have established a close working relationship with their Latin American and Caribbean counterparts, as well as with private Latin American security forces. These arrangements arguably will both complement and exploit the work of Chinese technology companies in surveillance and control architectures.

Chinese companies and possibly Chinese government entities, including the Chinese National Police, will have a much closer, more functional coordination with private sector security firms. PRC-based companies will be involved in the contracting of private security to protect Chinese commercial and government facilities. In addition, China likely will have launched its own security firms by 2050,⁷⁵ employing former members of the PLA, national police, and Chinese intelligence personnel, among others, to provide a trusted first ring of security around Chinese companies. Indeed, by 2050, Chinese firms may be major providers of security services in Latin America, leveraging their position as trusted providers of technical and manpower-centric services to the growing number of Chinese operations in the region. As in other industries, Chinese security firms may have acquired firms operating in the region with strategically valuable technologies, knowledge, or relationships, or those that have been competitors. Other security firms (including European and Israel-based, as well as local), may have forged strategic partnerships with the Chinese, ceding some of their technical knowledge and relationships as a price for access to the Chinese firms in the region.

As Chinese firms and those working for them become dominant across Latin America and the Caribbean, as has occurred already with Chinese contracting of private security forces in Africa and elsewhere, their will likely generate criticisms by local residents and

74. See Atul Aneja, “The rise of China’s private security firms,” *The Hindu*, September 29, 2018, <https://www.the-hindu.com/news/international/the-rise-of-chinas-private-security-firms/article25082890.ece>. See also Andrew Erickson and Gabe Collins, “Enter China’s Security Firm,” *The Diplomat*, February 21, 2012, <https://thediplomat.com/2012/02/enter-chinas-security-firms/>.

75. See “Chinese Private Security Companies Go to Africa,” *The China-Africa Research Institute Blog*, September 5, 2016, <http://www.chinaafricarealstory.com/2016/09/chinese-private-security-companies-go.html>.

(mostly opposition) elites.⁷⁶ As discussed previously, however, the economic and personal leverage that PRC-firms can exert over local elites will, with some exceptions, likely lead local governments to side with the Chinese firms in tolerating their behavior, including repressing protests.

The likely expansion of trans-Pacific crime, including the presence of Asian criminal groups in Latin America involved in narcotrafficking, human smuggling, illegal mining, weapons trafficking, contraband, and money laundering, will encourage Latin American police forces to invite in, share information, and cooperate with their PRC counterparts.

As already seen in PRC-Argentina police cooperation,⁷⁷ China's assignment of ethnically Chinese agents capable of penetrating local communities and possessing interpreter skills and technical linkages back the PRC, will prove particularly valuable to local governments. Chinese police, however, will gain unprecedented access to sensitive information regarding police technical capabilities and procedures (including training received from U.S. law enforcement agencies) as well as data on Latin American criminal networks, and perhaps most importantly, insider knowledge of the corruption of Latin American politicians, military officers and business figures that they can exploit to extract information from them.

The combination of political cooperation with governments heavily susceptible to Chinese influence, police cooperation, potential Chinese access to telecommunications and surveillance systems (most of which will be Chinese-built) and access to massive amounts of data on persons and firms in the region through ubiquitous China-manufactured devices in the region connected by the internet of things, will facilitate the identification of not only criminal threats to Chinese firms in the country but also a range of other activities, including resistance by local communities and workers to Chinese petroleum, mining, and construction operations. Such collaboration is further likely to support the identification and response to "troublemakers," labor organizers and other protesters against Chinese manufacturing operations.

Police and security collaboration, in addition to other Chinese capabilities, may help Chinese firms to discover the strategies and intentions of commercial competitors or those of opposition politicians contemplating laws or regulations prejudicial to their interests, and then exploit Chinese leverage over governments and pliable law enforcement officials to protect the Chinese companies.

76. "China-Argentina security cooperation helps reduce crime: police source," Sina English, June 21, 2016, <http://english.sina.com/news/2016-06-22/detail-ifxtfsae5999154.shtml>.

77. "Document: China's Military Strategy," USNI News, May 26, 2015, <https://news.usni.org/2015/05/26/document-chinas-military-strategy>.

9 | Chinese Military Engagement in the Region

The Chinese military presence in Latin America is likely to grow significantly by 2050 in both size and scope.

Consistent with China's 2015 defense strategy white paper,⁷⁸ the PLA's global operations likely will expand to defend its commercial engagement. As in Djibouti,⁷⁹ Gwadar Pakistan,⁸⁰ Tanzania⁸¹ and elsewhere today, by 2050, the PLA will be sufficiently confident to leverage loans and investments in commercial port and airport operations in select countries to secure access agreements for visits by and support to its military forces, even if it does not call them "military bases."⁸²

If, by 2050 the PLA has engaged and prevailed in a serious global conflict with the United States over Taiwan (or a similar issue such as a conflict over Japan or North Korea), it likely will go even further to establish more formal alliances and military presence in Latin America. Indeed, it is difficult to overstate the degree to which fighting and prevailing in a military conflict with the United States in Taiwan would fundamentally alter the posture and behavior of the Chinese military in Latin America. By 2050, Chinese military product companies such as NORINCO and China Shipbuilding Industrial Corporation (CSIC)⁸³ likely will have competitive offerings in all leading weapons systems and significant experience in arms sales and support in Latin America and the Caribbean, including maintenance and training packages.

78. Brad Lendon and Steve George, "China sends troops to Djibouti, establishes first overseas military base," CNN, July 13, 2017, <https://www.cnn.com/2017/07/12/asia/china-djibouti-military-base/index.html>.

79. Gurmeet Karnwal, "Pakistan's Gwadar Port: A New Naval Base in China's String of Pearls in the Indo-Pacific," CSIS, April 2, 2018, <https://www.csis.org/analysis/pakistans-gwadar-port-new-naval-base-chinas-string-pearls-indo-pacific>.

80. "China-Tanzania talks over Bagamoyo port project in progress: envoy," Xinhua, May 20, 2018, http://www.xinhuanet.com/english/2018-05/20/c_137191773.htm.

81. "Djibouti a logistic centre not a military base: Chinese media," *Indian Express*, August 23, 2016, <https://indianexpress.com/article/world/world-news/djibouti-a-logistic-centre-not-a-military-base-chinese-media/>.

82. For a detailed discussion of Chinese arms sales to Latin America, see R. Evan Ellis, "China – Latin America Military Engagement," Carlisle Barracks, PA: U.S. Army War College Strategic Studies Institute, August 2011, <https://ssi.armywarcollege.edu/pubs/display.cfm?pubID=1077>.

83. The definitive work on China's strategic partnerships in Latin America is Yanran Xu, *China's Strategic Partnerships in Latin America: Case Studies of China's Oil Diplomacy in Argentina, Brazil, Mexico, and Venezuela, 1991–2015* (Lanham, MD: Lexington Books, 2017).

Although Latin American militaries may complain about Chinese military goods and the quirks of training and support, by 2050 the region's armed forces are likely to have many more PRC-built systems in their inventories than today, and likely more Chinese systems than U.S., Russian, or European.

As one consequence of the ubiquity of Chinese platforms and equipment in the tables of organization and equipment (TOEs) of Latin American militaries by 2050, those militaries will have established a pattern and developed an operational and strategic need for sending workers to the PRC for operator, maintenance, and other technical training, as well as bringing PLA personnel or contracted trainers from Chinese military companies to the region for in-region training on the operation, maintenance, and support of Chinese systems. Indeed, the level of participation by Latin American military officers in Chinese institutions (and enlisted personnel in Chinese training and professional military education courses) is likely to be far greater than today, although the differences between Chinese and Western approaches will continue to be an obstacle to Chinese training and education by Latin American militaries.

If there is a significant conflict in the region in which the PRC prevails, it will likely have the effect of fundamentally “re-branding” the Chinese military and changing calculations in the region about U.S. dominance. More Latin American and Caribbean countries will engage seriously with the PRC, buying its weapons systems and taking its training, as well as tempting it to act with more hubris.

10 | Politics and the Regional Security Environment

Latin American and Caribbean nations likely will continue to oscillate between left-oriented and right-oriented solutions to persistent problems of inequality and arrested development in the region. The implementation of PRC-developed surveillance and security architectures and integrated databases is likely to significantly reduce urban insecurity and corruption in public institutions. Yet the integration of the region into a PRC-dominant economic order as a food and primary product producer and purchaser of Chinese consumer goods will hinder the attainment of prosperity and equality. Indeed, engagement with the PRC is likely to exacerbate the gap between the business and political elites who will prosper by engaging with the Chinese and the vast majority for whom economic opportunities beyond low-paying extractive sector work, customer service, or low-level service and technical jobs, are very limited.

Chinese systems will significantly increase the capacity of states to register and monitor the financial and other activities of their populations. This capacity will enable governments to make progress in fighting crime but also to repress social discontent.

Latin American states of course cannot either employ or incarcerate their entire populations. Latin American states, dependent on economic engagement with the PRC but equipped with greatly enhanced technical capabilities to monitor and repress populations (both criminals and dissenters), may see an evolution in the current divide between “formal” and “informal” sectors. The future could comprise a politically and economically active sector and another registered and tracked by the state (and receiving a minimum of education, healthcare and other services). The latter population, rendered superfluous by largely automated production in support of Chinese needs, would thus be ignored—as long as its members do not present a political or criminal threat to either the state or to the PRC.

The transition between the present and 2050 is likely to see a shift from the prevailing vision of the PRC as a de facto political and developmental alternative to the United States and Western-style democracy to that of a grudgingly accepted oppressor that generates great personal wealth and opportunity for a small number of well-connected local elites but whose influence the highly monitored residents of Latin American and Caribbean

states do not dare to openly oppose. Ironically, in that transition, the United States may, for many in the region, go from being seen as an imperialist hegemon imposing its will on the region to a romanticized symbol of subverted ideals of democracy and personal liberty.

During the transition period to 2050, Latin American and Caribbean populations are likely to become increasingly uneasy with PRC economic and political influence in the region, including local elites who may be perceived as being compromised by their personal interests and other pressures to serve Chinese objectives. Such discomfort will likely give rise to political and social movements rallying against the developmental model adopted by governments in the region with the pressure or encouragement of the Chinese.

Such movements may temporarily bring to power governments that embrace varying alternative ideologies, from nationalistic autonomous development to a return to economic models and politics aligned with the United States and the West. It is not clear, however, that the United States, struggling with ballooning public debt (compounded in 2050 by less latitude to secure buyers for its bonds when the dollar is less dominant), will be able to direct sufficient resources to make their gestures economically beneficial or politically sustainable.

For its part, the PRC likely will use bilateral and multilateral diplomacy to strengthen its grip and advance its interests in the region. In its bilateral relationships, China probably will expand the number of its strategic partnerships in the region⁸⁴ and the government-to-government coordination within them on political, military, and economic issues. The PRC, for example, is likely to use the ministerial-level coordinating committees typically associated with such partnerships (such as the COSBAN in Brazil⁸⁵ and the “High-Level Mixed Commission” in Venezuela⁸⁶) as a vehicle to consult on and align political positions and not only to ensure that major commercial projects are proceeding on schedule.

In its multilateral engagements, China probably will continue to principally work through the Community of Latin American and Caribbean States (CELAC) rather than the Organization of American States (OAS) or other multilateral engagement vehicles within the Inter-American System (the United States is a member) to set up loan funds, announce new gifts and initiatives, state common political positions, and put forth multi-year plans for engaging with the region.

Although the PRC’s continuing involvement with CELAC will keep the organization in the international spotlight and create yet another dependable summit destination for Latin American leaders, it will probably not substantially advance its institutionalization as a vehicle for the formulation of common plans or positions on global issues. It is unlikely, for example, that CELAC will establish a functional secretariat or other permanent structures such as those of the OAS. Not only would they require resources and political consensus now lacking in the region; they also would conflict with the PRC’s interest in preventing the development of a collective position for negotiating benefits or the rules

84. See, for example, “China, Brazil launch 20-bln-USD fund to support production capacity cooperation,” Xinhua, June 27, 2015, http://www.xinhuanet.com/english/2015-06/27/c_134361589.htm.

85. “‘Sister Nations’ China and Venezuela sign \$2.7 billion trade deal,” TeleSur, February 16, 2017, <https://www.telesurtv.net/english/news/Sister-Nations-Venezuela-and-China-Sign-2.7B-Trade-Deal-20170216-0028.html>.

86. See Patrick Gillespie, “TPP’s death hurts America and helps China + Russia,” CNN, November 23, 2016, <https://money.cnn.com/2016/11/23/news/economy/tpp-trump-america-china-russia/index.html>.

of the game for engagement with China. As Latin America and the Caribbean experience political oscillations over the next 30 years, such collective structures will be proposed and perhaps established. But as with other transitory organizations such as the Union of South American Nations (UNASUR), they are likely to be ineffective.

China is likely to continue to engage in the region through vehicles such as the BRICS (an association of five major national economies: Brazil, Russia, India, China, and South Africa). Yet as the PRC's power increases, marketing China as a "developing" nation alongside the other BRICS members will become increasingly unrealistic. Moreover, given numerous other international organizations, from the UN to the G-7, G-20, Shanghai Cooperation Organization, APEC, and the multiplicity of regional organizations, it will make little sense to bring the BRICS together to approve or coordinate objectives that the PRC can achieve on its own.

The dominant trade regime in the Pacific will be critical to China's relationship with Latin America. It is likely that with time, and with the PRC's increasing economic and political clout, China could join, and ultimately reshape, the Trans-Pacific Partnership (TPP) to accommodate its agenda,⁸⁷ or alternatively, supplant the TPP with its proposed Free Trade Area for the Asia Pacific, based on the Regional Comprehensive Economic Partnership (RCEP) in Asia,⁸⁸ or a similar initiative whose structure better accommodates PRC objectives than the TPP. Such a new trans-Pacific framework would likely emphasize goods-based trade (China's strong suit) rather than the protection of intellectual property or protections against non-tariff barriers (the PRC employs many).

The future of the Pacific Alliance in any new trans-Pacific regime is not clear, but to the extent that it builds bridges to other sub-regional organizations such as MERCOSUR, it could become a niche organization for facilitating Chinese access to Latin American markets.

As the Chinese position in Latin America expands, other extra-hemispheric actors, such as the European Union, Japan, and South Korea, whose companies have traditionally looked to Latin America as a market and investment opportunity, are likely to follow developments in the region with increasing concern. Japan and India, geopolitical rivals of the PRC in Asia, also are likely to interpret Chinese advances in the hemisphere as part of the broader strategic threat that the PRC presents to them globally.⁸⁹ Such fears could promote greater coordination with the United States by those governments (such as already seen in the "Quad" of Japan, India, Australia, and the United States⁹⁰) to establish a level playing field in trade and investment across the Pacific in which all countries engage and benefit without fear of sacrificing their intellectual property, or to limit the most strategically threatening PRC advances in the Western Hemisphere in other ways.

87. Prashanth Parameswaran, "Beware the Myth of Warring US-China Trade Pacts," *The Diplomat*, November 18, 2016, <https://thediplomat.com/2016/11/beware-the-myth-of-warring-us-china-trade-pacts/>.

88. Brianna Lee, "China-Japan Rivalry Plays Out In Latin America," *International Business Times*, July 25, 2014, <https://www.ibtimes.com/china-japan-rivalry-plays-out-latin-america-1639502>.

89. Suhasini Haidar, "U.S.-Japan-India-Australia Quad: New Delhi charts new line on Indo-Pacific policy," *The Hindu*, June 8, 2018, <https://www.thehindu.com/news/national/us-japan-india-australia-quad-new-delhi-charts-new-line-on-indo-pacific-policy/article24113900.ece>.

90. See, for example, Gordon C. Chang, *The Coming Collapse of China* (New York: Random House, 2001).

11 | Disruptive Events

Although the worrisome future for Latin America I have presented represents a logical extension of current trends, there is a reasonable possibility that one or more major disruptive events could fundamentally change the economic and political trajectory of the region and its relationship with the PRC. It is difficult to predict specific events, but there are some scenarios that could significantly alter the future I have envisioned.

Collapse of the PRC. Longstanding structural contradictions within China could slow or fundamentally re-orient its advance in Latin America and elsewhere.⁹¹ These might include the PRC's substantial government and commercial debt⁹² as it seeks to sustain growth and manage external shocks while transitioning to a more consumption-driven economy.⁹³ External events such as a debt crisis or other economic shocks in the United States or Europe also could trigger a collapse of the PRC.

Collapse here is presented as an alternative to less dramatic events, such as a significant slowdown in growth arising from difficulties such as the burden of China's aging population, education, and health systems, which could change the nation's trajectory without fundamentally altering the scenarios suggested here.

Given the PRC's size and interdependence with the global economy, an economic collapse would not only affect Latin America as a key exporter of primary products and agricultural goods to China but also China's status as a banker and investor in the region. If a collapse unleashed social forces that precipitate a downfall of the Chinese Communist Party (through violence or other means),⁹⁴ the resulting state would likely be, for a number of years, far less economically engaged in Latin America (and elsewhere), and where engaged, would likely manifest less coordination between the central government and key economic actors (including those affiliated with national and state governments).

91. See, for example, Douglas Bulloch, "China's debt bomb just keeps getting bigger," *Forbes*, December 15, 2017, <https://www.forbes.com/sites/douglasbulloch/2017/12/15/chinas-debt-bomb-just-keeps-getting-bigger/#4194ce07be4f>.

92. See, for example, Yu Yongding, "China's response to the global financial crisis," East Asia Forum, January 24, 2010, <http://www.eastasiaforum.org/2010/01/24/chinas-response-to-the-global-financial-crisis/>.

93. Ho-fung Hung, Arthur R. Kroeber, Howard W. French, and Suisheng Zhao, "When Will China's Government Collapse?" *Foreign Policy*, March 13, 2015, https://foreignpolicy.com/2015/03/13/china_communist_party_collapse_downfall/.

94. "2014-2016 Ebola Outbreak in West Africa," Centers for Disease Control, <https://www.cdc.gov/vhf/ebola/history/2014-2016-outbreak/index.html>.

At the same time, the emergence of a weaker, but more dangerous, radical nationalist PRC engaging with Latin America in a more overtly militaristic fashion cannot be ruled out.

Nuclear War. Like the “PRC collapse” scenario, a nuclear exchange between the United States and China, such as a nuclear exchange involving other nations such as India, Russia, or Pakistan, would probably fundamentally disrupt the development of PRC (as well as the United States and the entire global economy). Although it is difficult to adequately depict the impact of such an event, as it is regularly omitted from analyses of global futures, it is important to consider it.

The scope of the human tragedy, and the associated shock, would significantly alter international norms and institutions in ways that would disrupt PRC engagement with Latin America. In addition, nuclear war could precipitate the fall of the Chinese Communist Party (as well as the U.S., Russian, and other governments) and its replacement by a regime less able or less willing to engage in Latin America and the Caribbean.

As noted previously, such a war could make China more inward looking (perhaps consumed by internal struggles and violence). On the other hand, nuclear contamination and other issues, and resentment towards other nations, including the United States, that may be blamed for the tragedy, could lead a future regime to act aggressively toward Latin America, either by appropriating its food and resources or as part of a broader campaign against the United States.

It is possible that a more limited nuclear war between the United States and North Korea or Russia, or between the United States and the PRC in which the United States was seen to have backed down, would accelerate a shift in the global balance of power to favor the PRC, strengthening its political, economic, and military position with Latin America and the Caribbean (among other parts of the world). Even a limited nuclear war, however, would affect norms regarding the development of nuclear weapons and military capabilities in general, in the region and beyond.

Disease. As almost occurred with Ebola in Africa,⁹⁵ the outbreak of major disease beginning in or spreading to Latin America could severely damage the region’s economies and greatly limit both development and interaction with external forces such as the PRC. Such an outbreak would likely transform norms for social and economic interaction, patterns of criminality and the strength of criminal groups, and the relative influence of and attitudes toward extra-hemispheric powers such as the United States. Agricultural diseases affecting livestock or crops could devastate global food supplies and create major havoc in the world economy. As with nuclear war, a major disease outbreak could, in the short term, significantly reduce Chinese economic engagement with Latin America. An epidemic that decimates the Chinese population would reduce demand for Latin American agricultural and other goods. On the other hand, an agricultural disease that devastated food production in China could encourage the PRC to aggressively pursue engagement with the region in a desperate bid to prevent the deaths of hundreds of millions in its country from hunger.

95. R. Evan Ellis, “US Smart to Assist Latin America With Democratic Governance,” Newsmax, August 10, 2018, <https://www.newsmax.com/evanellis/democratic-governance-latin-america-strategy/2018/08/10/id/876479/>.

12 | Recommendations for the United States

The future I have depicted raises critical issues for the United States and its global strategic position, and for democracy and prosperity in Latin America. The United States cannot determine the future of Latin America, or of its geopolitical rivals such as China, but it can shape the future in ways less detrimental to it and the region.

As argued elsewhere,⁹⁶ if the United States is to constructively shape the future of Latin America, it must work with partners to strengthen institutions and democratic governance so that those partners can more effectively interact with government representatives and commercial entities of a rising China to take advantage of the opportunities that Chinese investment and economic and security engagement offer,⁹⁷ without sacrificing the region's sovereignty to the bad deals and other dynamics potentially precipitated by corruption of leaders and institutions.

Insofar as such an approach would create a positive feedback cycle, it would show residents of the region that democratic institutions (however cumbersome at times) produce positive results. In the process, the culture of democracy and institutions themselves will be strengthened and engagement with the PRC, rather than subverting democracy and regional prosperity, will complement the region's engagement with the United States and other global actors to advance the prosperity of the region.

As when pursuing development during the twentieth century in a world dominated by U.S. and European entities and institutions, it is particularly important that governments in the region maintain secure, predictable frameworks dominated by the rule of law to attract investment and nurture growth. Latin American governments must use their regulatory powers to channel domestic and foreign investment into the creation of enduring, value-added activities in economies increasingly dominated by technology and services while protecting against the predatory practices of other countries, such as the

96. See Pankaj Mishra, "The Rise of China and the Fall of the 'Free Trade' Myth," *The New York Times Magazine*, February 7, 2018, <https://www.nytimes.com/2018/02/07/magazine/the-rise-of-china-and-the-fall-of-the-free-trade-myth.html>.

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PRC, which may use their own credit and government leverage to secure value-added economic development for themselves.

The United States has a role in helping Latin America and the Caribbean achieve these objectives; it should do so to advance its own interests and those of the region.

About the Author

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Dr. Ellis has presented his work in a broad range of business and government forums in 26 countries on 4 continents. He has given testimony on Latin America security issues to the U.S. Congress on various occasions, has discussed his work regarding China and other external actors in Latin America on a broad range of radio and television programs, and is cited regularly in the print media in both the United States and Latin America for his work in this area. Dr. Ellis holds a PhD in political science with a specialization in comparative politics from Purdue University.

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