

FEBRUARY 2024

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*China's Role in Democratic Backsliding in Latin America and the Caribbean*

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Ryan C. Berg

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A Report of the CSIS Americas Program

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# Acknowledgments

The CSIS Americas Program would like to thank the numerous experts who provided support and intellectual guidance throughout the course of our 24-month study. Specifically, we would like to thank the more than two dozen representatives from academia, civil society, think tanks, the private sector, and the United States government who agreed to be interviewed under the Chatham House rule for this study. Their insights and firsthand expertise were invaluable contributions to the analysis provided here.

The authors are deeply grateful to the 55 individuals who participated in two private roundtables, held under the Chatham House rule, on October 1 and November 16, 2022. These exercises helped shape the contours of the investigation and served as the foundation for later research efforts.

The report also benefited tremendously from the support of a talented team of CSIS Americas Program research interns, Carlos Baena, Sara Fattori, and Michael McKenna, whose dedicated work in compiling the background research, sorting through data, and preparing the case study narratives was essential to the final report.

Finally, the authors are thankful to the CSIS publications team—especially to Jeeah Lee, Katherine Stark, Rayna Salam, and Lauren Bailey—for editing, design, and production.

The authors alone are responsible for the report’s findings and recommendations and any errors of fact, analysis, or omission.

This report is made possible through the generous support of the Smith Richardson Foundation.

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# Executive Summary

China's mounting influence in Latin America and the Caribbean (LAC) has been the subject of study and consternation in U.S. policy circles for well over a decade. In this time, the multifaceted and ever-evolving contours of China's engagement with the region have been traced and retraced continuously. An especially concerning area of research in this regard has been the possibility that Chinese economic, diplomatic, security, and political activities within the region could be contributing to the democratic backsliding witnessed in recent decades.

However, the precise mechanisms through which China (the People's Republic of China, or PRC) may or may not exacerbate LAC's ongoing democratic regression have been insufficiently studied. Key questions remain as to whether China is merely out for economic gain, exerting an unintentional downward pressure on the quality of democratic institutions, or whether certain characteristics of China's engagement render it more corrosive to democracy than other countries. Furthermore, given the sheer variety of China's relations in the hemisphere, there may be specific activities Beijing engages in which produce a more deleterious effect on the quality of democracy than others.

This report seeks to investigate these questions and more fully enumerate the nature of China's impact on democracy in LAC. It posits two independent but correlated mechanisms through which China contributes to democratic backsliding. First, the PRC *propagates* its model of authoritarian governance through its soft power engagements in media, education, and people-to-people diplomacy, as well as through its security assistance, which often features tools enabling mass surveillance and the curtailment of civil and political rights. Second, China *protects* regimes undergoing democratic backsliding by providing economic and diplomatic cover even as these

governments become increasingly isolated from the rest of the international system, in effect extending these governments beyond their natural lifespan.

The report proceeds to test these theories across a set of 13 case studies from the region, identifying common trends across countries that have experienced backsliding and sources of resilience within those that have retained their democratic institutions and traditions. This analysis highlights several areas where China directly contributes to backsliding, notably through its cultivation of economic dependency, which isolates governments from other sources of international support; its provision of security assistance and tools of digital authoritarianism, which allow autocratic regimes to keep their hold on power; and its role in encouraging elite capture and corruption across the hemisphere. It also identifies common trends in backsliding where China's engagement appeared to have a more minor role, such as the tendency of authoritarian leaders to pursue the abolition of term limits, and the long-standing challenges of LAC's historical tendency toward "imperial executives." These findings urge nuance when discussing China's effect on democracy in the hemisphere. To state the obvious, PRC engagement does not always contribute to backsliding where it occurs, nor will every warning sign that a democracy may be in danger contain a nexus to Beijing. Nevertheless, the findings do point to a clear role for China in encouraging and accelerating at least part of the dramatic democratic decline witnessed throughout the Western Hemisphere in recent years.

Having recognized the specific risk vectors China's engagement poses in LAC, the report seeks to articulate the beginnings of a democracy-first grand strategy for the United States to pursue. Such a strategy should proceed along the lines of the "insulate, curtail, compete" framework outlined in a previous CSIS report and pursue the following lines of effort:

#### *Where Democracy Holds Fast - Insulate*

1. *Adumbrate a strategy to counter economic coercion in the hemisphere:* Even in countries that have successfully resisted or minimized the most deleterious effects of China's influence on their democracies, the risk of China's potential coercive influence continues to loom large. The United States should lead a regionwide effort with partner countries to review vulnerabilities in their economies that may be targeted for coercion.
2. *Expand democratic partnerships:* Core to any strategy of democracy promotion is ensuring that leaders and their citizens feel as if "democracy delivers." The United States should leverage instruments like the Americas Partnership for Economic Prosperity and the Development Finance Corporation (DFC) to focus on countries with strong democratic institutions.
3. *Invest in legislative strengthening and modernization:* The United States should redouble its legislative strengthening efforts in LAC, led by the U.S. Agency for International Development (USAID) alongside party institutions like the National Democratic Institute and International Republican Institute, with a focus on sharing strategies for identifying disinformation, enhancing cybersecurity, and developing public databases and tools for citizens to better follow the progress of legislation.

### *Where Democracy Has Dissipated – Curtail*

1. *Develop early warning indicators:* The United States should develop and articulate a clear set of indicators to identify democratic backsliding while it is in progress and also strive to build support around these indicators with like-minded countries in the hemisphere to leverage more voices speaking out against cases of backsliding. An excellent recent example of early warning and action transpired in Guatemala to counter the undemocratic actions of those who sought to prevent then president-elect Bernardo Arévalo from assuming office.
2. *Disrupt authoritarian networks:* The Treasury Department’s Office of Foreign Asset Control (OFAC) should be the designated lead on an investigation into sources of financial flows between hemispheric dictatorships and external authoritarian regimes to map key nodes and the actors responsible for bankrolling these governments. The OFAC can also specifically investigate Chinese firms operating in the Western Hemisphere’s dictatorships and consider imposing new sanctions on individuals and entities responsible for profiting off illicit economic activity or assisting these governments to repress their populations.
3. *Develop proactive strategies for countering digital authoritarianism:* A fortified strategy against authoritarian mis- and disinformation campaigns should work to connect civil society and democracy advocates across sectors. The United States should also invest in the development of new technologies to provide internet access in countries where governments seek to cut off web access to hinder mass mobilization efforts.

### *Where Democracy Is Unsure – Compete*

1. *Bring in the private sector:* The DFC should seek to bolster ties to businesses to learn what these firms need and fine-tune its approach to buying down risk so that private enterprise can better engage in key countries. Congress should also communicate a clear mandate for the DFC to pursue projects of strategic and national security relevance during the BUILD Act reauthorization process in 2024.
2. *Prioritize citizen security:* The United States should put forward a clear counteroffer to China’s Global Security Initiative, led by U.S. law enforcement agencies and the State Department’s Bureau for International Narcotics and Law Enforcement Affairs. This strategy has a natural test bed in the form of the recently inaugurated partnership between the United States and Ecuador to help the latter country counter mounting criminal violence.
3. *Double down on core competencies in education, defense, and disaster response:* While there are many sectors in which the United States will struggle to compete with the PRC for influence, it is important to appreciate the significant advantages Washington already holds and to take steps to extend this lead. Investing in foreign educational exchange, professional military education, and diplomatic initiatives to allow faster U.S. deployment in the wake of natural disasters are all important efforts to extend the United States’ lead.

As the international context appears increasingly riven by great power competition, conflict, and coercion, it can be tempting to cast democracy as an ancillary concern for the United States. Such an approach fails to recognize the strategic value of democracy for the United States generally and



especially in LAC, where shared democratic values can be a powerful source of unity and translate into major dividends in the form of economic security and diplomatic cooperation. The fact that China's engagement in the hemisphere appears to target these very same democratic values should be regarded as a strategic threat, demanding a comprehensive, resource-backed counterstrategy from the United States.

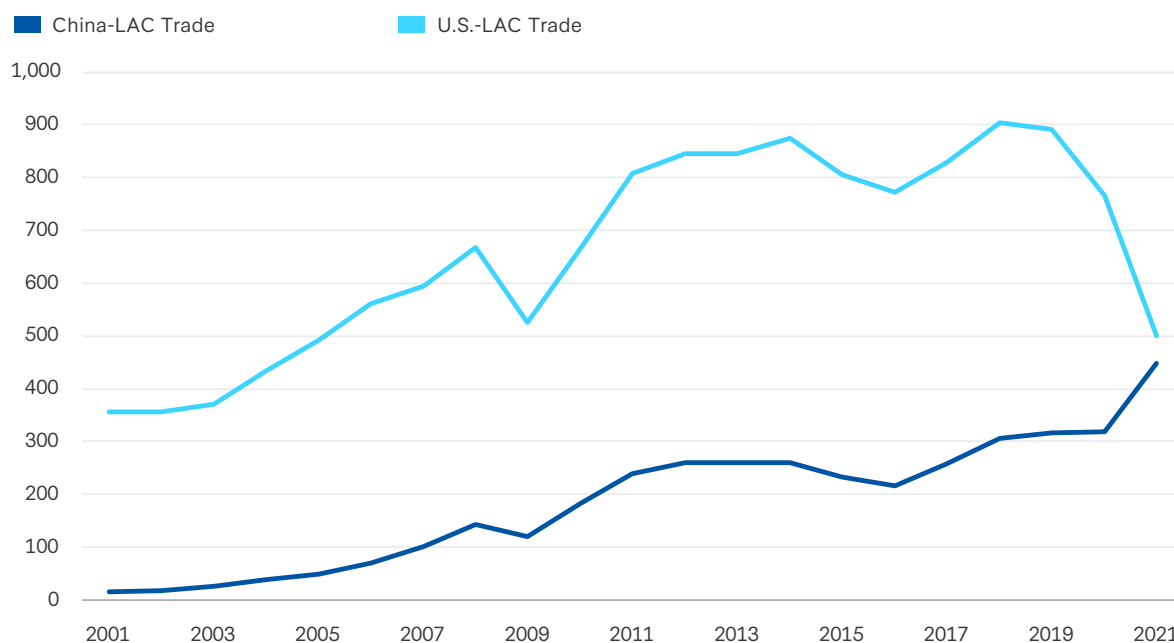
# China's Tool Kit

Over the past two decades, going from a largely peripheral actor, China has taken center stage in Latin America and the Caribbean (LAC). Today, China is LAC's second-largest trade partner overall, and it has supplanted the United States in several keystone countries throughout the hemisphere. China is the largest trading partner for nearly every country in South America.<sup>1</sup> Although China's engagement is principally economic, it stretches far beyond trade alone—especially in recent years.

From educational exchanges to military-to-military cooperation, arms sales, policing assistance, and high-level diplomatic mechanisms such as the China-CELAC Forum, the People's Republic of China (PRC) has been advancing rapidly on multiple fronts. This concerted effort has already paid dividends for Beijing. Since the arrival of the Belt and Road Initiative (BRI) in the hemisphere in 2017, 22 countries have signed up to the initiative, and five countries have dropped their diplomatic recognition of Taiwan for the PRC in the same timeframe.<sup>2</sup> Regional leaders also increasingly view the United States and China as equal players—and, in many cases, large powers to be played off one another. Brazilian president Luis Inácio “Lula” da Silva, for instance, followed up his first meeting with President Biden with a trip to China, a pattern observed by a number of other regional leaders from Colombia to Argentina. Indeed, the popularity of the “active nonalignment” foreign policy doctrine among LAC countries espouses that countries within the hemisphere should seek to remain distant from Washington and Beijing alike—if not always equidistant—reaping benefits from a competition between the two powers while remaining unencumbered by great power competition.<sup>3</sup>

**Figure 1: U.S. vs. PRC Trade with LAC (2001–2021)**

Combined value of imports and exports (USD, billions)



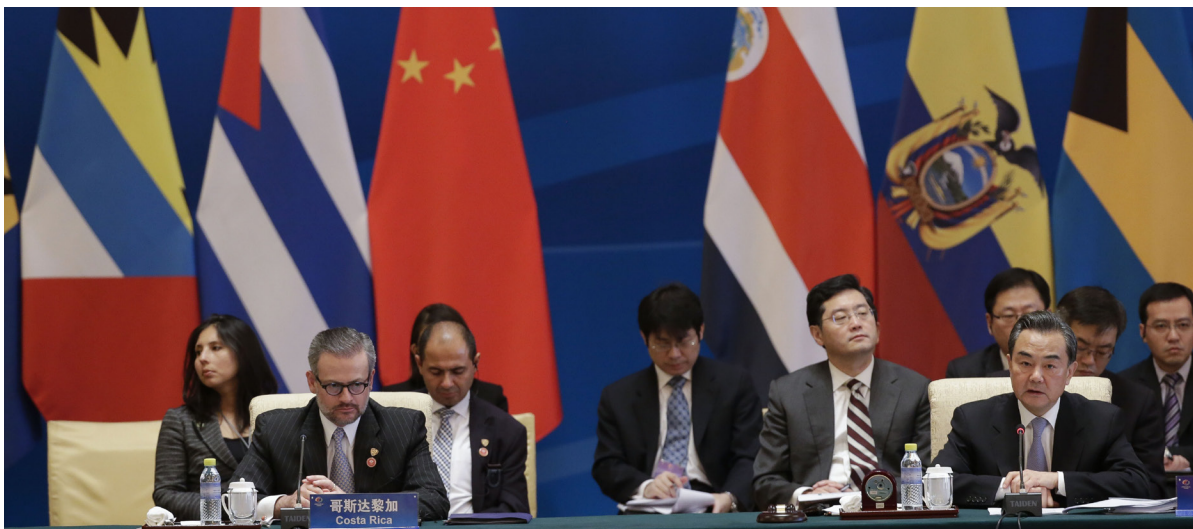
Source: "World Integrated Trade Solution," World Bank, <https://wits.worldbank.org/Default.aspx?lang=en>.

According to its proponents, active nonalignment promises to deliver gains to the region as both the United States and China compete to woo countries with trade, investment, and diplomacy. LAC, these advocates point out, has little to gain from picking sides. Its geographic and historical closeness to the United States means the region is well-positioned to benefit from the nearshoring of key Western companies looking to de-risk supply chains by locating these in a region that promises to be far from the center of a future global conflagration. Simultaneously, China's continued demand for resources—especially in the agricultural sector, minerals markets, and power generation sectors, where the United States is often seen more as competitor than collaborator—means shunning Beijing will do little but close off a consumer market of 1.4 billion people. However, by seeking to keep LAC far from the center of geopolitics, active nonalignment risks relegating these countries to the status of afterthought, preventing them from attracting the kinds of external engagement needed to tackle the profound challenges the region faces in terms of climate change, security, and economic growth.<sup>4</sup>

Furthermore, a political project of nonalignment or geopolitical (equi)distance from the United States and China relies on two key assumptions that deserve greater interrogation. First, that LAC countries can pick and choose which types of engagement they permit, and second, that there is no significant qualitative difference between U.S. and Chinese engagement. There is reason for healthy skepticism, as the PRC has been linked to a concerning trend of democratic backsliding both within the hemisphere and on a global scale.<sup>5</sup> Accordingly, not only does the region run a risk of being left on the geopolitical periphery, but also, in failing to critically interrogate the strategies and

approaches of outside powers, countries may find their fundamental political structures shaped in part by these external forces—the very thing active nonalignment purports to avoid.<sup>6</sup>

Before assessing the potential for such a phenomenon, however, this report first outlines the myriad economic, diplomatic, and security initiatives that comprise China’s tool kit for its engagement in LAC.



*Chinese foreign minister Wang Yi (R) speaks as Costa Rican foreign minister Manuel Gonzalez Sanz (L) looks on during the First Ministerial Meeting of the Forum of China and the Community of Latin American and Caribbean States (China-CELAC) at the Diaoyutai Guesthouse in Beijing on January 6, 2015.*

Photo: Rolex Dela Pena/AFP via Getty Images

## **From Beef to the Belt and Road**

China’s foremost means of engagement, and the approach for which Beijing has most carefully honed its tool kit, is undoubtedly in the trade and economic sphere. Here it is worth noting not only the dramatic expansion of China’s economic ties to the region but also the sheer diversity of this engagement. In such varied sectors as minerals, telecommunications, electricity production and transmission, and agriculture, China has established itself as an essential player in many LAC economies. China’s economic engagement is driven by both demand for resources and strategic pursuit of influence. In the first place, achieving the CCP’s stated goal of having China become a developed and prosperous country by 2049 will hinge upon preserving market access for Chinese businesses, especially its large state-owned enterprises (SOEs) that often drive key development projects.<sup>7</sup> In this respect, LAC is an especially critical region: not only does it possess many of the raw materials and resources needed to fuel China’s industrial development, but the relatively developed and prosperous state of LAC economies means these countries are prime destinations for finished, value-added products from the PRC’s manufacturing base.<sup>8</sup> Even more ambitiously, as Chinese businesses have grown and matured, they have increasingly looked to internationalize their operations. Such developments can already be observed with recent Chinese forays into the LAC electric vehicle market, with PRC state-owned company BYD announcing plans to open

an battery and car manufacturing center in Brazil.<sup>9</sup> In fact, the announcement carried significant symbolism, as BYD will establish a presence in Salvador, the capital of Bahia state, at a plant that was formerly one of the hubs of Ford's operations in Brazil. As welcome as these developments may be, they do run the risk of aggravating relations between China and LAC countries. LAC countries see themselves getting the worse end of the bargain: exporting their resources to China at bargain prices and importing finished goods without capturing the remainder of the value chain.<sup>10</sup>

Ultimately, the objective of such engagement is to forge durable connections between the interests of the PRC and those of LAC countries. In doing so, Chinese statements tend to highlight collaboration being “win-win” in nature, or mutually beneficial.<sup>11</sup> Yet, while such economic ties have yielded important gains for many countries, there remain important questions regarding the sectors that perhaps ought to be better insulated against PRC influence.<sup>12</sup> One such example is energy generation and distribution, a strategic sector that is vital to for everyday life and industrial development alike, which is often most noticeable when lacking.<sup>13</sup> Chinese state-owned power companies have expanded their presence throughout South America, with Chinese companies owning or partially owning approximately 10 percent of Brazil's generation capacity and the Chinese firm State Grid now owning a majority of Chile's power distribution infrastructure.<sup>14</sup>

Closely tied to energy is China's presence in the mining sector across LAC. Thanks to its predominance in global mineral smelting and refining infrastructure, even countries with ample mineral resources of their own often find it more advantageous to ship unprocessed or partially processed materials to China for reexport.<sup>15</sup> However, Chinese companies have not contented themselves with serving as domestic smelters and refiners. Rather, Chinese mining companies have established a powerful footprint throughout the hemisphere in the extraction process. In some places, this has been seemingly at the expense of democratic institutions and transparency. Most notably in Argentina, where provincial governors constitutionally wield authority over the mineral resources located within their territories, Chinese firms have proven adept at courting the leaders of key lithium-rich provinces in the northwest, pursuing a strategy known as “going local.” China's aggressive lobbying strategy has paid dividends, allowing companies like Ganfeng Lithium to win majority shares in major mining projects.<sup>16</sup> In response, Argentine provincial elites have sought to restructure local laws to make their regions more attractive to Chinese business—and to the lavish courtship these firms bring. This trend came to a head in June 2023 when Jujuy Province erupted into protests against proposed changes to the province's constitution that would both make it easier for foreign companies to expand lithium projects and increase penalties for public protest.<sup>17</sup> Such measures are emblematic in turn of China's strategy to co-opt local elites in order to circumvent potentially time-consuming red tape at the national level, as well as of the unintended effects this can have on local democracy.

Telecommunications constitute a third important sector where China has leveraged a competitive advantage vis-à-vis the United States into a strategically relevant connection to the region. Whereas many U.S. allies have pursued de-risking efforts when it comes to firms such as Huawei and ZTE, as their connection to CCP surveillance and espionage efforts abroad have become increasingly apparent, LAC has largely bucked this trend.<sup>18</sup> Today, Huawei operates over a dozen cloud data

centers across LAC, and it has made inroads as far as Mexico, where, according to one Huawei executive, “the probability that you make a phone call that goes through a Huawei device is very high, over 80%.”<sup>19</sup> The dubious history of many Chinese telecommunications firms poses an implicit risk to LAC countries’ security, as well as an explicit geopolitical risk: China’s 2017 National Intelligence Law requires that all companies based in China support “state intelligence work,” meaning that a potential treasure trove of data could be at the CCP’s fingertips provided it was deemed pertinent to state security issues.<sup>20</sup> Furthermore, the track record of PRC firms with intellectual property theft bodes ill for LAC companies looking to break into the global market. Even with proper financial incentives provided by the United States, for countries that have built the backbone of their digital networks upon PRC-provided equipment, “rip-and-replace” is often not a feasible policy, ensuring that China will continue to have a large say in these countries’ digital sector development for years to come.

In addition to trade and business-to-business ties, China’s status as the world’s largest single source of development finance adds a powerful and complementary instrument to the tool kit of economic influence. In particular, Chinese lending has focused on large-scale infrastructure projects, which the United States and U.S.-influenced multilateral financial institutions often decline to support. This has allowed China to amass an impressive portfolio of ports, dams, bridges, roads, and railways throughout LAC, the kind of strategic infrastructure that engenders dual-use concerns but also speaks to the development ambitions of many countries in the region.

In many cases, promises of large-scale infrastructure projects are instrumental in enticing diplomatic allies of Taiwan to switch their recognition to the PRC.<sup>21</sup> In the most recent case of Honduras, for example, the switch was accompanied swiftly by negotiations for Chinese financing of the Patuca II hydroelectric dam. Although China’s domestic economic slowdown—and the estimated \$1 trillion in outstanding debt owed to the PRC from BRI projects—has inculcated a sense of caution among Beijing’s development finance institutions, it would be erroneous to assume that China does not see the value in continuing its strategic lending.<sup>22</sup> Chinese lending to LAC quadrupled from about \$200 million in 2021 to over \$800 million in 2022—a far cry from the heady days of Chinese investment in the early 2010s, but nevertheless a sign that Beijing continues to view LAC as a region of strategic import.<sup>23</sup>

Taken together, the sheer scale of Chinese trade and investment into LAC and its strategic efforts in key sectors have granted Beijing a wide range of levers through which to influence the region. While this influence has not yet produced an incident comparable to the seizure of Sri Lanka’s Hambantota port, there are already concerning signs that China’s economic leverage in certain countries may be capable of eroding their policy autonomy and sovereignty.<sup>24</sup> Ecuador, which still owes some \$5 billion in outstanding debt (largely in loans taken out during the presidency of Rafael Correa, from 2007 to 2017), is a particularly illustrative case.<sup>25</sup> Saddled with the burden of an unsustainable debt load to China, which has yielded comparatively minor economic gains, and a series of infrastructure projects implemented under dubious conditions and often behind schedule or amid serious environmental or social contention, three successive administrations in Ecuador have struggled to free themselves from debt service obligations to China.<sup>26</sup> Worldwide, Chinese

development assistance efforts have often produced similarly troubling results, with an analysis by AidData finding that every dollar of Chinese spending generates nine dollars in debt.<sup>27</sup> This has forced the Ecuadorean government to continue selling oil to Beijing at sub-market rates, despite attempts to diversify the country’s economy away from hydrocarbons or reinvest the proceeds into Ecuador’s domestic development. This case indicates the durability of economic influence (through leverage) used by China in LAC. The composition of a government matters little; if a country’s economic fortunes can be tied sufficiently to the will of Beijing, it will have little choice but to cooperate with the PRC in important matters, even after the initial honeymoon phase of engagement has subsided.

## Making LAC Safe for the CCP

China’s success in people-to-people diplomacy has attracted much attention, but an often less prominent instrument of influence in the CCP’s tool kit has been party-to-party engagement.<sup>28</sup> This work is spearheaded by the International Liaison Department of the Communist Party of China (ILD), which has hosted over 300 exchanges with nearly 75 political parties across LAC from 2002 to 2017.<sup>29</sup> These engagements help to socialize China’s model of governance throughout the hemisphere and further enhance relations with current and future state leaders. The ILD’s status as a party—rather than state—instrument also allows it to engage countries that are officially diplomatic allies of Taiwan rather than the PRC. Indeed, according to one study, the ILD has led party exchanges in Guatemala, Honduras, and Haiti all while these countries remained Taiwanese diplomatic allies on paper.<sup>30</sup>

**Table 1: Top 10 Recipients of International Liaison Department Engagement**

<b>Country</b>	<b>Total ILD Engagements</b>
Cuba	47
Brazil	40
Colombia	20
Costa Rica	19
Mexico	19
Uruguay	18
Argentina	14
Ecuador	14
Peru	14
Venezuela	12

Source: Christine Hackenesch and Julia Bader, “Replication Data for: The Struggle for Minds and Influence: The Chinese Communist Party’s Global Outreach,” 2021, <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/2MDO9U>.

A growing sector for PRC engagement in LAC is in the security and defense sphere. Such engagement is driven by the CCP’s vision of internationalizing domestic security issues—in other words, ensuring that Beijing has the tools to curb developments abroad perceived as having the ability to affect China’s internal order. Such a vision is epitomized by the Global Security Initiative (GSI), inaugurated by Xi Jinping in April of 2022.<sup>31</sup> This includes a proliferation of Chinese overseas police outposts—which can now be found across LAC according to watchdog organization Safeguard Defenders—as well as a rise in the number of private security companies (PSCs) often brought in to protect Chinese nationals and economic interests alike.<sup>32</sup> At least eight countries throughout LAC are reported to play host to some presence from Chinese PSCs, from Peru, where China Security Technology Group has lent its services in protecting mining investments, to Mexico, where the “Mexico-Chinese Security Council” emerged comparatively organically in response to threats from gangs against members of the Chinese business community there.<sup>33</sup>

While the proliferation of PSCs and overseas police outposts throughout the Western Hemisphere has been driven by China’s efforts to protect its own investments, interests, and domestic security, it is also a response to a perception throughout LAC that external assistance is necessary for countries to effectively

**Figure 2: Chinese Police Outposts and Extradition Agreements**



Source: Safeguard Defenders, *Patrol and Persuade: A follow-up investigation to 110 Overseas* (Safeguard Defenders, December 2022), <https://safeguarddefenders.com/en/blog/patrol-and-persuade-follow-110-overseas-investigation> ; and “Chinese Activities Dashboard,” Florida International University, Security Research Hub, <https://srh-fiu.maps.arcgis.com/apps/dashboards/9e25652d76774664a09e2424900e18c2>.

grapple with the public safety challenges posed by resurgent transnational criminal groups. As long as LAC continues to represent only about 8 percent of global population but nearly one third of global homicides, there will be a strong domestic desire for technologies and strategies that can make streets, parks, and public transport safer.

China has proven adept at using this perception—and the United States’ comparative lack of a substantial presence in citizen security efforts—to bolster its ties with national police forces.<sup>34</sup> China has conducted at least a dozen bilateral exchanges between senior police leadership in LAC and its own internal security services, and it has led at least 10 trainings for police forces throughout the region.<sup>35</sup> Especially concerning is the fact that China has engaged in several capacity-building activities with police forces accused of gross human rights abuses. This includes the Cuban police, responsible for the suppression of mass



protests in the summer of 2021, as well as the Nicaraguan National Police, a force which China has delivered arms and equipment to and which is under international sanction for its role in brutally crushing popular demonstrations starting in 2018.<sup>36</sup> Just as China often serves as a lender of last resort to countries isolated from global financial or business markets, so too is it rapidly emerging as a security partner for authoritarian regimes, willing to help augment the capabilities of these governments to maintain control over their populations through surveillance and brute force alike.<sup>37</sup>

China's trade and investment strategy has also paid dividends in the security and defense space, most notably in the form of China's control of port infrastructure throughout the hemisphere. Maritime ports owned or operated by China often serve dual civilian and military uses.<sup>38</sup> They are instrumental nodes of trade and commerce in peacetime, but in moments of crisis or conflict, they could provide an array of military advantages. Most directly, PRC-built ports around the world have been built to specifications, particularly the berth of docking spaces, allowing warships to dock and conduct resupply. Such capabilities are essential, as the PLA looks to transform itself from a force with limited regional power-projection capabilities to a military capable of global expeditionary operations with a true "blue water" navy.

Outside of directly supplying ships, however, China's grip over key LAC ports is a powerful intelligence-gathering tool.<sup>39</sup> Port operators have access to critical data on the origins, destinations, and types of cargo moving through their docks: vital information for the PRC to understand supply chain shifts, demand for certain types of resources, and, in the case of ports along maritime chokepoints like the Panama Canal or Strait of Magellan, the location of military vessels en route from Atlantic to Pacific. Crucially, this form of influence does not require China to have an active military presence in the Western Hemisphere, a development which would surely inflame tensions with the United States and even backfire in terms of China's relationship with the region. Instead, leveraging this data would simply require invocation of the National Intelligence Law to compel port operators to turn over defense-relevant data to Beijing, thereby granting China a passive capability close to the epicenter of U.S. military activity.<sup>40</sup>

China has made additional forays into forms of engagement traditionally thought of as defense cooperation. Amid Russian defense industrial shortfalls, China has surged to become the world's fifth-largest arms supplier, with countries in LAC such as Bolivia and Venezuela purchasing substantial quantities of Chinese arms already.<sup>41</sup> The recent row over Argentina's consideration of the JF-17, a joint Pakistani-Chinese fighter jet, for its air force illustrates the growing efforts by China to internationalize its arms industry. This also includes professional military education, where China has been making strides to displace the United States from its long-held role as primary source of foreign training and assistance to LAC militaries.<sup>42</sup> China has pursued a concerted strategy in this regard to overmatch the United States in quantity (though certainly not quality, for the time being) of training provided. Whereas U.S. service academies may have billets for just a handful of officers from a given LAC country, institutions like the China National Defense University will accept delegations of a dozen officers or more for instruction, often centered around sectors of particular import to the PLA such as cybersecurity.<sup>43</sup> Furthermore, this professional military education is essential for identifying and cultivating talent among junior officers, many of whom will eventually

rise to senior positions in their home militaries where they may be in positions to shape opinion and policy toward the PRC.

Accordingly, while China's security and defense engagement has a long way to go before it achieves the same level of maturity as its economic efforts, expansion in this sector is potentially even more concerning from a U.S. perspective.

## Winning Hearts and Minds

While China has garnered a reputation for “coercive diplomacy” resulting from its strong-arm economic policies—such as trade restrictions and tariffs on countries that challenge it and the use of vaccine exports as a tool for influence—it has sought to mitigate these perceptions by promoting a number of exchanges, aimed in particular at students, academics, and others, with the power to shape public opinion.<sup>44</sup> China has made forays into humanitarian assistance and disaster relief (HADR), a realm where the United States has long served as the region's primary contact for emergency assistance. Thus far, China's efforts have remained limited, concentrated around deployments of PLAN hospital ship Peace Ark, which visited the region in 2011 and 2018; however, the soft power dividends from such activities cannot be understated, and as China seeks to cultivate an armed force with global ambitions its transoceanic HADR activities are likely to only grow.<sup>45</sup>

The China-CELAC Forum has been an instrumental tool in this regard, with the forum's 2019-2021 action plan committing China to providing some 6,000 scholarships for students from LAC to attend Chinese educational institutions.<sup>46</sup> The subsequent 2022-2024 plan expanded upon this target with 5,000 scholarships pledged, in addition to 3,000 spots in training and trade programs.<sup>47</sup> By contrast, the U.S. Fulbright Scholarship covers about 700 students from LAC pursuing studies in the United States. To be sure, U.S. academic institutions remain more highly regarded in the aggregate, and prior to the Covid-19 pandemic, over 70,000 students from LAC were reported to attend U.S. institutions.<sup>48</sup> However, China's emphasis on scholarships means that for many middle- and working-class families throughout LAC, the doors of U.S. institutions appear out of reach while those of the PRC are opening ever wider. As with professional military education, individuals who study in a country are liable to view their host country favorably, while the academic contributions of international students, especially in the hard sciences, cannot be underestimated.<sup>49</sup>

Within LAC, China has promoted its Confucius Institutes at a number of regional universities. An estimated 44 institutes and 18 more affiliated Confucius classrooms are scattered across LAC's academies.<sup>50</sup> As China has increased its presence in LAC countries' business environments, Confucius Institutes have come to serve as important centers for language learning and instruction in Mandarin, important skills for a student interested in pursuing a career that may have them engaging closely with Chinese firms.

Finally, with their advance across the hemisphere, many Chinese companies have taken strides to provide technical training and skill-building programs. Huawei has been prolific with such efforts, establishing “Huawei Academies” in partnership with regional universities aiming to help prepare students for careers in business and the information and communications technology sector.<sup>51</sup>

Huawei also inaugurated a new partnership with the Mexican Agency of International Cooperation for Development, intended to train start-ups in Mexico, Chile, Colombia, and Peru on cloud computing technology.<sup>52</sup> While these programs are not explicitly aimed at accreting geopolitical influence, they complement China's economic engagement and its goals of tethering the fate and interests of LAC countries to Beijing's own.

## Over the Airwaves

Soft power turns “sharp” when applied to China's forays into media training and journalism.<sup>53</sup> China has made a concerted effort to recruit and train cohorts of journalists from around the world within its borders. These programs come with a heavy emphasis on exposure to Chinese society and culture, and for many up-and-coming journalists they may represent their first ever international experience. With many smaller news sources in LAC facing staffing shortfalls and a dearth of resources, journalists trained abroad tend to have an edge for plush positions, meaning comparatively small investments by the PRC can yield sustained benefits as these journalists advance in their careers. Furthermore, with the region facing a shortage of China experts, often those individuals trained in China will be the sole voice, or one of a handful of voices, speaking in the media on China-LAC relations.<sup>54</sup> In addition to helping demystify China for these journalists, attendees have reported that training focused on encouraging positive coverage of government policy, under a vision that reporting should be a tool to unify a country rather than divide it and that it should tell the story of the state's role in a country's development.<sup>55</sup> Such allegations suggest that China may be seeking to export a vision of journalistic standards that departs markedly from U.S. training programs, which tend to emphasize journalistic ethics, investigative reporting, and the role of the media as a check on government power.

The PRC has also tapped members of the Chinese diaspora in LAC to further propagate its preferred narratives and shape opinion among these constituencies. According to Freedom House, China exerts a strong influence in the diaspora media space of Argentina, Brazil, Chile, Panama, and Peru, providing a wide variety of state-sponsored news products aimed at these groups.<sup>56</sup> Chinese diaspora media influence potentially reaches hundreds of thousands of viewers throughout these countries, who may in turn be more likely to promulgate CCP narratives within their local communities. Such efforts, in addition to overt propaganda spreading, form part of China's “United Front” strategy intended to create ideological sympathies between the PRC and key actors throughout LAC.<sup>57</sup>

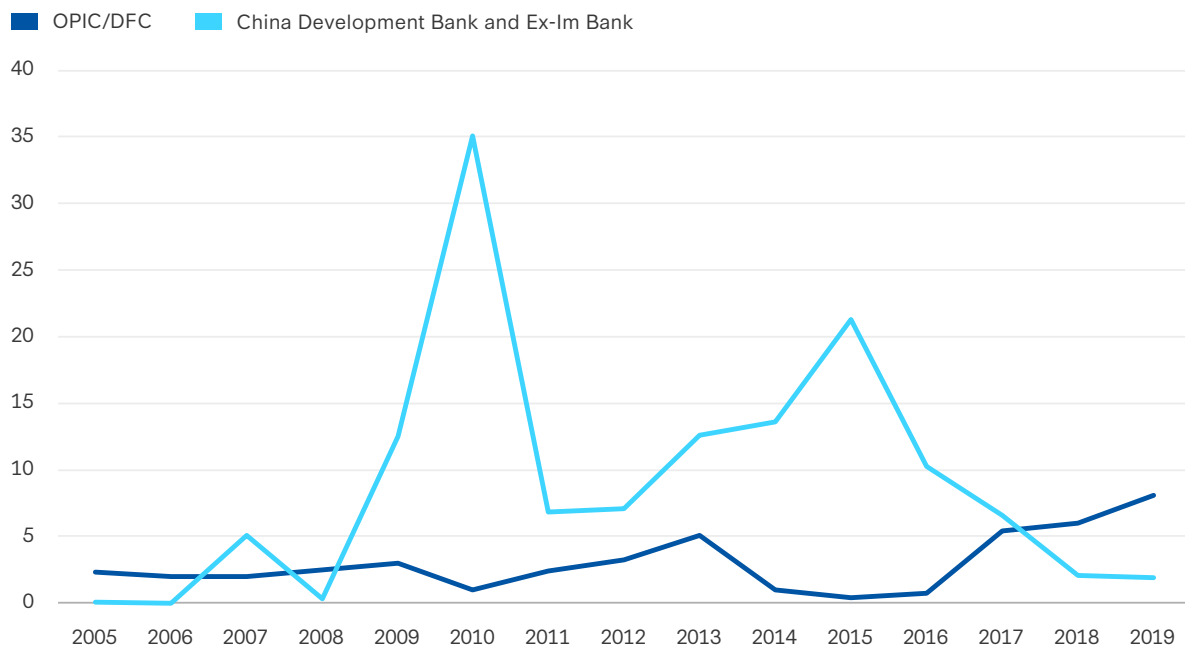
In line with this strategy, China has also made efforts to expand the reach of its China Global Television Network (CGTN) to help shape the narrative on issues implicating China, the United States, and the region. China's main goal with CGTN is to run light propaganda efforts and counter anti-China narratives.<sup>58</sup> Content-sharing agreements in Argentina, Brazil, Chile, and Venezuela allow CGTN to expand its local reach.<sup>59</sup> Finally, China is deploying increasingly sophisticated social media strategies, often masking the state-affiliated nature of its accounts to present content as home-grown, thereby increasing the receptivity and reach for LAC audiences.<sup>60</sup> The case of Russia, which has pursued a similar strategy of media influence in LAC spearheaded by state news agencies and a legion of social media accounts tied to Moscow, offers a concerning portent of the ways in which China could escalate from seeking to shape media narratives to actively fomenting conflict through its platforms.<sup>61</sup>

## A Question of Strategy

In stark contrast to the PRC's efforts, the United States has failed to take stock of its full tool kit for engaging with LAC, instead pursuing a comparatively disjointed and inconsistent strategy. This has been driven in part by the reality of pressing crises elsewhere that have demanded U.S. attention and resources. Nevertheless, given the central role LAC plays in U.S. national security, Washington remains on the back foot regarding competition with China in the Western Hemisphere. For decades, U.S. strategy was guided by the framework of "strategic denial," a policy which aimed to, in the words of one author, "prevent major rivals from developing regional footholds from which they can menace, distract, or otherwise undercut the strategic interests of the United States."<sup>62</sup> Today, with China deeply entrenched across a number of fronts, from minerals to telecommunications, energy, and agriculture, preventing an extra-hemispheric adversary from developing a foothold within LAC appears a far-fetched prospect. Rather, U.S. strategy must recalibrate and identify those areas where Chinese engagement does not have deleterious impact, those where it should be insulated against, those where it should be curtailed, and those where the United States can be a more competent competitor for LAC's interests.<sup>63</sup> In doing so, the United States should reflect upon its formidable advantages when it comes to engaging with the region. Unlike its competitors, the United States is not separated from LAC by an ocean and enjoys close geographic proximity to much of the region. The bulk of U.S. free trade architecture is with LAC countries, and decades of trade and economic integration have forged important bonds with LAC. However, perhaps one of the key assets for the United States when contemplating a world defined by competition with China is the democratic character of LAC.

**Figure 3: U.S. vs. PRC Investment in LAC (2000–2019)**

USD, billions



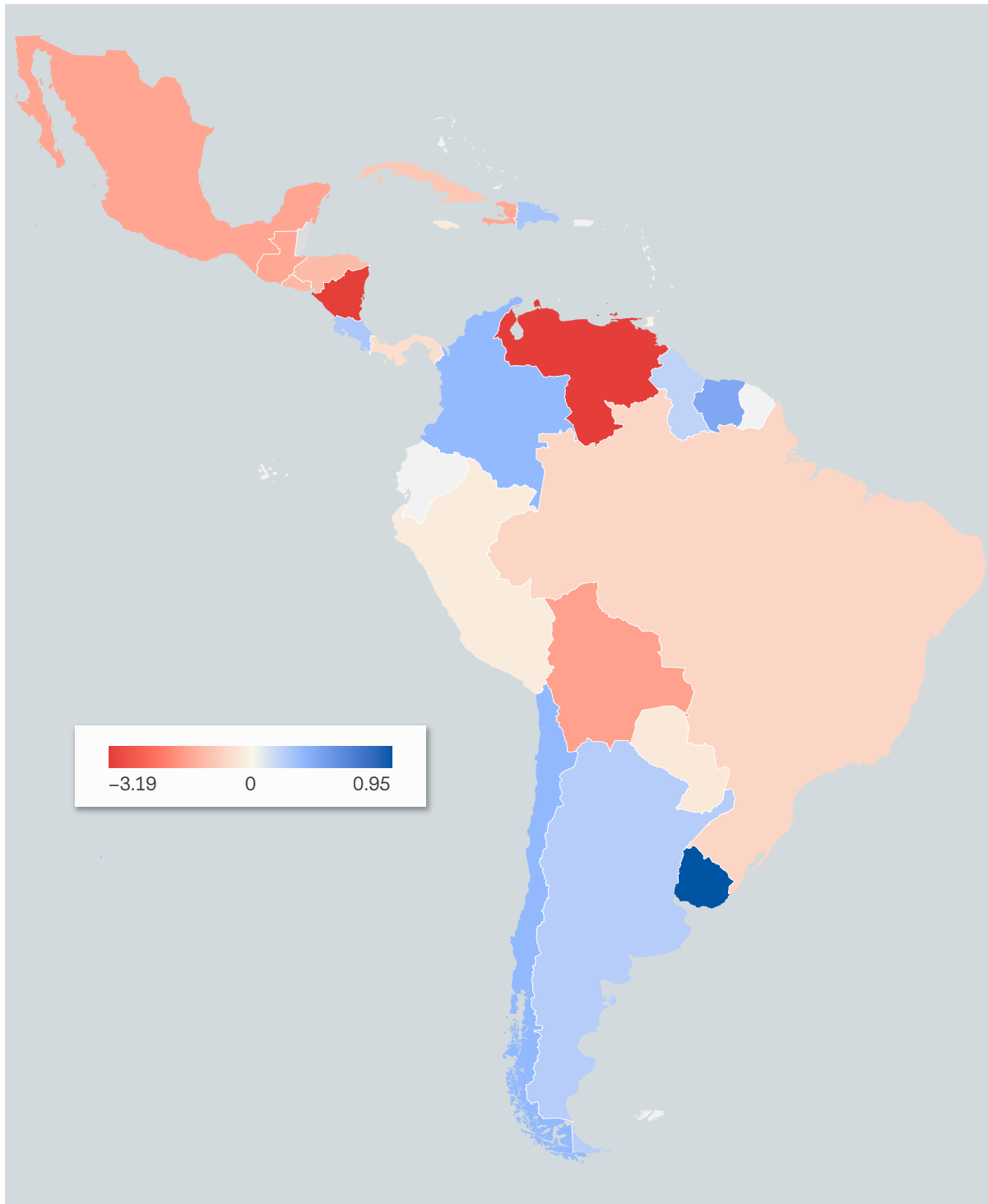
Source: "Reports," Development Finance Corporation, <https://www.dfc.gov/our-impact/reports>; and Margaret Myers and Rebecca Ray, "China-Latin America Finance Databases," The Inter-American Dialogue, [https://www.thedialogue.org/map\\_list/](https://www.thedialogue.org/map_list/).

Indeed, the region is unique in that, following the 2001 adoption of the Inter-American Democratic Charter, shared commitment to democracy has been an organizing principle of many LAC countries.<sup>64</sup> This provides an important set of shared values for the United States to relate to its allies in LAC, values that diverge substantially from those held by the PRC.<sup>65</sup> It is telling in this regard that China's staunchest allies in LAC are not democracies, but the three fully fledged dictatorships of Cuba, Nicaragua, and Venezuela. For this reason, understanding whether China's engagement—or a subset of the tool kit described above—is associated with increased democratic backsliding is of vital importance for the United States and its future approach to LAC. Without a robust and well-resourced strategy to counter such forms of deleterious engagement, the United States may find itself rapidly losing its most important tether to a region whose shared commitment to democracy has long been a pillar of U.S. and hemispheric stability.

# The Theory of Antidemocratic Diffusion

Beginning in the mid-1970s and accelerating through subsequent decades, a wave of democratization washed over the globe. By 1993, for the first time in history a majority of states in the international system were democracies. This phenomenon was deemed the “third wave of democratization,” most notably by political scientist Samuel P. Huntington, whose work traced the origins of this dramatic expansion of democracy to the end of the Cold War and the ascendancy of the democratic United States as the sole global superpower.<sup>66</sup> Yet while democracy’s third wave was perhaps its most impressive in terms of the number of people and countries swept up in its current, it has also proven its most vulnerable. Over the past two decades, the third wave of democratization has struggled, first against a democratic recession and more recently against a sustained and widespread pattern of democratic backsliding, with some questioning the onset of a “third reverse wave.” This has been on full display within LAC, where, at the time of the IADC’s signing, just one country in the region could be counted as a true dictatorship. In the span of 20 years, two new full-blown authoritarian regimes have emerged, Venezuela and Nicaragua, while a number of countries today appear at the precipice of accompanying them down the path to dictatorship. Democratic backsliding need not be so dramatic as a leader seizing power at gunpoint. The decision of several leaders from Mexico to Honduras—and nearly Argentina and Peru—to boycott the 2022 Summit of the Americas over the failure to invite representatives from the three regional dictatorships speaks to an increasingly frayed enthusiasm for democracy across the very region that once served as its standard-bearer.<sup>67</sup>

**Figure 4: The Democratic Regression in LAC**  
Net Change in EIU Democracy Score, 2006-2022



Source: "Democracy Index 2022," Economist Intelligence Unit, 2023, <https://www.eiu.com/n/campaigns/democracy-index-2022/>.

The characteristics of this third reverse wave are manifold. Literature on its causes can range from the proliferation of the internet and algorithmic social media (which increases polarization and makes voters more susceptible to authoritarian rhetoric) to globalization's effect on national economies, exacerbation of wealth inequality, and the perceived failure of democracies to manage significant societal disruptions. That said, three general trends can be discovered from the spate of backsliding cases over the past two decades. First, the phenomenon of elected autocrats has overtaken coups as the principal mechanism through which once-democratic countries have become dictatorships. Second, modern-day autocrats are increasingly explicit in their borrowing of strategies and tactics for maintaining power from one another, suggesting the growth of a so-called dictator's playbook shared between like-minded regimes.<sup>68</sup> Finally, as Huntington recognized in documenting democracy's third wave, geopolitics exert a profound effect on models of domestic governance. Huntington found that major changes in the international order were correlated with shifts in domestic governance systems. Just as the rise of U.S. hegemony presaged a democratic expansion, today's increasing great power competition between the United States and authoritarian rivals has witnessed a recession in global democracy.<sup>69</sup>

Taken together, this form of democratic backsliding creates numerous opportunities for existing dictatorships to bring new members into their club. Rather than backing armed groups in all-or-nothing coups or electoral scams that impose high reputational costs if exposed, autocrats can play the long game, exerting influence throughout a range of areas from news media to economic development and business relations. Accordingly, accurately charting, predicting, and counteracting the various avenues through which democratic backsliding occurs is of the utmost importance for the United States, allies, and civil society actors. The acuteness of the problem has in turn produced a flurry of analyses purporting to explain its ascendancy, either in whole or in part.

## **The State of the Art**

The phenomenon of democratic backsliding has birthed an impressive variety of theories seeking to explain it. Some of the earliest theories of the "third reverse wave" include a 2015 article by democracy scholar Larry Diamond entitled "Facing Up to the Democratic Recession."<sup>70</sup> Diamond identifies democratic regression not merely in the binary conversion of democracies into autocracies but also in a global decline in civil liberties and the rule of law, a retrenchment of authoritarianism in already autocratic states, and a weakening of enthusiasm for democracy promotion among Western countries.<sup>71</sup> The following year, Nancy Bermeo's article "On Democratic Backsliding" noted the decline in revolutionary and otherwise bare-faced coups d'état in the post-Cold War context.<sup>72</sup> In their place, Bermeo noted the rise of "promissory coups," which pledge a return to democracy following the seizure of power, and the tendency of modern-day autocrats to cloak themselves in the garb of democracy and so-called anti-imperialism. Within LAC, Venezuela perhaps best exemplifies this trend. Despite the Maduro regime's control over virtually all levers of state power, capture of electoral and judicial institutions, and intimidation and imprisonment of political opponents, formal opposition parties are still allowed to persist and stand for election, providing an occasional patina of democracy. While the recent disqualification of candidates ahead of Venezuela's 2024 presidential elections clearly signals the regime is unwilling to brook a serious



electoral challenge to its power, the posturing from Caracas signals a government that still wishes to reap the benefits to its international reputation of being seen as nominally democratic.<sup>73</sup>

Subsequent studies continued to explore the characteristics of the modern third reverse wave. These included a growing debate on the role of social media and the internet. Once seen as a tool for liberation and democratization, some scholars have noted that authoritarian and would-be authoritarian regimes have successfully co-opted digital tools to further their control, be it through mass online surveillance, dissemination of false and misleading narratives, or the increasing use of spyware to track and target dissidents.<sup>74</sup> Other scholars turned to the previous waves of democratization for answers, contending that political transitions which failed to effectively consolidate would be at risk of seeing those gains reversed in short order.<sup>75</sup>

However, as Lührman and Lindberg identify in their 2019 article, the manner in which this new form of autocratization takes hold has been insufficiently conceptualized and operationalized.<sup>76</sup> In other words, while it is possible to catalogue the distinctive features of modern-day autocratization, there is a pressing need to develop theories of how and why democracies fall into patterns of backsliding. Within this discussion there is, in turn, a gap in understanding how international factors and autocratic powers support backsliding within democratic states—sometimes purposively, sometimes unwittingly. Indeed, studies that have attempted to operationalize a theory of democratic backsliding have by and large focused almost entirely on domestic political forces. And yet, the role of international authoritarian networks is an increasingly vital piece of the puzzle. Modern-day dictatorships often coordinate either formally or informally to help one another remain in power, and even absent material assistance, autocrats often borrow from each other’s scripts when it comes to maintaining social control. Venezuela and Nicaragua provide excellent examples here, as they borrow elements of Putin’s laws against civil society and stiflingly arbitrary views on “cybercrime.”

Even within LAC, analysts and observers have emphasized domestic forces even when evidence of international authoritarian alliances and authoritarian learning has abounded.<sup>77</sup> Explanations for why democracy appears—in the words of one author—to be “limping instead of sprinting” in LAC emphasize literature on democratic consolidation.<sup>78</sup> Under this reading, several LAC countries have struggled to meaningfully remedy corruption, impunity, and uneven access to justice and representation, leaving them open to populist authoritarian leadership that promises radical change at the expense of civil and political rights. More recently, the Covid-19 pandemic, and the overall abysmal response of regional governments, further reinforced perceptions that democracy failed to deliver for the basic needs of citizens.<sup>79</sup>

These factors are undoubtedly powerful drivers of LAC’s current democratic recession. But they are not incompatible with a view of backsliding that accounts for external actors and developments on the international stage—and in particular, how global politics interacts with domestic politics. Indeed, shifts in the global balance of power are meaningful, and they exert both overt and covert influences on the political models that leaders around the world perceive as ascendant and worthy of emulation. As LAC countries confront monumental challenges, from corruption to inequality and entrenched criminal networks, they are looking outward as much as they are looking inward for not just material assistance but also frameworks for order and security. Unlike at the end of

the Cold War, when liberal democracy appeared ascendant, there are now counteroffers vying for control and influence in the hemisphere.<sup>80</sup> Among these, few other actors have been as successful in manifesting an alternative model to democratic capitalism in such a comparatively brief amount of time as China.

## Propagation and Protection

This report hypothesizes that China's engagement in LAC encourages democratic backsliding along two key directions: propagation of authoritarian principles and protection of backsliding governments from the consequences of their actions. This enables authoritarian or semi-authoritarian regimes to persist in the face of external—usually regional—pressure to reform.

**Propagation** refers to the means by which China seeks to encourage the adoption of authoritarian political systems through its international relations. In this regard, it is perhaps the most misunderstood vector through which China contributes to democratic backsliding. Indeed, China's engagement across LAC suggests that it does not condition its engagement on whether a country is democratic or autocratic. Yet even if the PRC is agnostic as to the types of regimes it engages with, this does not mean that Beijing does not prefer certain types of governments and would like to see those types of regimes proliferate throughout the region. Indeed, as a number of scholars of great power politics and democracy alike have argued, states consistently seek to sow their own governance models well beyond their borders. Kevin Narizny, for instance, contends that the spread of democracy throughout the world is conditioned upon Anglo-American primacy within the international system, as both the United Kingdom and later United States sought to promote their political models abroad among their colonies, clients, and allies.<sup>81</sup>

While under Deng Xiaoping, China pursued a strategy known famously as “biding time” and “hiding strength,” this policy has changed drastically under Xi Jinping. Whereas China was once reticent to admit there was a “China model,” it has recently become more vocal about its domestic model as an alternative to Western liberal democracy. This forms the basis for the PRC's “discursive competition,” which takes explicit aim at concepts such as international civil and political rights while promoting the primacy of collective rights in line with the CCP's centralized and state-driven model for economic and social development.<sup>82</sup> China has promoted its discursive competition in LAC, most visibly in reports from individuals who have attended trainings hosted by the PRC. Journalists, for instance, have noted that the Chinese trainings encourage favorable coverage of the state, while in the military dimension, SOUTHCOM has reported that at least one of China's trainings has sought to discourage participants from seeing the United States as an effective security partner.<sup>83</sup>

The GSI perhaps best embodies China's evolving perception of its role in world affairs.<sup>84</sup> The initiative professes to merge questions of domestic and international security, “coordinating between China's domestic security and the common security of the world.”<sup>85</sup> As one analyst notes, the GSI seeks “security at home, influence abroad.”<sup>86</sup> Yet while the GSI espouses a universal vision, the flavor of implementation is decidedly in line with the CCP model of social control and, according to the Chinese Academy of Social Sciences, “provides a classical Chinese solution” to the problems of global instability.<sup>87</sup> Indeed, China's contributions to civil security in the hemisphere have stressed mass

surveillance and the proliferation of Chinese overseas police stations and PSCs. China's international policing activities have similarly been used not only to crack down on criminal organizations but to engage in transnational repression by capturing and repatriating dissidents and critics of the CCP abroad.<sup>88</sup> Expanding this public security approach to the world risks exporting a similar model of restricted civil and political rights, as well as the accretion of power in the hands of governments.

However, propagation has its limits. It does not imply that China is actively and constantly seeking to convert the countries it interacts with to autocracy. Indeed, the bulk of China's engagement with LAC is filtered through the lens of economic interest. But propagation does not require active intent to transpire, and many countries have seen their democratic health and political stability thrown into tumult as an unintended consequence of engaging with China. Political economist Albert Hirschman has argued that trade ties between countries over time can foster alignment among the foreign policy systems of the trading countries.<sup>89</sup> Given China's impressive role in trade with the region, it is reasonable to see how LAC countries might gradually mold themselves to become amenable to Beijing's vision of world order, even without the CCP expressing a clear preference for a certain regime type. At the sub-national level, for instance, the presence of PRC companies can fuel corruption among local mayors and governors, who use revenues and funds extracted from foreign firms to remain in power.<sup>90</sup> Chinese firms do not necessarily intend to undermine local democracy; rather, they may merely wish to have productive relations with the political power brokers responsible for regulatory compliance and security near their operations.

The unintended consequence of this, however, can be the exacerbation of an acute crisis of democracy at the local level in many countries.<sup>91</sup> Certainly, even if China has no interest in spreading its political model, certain individuals within the region do have an interest in mimicking the PRC. From business leaders who marvel at the rapid growth of China's economy, to public safety officials searching for answers to crime and violence, to elected officials eager to cement their legacies with China-financed development projects, the notion that China presents a model of governance worthy of replicating has spread in the past two decades.<sup>92</sup> Perhaps the best summation of this sentiment comes from Venezuelan governor and Maduro ally Rafael Lacava, who on a November 2023 visit to Shanghai stated, "We are in a transition and that transition looks toward the Chinese model. That's why I'm here, that's why the president sent me here and that's why the president has come so many times."<sup>93</sup>

**Protection** refers to the manner by which China helps to "lock in" authoritarian regimes that emerge primarily as a result of endogenous factors. In these cases, rather than China propagating authoritarian ideas abroad, a country has already ventured down the path of democratic backsliding with little to no influence from Beijing. Yet as the country's leadership increasingly faces mounting domestic and international pressure (from human rights bodies, restricted channels of global commerce, sanctions regimes, etc.), it often turns to China as a powerful extra-hemispheric patron to help navigate the pitfalls of running a dictatorship. One particularly salient example is that of Nicaragua, which until 2021 maintained no official relations with the PRC on account of its diplomatic recognition of Taiwan. Thus, the brutal crackdown in 2018 when the Ortega-Murillo regime murdered hundreds of protesters, and subsequent waves of political repression, cannot be

directly attributed to PRC propagation.<sup>94</sup> The regime's decision to drop its diplomatic recognition of Taiwan and negotiate a free trade agreement with China in record time has been viewed by most analysts as a calculated step to insulate the regime from economic pressure by trading an ally with robust liberal democratic institutions for an authoritarian state.<sup>95</sup> Even though China evinces no preference when it comes to regime type, authoritarian-minded leaders throughout LAC have come to bet on the PRC as their partner of choice.

Protection may also account for another phenomenon: authoritarian resilience and sharing. Many of these theories look to China itself as an autocratic regime that has successfully weathered the storms of economic liberalization, globalization, and more recently a wave of pandemic-induced social upheaval. This literature also notes that attention should be paid to "deepening autocratization in already authoritarian countries."<sup>96</sup> Here the role of external allies is especially important to help empower and extend the lifespan of autocratic regimes beyond their natural lifecycle. China has extended its patronage to all three of the Western Hemisphere's consolidated dictatorships, in forms ranging from economic support and assistance with sanctions evasion to technology transfers, allowing regimes to wield the tools of digital authoritarianism with greater finesse and at scale. In Cuba, China works with Havana to block internet access for dissenters, and, according to recent reports, it offered a multibillion-dollar bailout to help the Cuban regime recover from its economic woes in exchange for greater access to military basing infrastructure on the island.<sup>97</sup> In Nicaragua, China's engagement appears in its earlier stages for now, but the PRC has already donated equipment to the country's police forces.<sup>98</sup> In Venezuela, Chinese arms and vehicles have been used to brutally suppress protests, while the PRC's assistance in developing the Maduro regime's *Carnet de la Patria* ("Homeland Card") ID system stands out as one of the most sophisticated tools of digital authoritarianism in the hemisphere.<sup>99</sup>

Furthermore, in each of these countries, the quality of democracy as measured by the Economist Intelligence Unit has declined since their inclusion into China's BRI (Cuba from 3.31 to 2.84, Nicaragua from 3.60 to 2.50, and Venezuela from 3.87 to 2.88).<sup>100</sup> These ties also seem to cut both ways, with the stated objective of one ILD exchange between the CCP and the Communist Party of Cuba being to "learn from Cuba's experiences in socialist revolution and construction."<sup>101</sup> This is not to suggest that China bears sole responsibility for authoritarian retrenchment in any of these countries, but rather that growing PRC engagement in already authoritarian contexts helps these regimes continue their hold on power, potentially beyond the point at which they would be able to survive through their own resources alone.

**Table 2: Net Change in Democracy after BRI Accession**

Country	EIU Democracy Score Pre-BRI Accession	EIU Democracy Score Post-BRI Accession	Net Change in Score
Argentina	6.95	6.85	-0.10
Bolivia	5.49	4.84	-0.65
Chile	7.84	8.08	0.24
Dominican Republic	6.66	6.54	-0.12
Ecuador	6.02	6.33	0.31
El Salvador	6.43	6.15	-0.28
Nicaragua	3.60	2.50	-1.10
Panama	7.13	7.05	-0.08
Peru	6.60	6.53	-0.07
Uruguay	8.12	8.36	0.26
Venezuela	3.87	2.88	-0.99

Source: “Democracy Index 2022,” Economist Intelligence Unit; and CSIS Americas Program.

While the United States has elevated democracy promotion—and increasingly protection—as a pillar of its foreign policy, China’s regime-agnostic engagement makes the choice for regional autocrats a simple one. While protection does not require a country to have engaged significantly with the PRC prior to its descent into authoritarianism, China’s pattern of engagement with autocratic and semi-autocratic regimes in LAC provides a powerful example to would-be dictators in the region. For these individuals, the message is clear: should they move away from the path of democracy, they can count on assistance from powerful allies, both within their own hemisphere and across the Pacific.<sup>102</sup>

It should be noted that propagation and protection are not mutually exclusive, and in some cases countries play host to both dynamics. In Venezuela, for instance, the government of Hugo Chávez would most likely have walked an authoritarian path on its own but was certainly propagated by China to venture away from democratic values. Later, Chávez and his protégé Nicolás Maduro would benefit from the protection offered by Chinese investment and trade. Together, these trends form a potent cocktail that has proven corrosive to democratic institutions throughout LAC.

However, for all the powerful gravitational pull China’s engagement may exert, this influence is not irreversible. Ecuador, for instance, veered into semi-autocracy under Correa fueled by PRC-funded development efforts and security infrastructure, only to step back toward democracy and

competitive elections under subsequent administrations.<sup>103</sup> While profound challenges remain with respect to Ecuador's democratic health, and democracies globally confront shortfalls and vulnerabilities, the importance of local agency, institutional resiliency, and civil society should not be discounted in any analysis of China's impact on authoritarian consolidation.

## Hypotheses and Methodological Design

To fully explore the impact of China's engagement with LAC and the region's quality of democracy, the following hypotheses are posited:

H1: Greater Chinese investment and trade flows are associated with greater declines in civil and political rights in LAC countries over the observation period.

H2: Greater Chinese political and institutional engagement is associated with greater declines in civil and political rights in LAC countries over the observation period.

H3: Greater Chinese military and security engagement is associated with greater declines in civil and political rights in LAC countries over the observation period.

H4: LAC countries with less consolidated democracies experience higher levels of Chinese commercial, political, institutional, security, and people-to-people engagement.

In order to both develop and test these hypotheses, the subsequent sections of this report focus on China's foreign policy toward LAC. This is for three key reasons. First, China has on numerous occasions made explicit its desire to engage more closely with LAC and possesses the vast resources needed to make good on this commitment. Second, the scope of China's engagement in the region is highly varied, unlike other autocracies such as Russia, which often makes more limited overtures primarily in the realm of military assistance. This allows for analysis across a range of factors, affording a degree of granularity that is critical for building and testing a theory premised on a nexus between foreign engagement and democratic backsliding. Finally, in focusing its analysis on LAC, this report acknowledges the central role this region played in the emergence of the third wave of democracy and argues that its future will therefore determine how durable that process of democratization will prove.

While Chinese engagement has been steadily growing throughout the region, the form and consequences of this engagement are subject to a variety of local factors. In some countries, China has been a key backer throughout a worsening authoritarian spiral. In others, Chinese engagement coincided with a more modest erosion of democratic norms that, while worrying, has not proven catastrophic. Still other countries have pursued closer relations with China without experiencing significant restrictions on civil liberties or a deleterious impact on democracy. The varied nature of country outcomes renders it even more important to avoid painting Chinese engagement with a single brush and reinforces the importance of parsing individual country narratives.

Accordingly, a case study comparison offers the best methodological approach to disentangle the various interactions, exchanges, and negotiations that make up the universe of Chinese engagement in LAC. This study will select cases across five main outcomes of interest, namely: (1) countries that engaged with China and experienced democratic backsliding, (2) countries that engaged with China and experienced little democratic backsliding, (3) countries that engaged with China whose democratic and institutional outcomes remain uncertain, (4) countries that experienced democratic backsliding and have since stepped back from the precipice of authoritarianism, and (5) countries that have not engaged with China but nevertheless experienced democratic backsliding.

In the first class of cases, where closer engagement with China coincided with severe democratic backsliding, Venezuela serves as an illustrative example. Beginning under Hugo Chávez and continuing through the tenure of Nicolás Maduro, China has provided substantial economic assistance, political support, and even military cooperation. This support enabled the Chávez and Maduro regimes to weather mounting international pressure and maintain their holds on power. Other cases of this type include Bolivia under Evo Morales, El Salvador under Nayib Bukele, and Argentina under the Kirchners, which have experienced democratic backsliding in the form of local elite capture and rising corruption, coinciding with their engagement with China.

By contrast, in the second set of cases, countries such as Panama have maintained a high level of civil and political rights even as they engage more closely with China. In 2017, Panama formally recognized China, and since then it has pursued closer relations—especially in the realm of trade and economic integration, joining the Belt and Road Initiative shortly after establishing formal relations. Nevertheless, Panama continues to hold free and competitive elections and enjoys robust democratic institutions. Other cases of this type include Chile and Uruguay, which continue to maintain strong democratic traditions even as China has emerged as a significant partner of each.

The third category of cases, where future developments remain uncertain, includes countries such as Brazil since Lula's second term in office. As the largest economy in LAC, and home to a bounty of natural resources and agricultural production, Brazil has received the bulk of Chinese foreign direct investment.<sup>104</sup> At the same time, Brazil's democratic institutions have been rocked over the past two decades—first by the massive Operation Car Wash corruption scandal and more recently through a fiercely contested election, which saw supporters of the defeated Jair Bolsonaro make an aborted effort to overturn the results and reinstall him in power. While these incidents have left many questions about the future of Brazil's democracy, the country's institutions have proven resilient. Another case in this category is Peru since circa 2016, where a rapid succession of political crises has created severe governance challenges and accreted power in the hands of an increasingly unaccountable legislature.

The fourth category of cases is a small but analytically meaningful set of countries where backsliding occurred but was ultimately reversed through local autonomy and political will, contributing to societies that show signs of democratic recuperation. In particular, Ecuador under the tenure of Rafael Correa charted a path alongside Venezuela's Hugo Chávez and saw restrictions on press freedom and civil society progress in lockstep with growing debt loads to China. Yet, under the leadership of Lenín Moreno and subsequently Guillermo Lasso, those restrictions have begun to

be rolled back. Such cases provide a critical insight into the staying power of democratic backsliding and the local conditions necessary to course-correct and rescue democracy from the precipice.

The final category offers alternative explanations to the conventional wisdom regarding Chinese engagement and growing authoritarianism. The case of Nicaragua, for instance, where a full-fledged dictatorship emerged without a significant influx of Chinese economic or political assistance, must be addressed in any analysis of the impacts of Chinese engagement in the hemisphere. The Dominican Republic under the administration of Danilo Medina also showcases that backsliding can occur anywhere corruption and elite capture are allowed to flourish, even absent significant Chinese engagement. That Nicaragua's recognition of China occurred after the consolidation of its authoritarian regime is also significant. Exploring these histories will furthermore help to differentiate geopolitical from regional, subregional, and local drivers of authoritarianism. It will also help determine how China can help authoritarian regimes consolidate after they have emerged—as in the case of Nicaragua, where China's presence ensures access to capital, financing, and sweetheart deals for Nicaraguan elites in the face of international economic isolation and sanctions.<sup>105</sup>

The regional focus of these case studies is also critical in light of the fact that, despite a growing number of investigations into Chinese support for authoritarianism, many of these adopt a global perspective, pulling case studies from East and Central Asia, Europe, and Africa. Such efforts are certainly useful for generating insights into broad trends in Chinese engagement; however, a regional approach allows for more careful exploration of the geographic nature of both democratization and democratic backsliding. Just as democratization was tied by Huntington to geopolitical power shifts, so too have scholars found that democracies tend to be clustered geographically. Thus, changes in the landscape of civil and political rights in one country will likely have spillover effects on its neighbors. Focusing on LAC cases will therefore not only facilitate in-depth investigation into particular country narratives, but it will also put these cases in conversation with one another, creating a more holistic picture of the spread of authoritarian and democratic norms alike.



Figure 5: Case Studies



Source: Authors' analysis.

## A Note on Case Study Categorization

Cases in which a country did not engage with China and also did not experience democratic backsliding or authoritarian consolidation are not considered in this study. The scale and intensity of China's engagement with LAC over the past 20 years has left few countries untouched, while those few countries without appreciable ties to the PRC such as Haiti or Honduras before 2023 have by and large suffered democratic backsliding, placing them into the same category as Nicaragua and the Dominican Republic cases. This means that the universe of applicable case studies for such a category is severely limited. Instead, no backsliding and no engagement with China is taken as a baseline when evaluating the 13 case studies, not a category for analysis in and of itself.

The above categorizations are primarily qualitative in nature, based on a holistic assessment of China's economic, security, media, and diplomatic engagements with each country, and the comparative democratic trajectories followed over the study period. While quantitative sources are leveraged, the case study selection purposefully avoids reliance on any single statistic to group various case studies. In doing so, this approach seeks to reflect the multifaceted nature of democratic backsliding in LAC. Indeed, even in the strongest of democracies, there lie forces seeking to corrode institutional checks and balances, centralize power, and lay the groundwork for autocracy. Similarly, even in firmly entrenched autocracies, popular discontent and resistance periodically threaten the rule of the regime. This approach accordingly allows for making comparisons and identifying trendlines both within and across categories of countries. As a result, the common themes identified in subsequent chapters should not be read as exclusive to the five case study categories, but rather as a dynamic system where certain components play an outsized role depending on where a country falls on the spectrum from democracy to autocracy.

# The Case Studies

## *Part I*

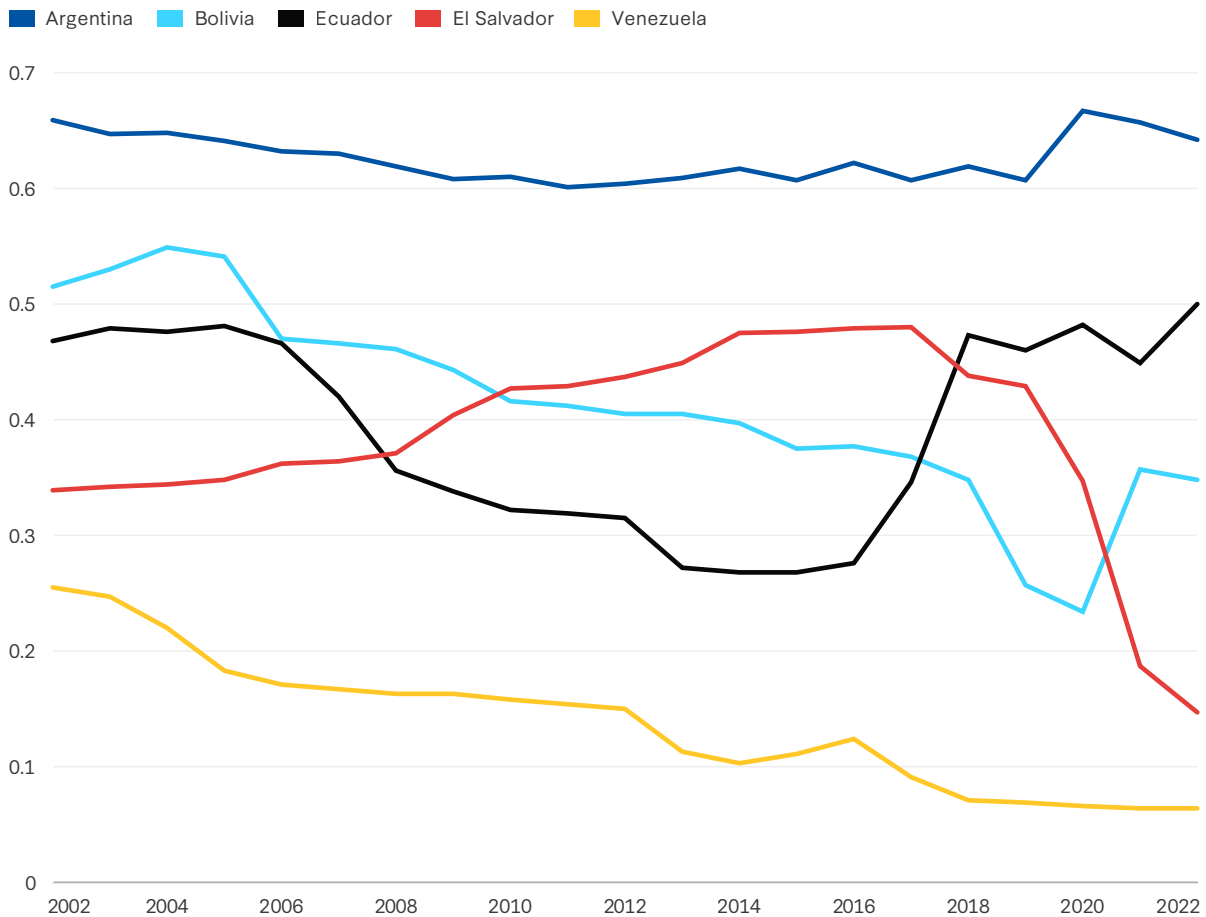
This chapter considers the two categories of cases with the greatest variation in terms of the dependent variable of democratic backsliding. On one side of the ledger, it considers Venezuela, Bolivia, Argentina, Ecuador, and El Salvador: countries that have engaged China and subsequently suffered democratic backsliding. On the other, it looks at Chile, Uruguay, and Panama: countries with similarly high levels of Chinese engagement, yet little observable backsliding or autocratization. A review of these case studies points to four common trends in the countries that experienced democratic backsliding and three sources of democratic resilience. Of these common features, Chinese engagement played a direct role in two of the four backsliding trends and an indirect role in another. Meanwhile, all three sources of democratic resilience explicitly helped to limit the extent of China's influence over the country.

### **Common Vulnerabilities**

#### **POPULAR PRESIDENTS, IMPERIAL EXECUTIVES**

A common thread across all five cases of democratic backsliding is the remarkable popularity of populist authoritarian leaders, especially when they first arrive in office. This is consistent with literature on modern democratic backsliding, with its finding that autocrats today are far more likely to be voted into office than they are to break down the doors to the presidential palace. The archetypical example of the elected autocrat is Hugo Chávez, who, after first seeking power down the barrel of a gun with his failed 1992 coup, came to power through open elections six years later.<sup>106</sup> From this point, Chávez managed to successfully campaign and win against numerous successive

**Figure 6: Liberal Democracy Indices over Time: Countries That Engaged with China and Experienced Democratic Backsliding**



Source: Michael Coppedge et al., “V-Dem [Country-Year/Country-Date] Dataset v13” Varieties of Democracy (V-Dem) Project, March 2023, <https://doi.org/10.23696/vdemds23>; and Daniel Pemstein et al., “The V-Dem Measurement Model: Latent Variable Analysis for Cross-National and Cross-Temporal Expert-Coded Data,” University of Gothenburg, Varieties of Democracy Institute, March 2023, [https://v-dem.net/media/publications/Working\\_Paper\\_21\\_z5BldB1.pdf](https://v-dem.net/media/publications/Working_Paper_21_z5BldB1.pdf).

challenges, including a recall referendum in 2004, which he won by nearly 20 percentage points.<sup>107</sup> Evo Morales similarly embodies this phenomenon, having never been officially defeated in a presidential election before being forced from office amid electoral irregularities in 2019.

Finally, the most recent embodiment of this trend is undoubtedly Nayib Bukele, whose approval ratings routinely reach past 80 and even 90 percent.<sup>108</sup> The popularity of authoritarian leaders, especially at first, directly contributes to democratic backsliding in two ways. First, it lets them wield executive power much more freely than many of their counterparts, allowing them to push through legislative projects that would otherwise have entailed lengthy public battles and considerable political capital. Second, and perhaps more insidiously, it inculcates a view within the leader that their agenda is inherently popular—and therefore that those who oppose it must be enemies of the popular will, not merely political opponents.

When leaders begin to adopt policies that are increasingly unpopular, such as in 2004, when the Venezuelan opposition organized a recall referendum against Hugo Chávez, authoritarian leaders often ascribe blame to shadowy cabals of U.S.-backed conspirators.<sup>109</sup> In Bolivia, the government responded to criticism by independent news outlets by passing Supreme Decree 181 in 2009, allowing state advertising to be withheld from supposedly politicized media, defined by then vice president Alvaro García Linera as “those that insult us and those that lie.”<sup>110</sup> In the worst cases, authoritarian leaders may see the very institutions meant to check executive power as merely troublemakers needing to be controlled and restrained, such as when Bukele ordered the Salvadoran armed forces to occupy the national legislature to ensure passage of his planned budget increase for the security services.<sup>111</sup>

China’s engagement has an indirect effect on this trend. In several of the cases, autocratic leaders came to rely on China for easy access to cash that would fuel popular development projects or allow these governments to sustain otherwise irresponsible social spending programs. Ecuador embodied this trend, as Rafael Correa’s popular poverty reduction, public health, and welfare programs coalesced amid ballooning external debt.<sup>112</sup> Meanwhile, the remarkable economic recovery in Argentina which the Kirchners presided over was partially driven by rising demand from China for agricultural products. Furthermore, Chinese banks played an important role in buoying the Argentine economy, with over half of China’s commercial loans to LAC between 2007 and 2015 going to Argentina (in 2007 and 2010 Argentina was the only LAC country to receive Chinese commercial loans).<sup>113</sup> In this way, China’s economic and development assistance plays into both sides of this trend. It can make popular leaders more popular and swollen with executive power, and it can make the economic crisis these countries face all the more acute when the money begins to dry up and China returns to collect its debts, forcing once-popular leaders to grapple with the deeply unpopular effects of economic mismanagement.

## **CONSTITUTIONS AND COURTS**

Another universal theme in backsliding cases is an effort by executives to reform the national constitution and undermine or otherwise capture the judicial system. The success or failure of such efforts is often a decisive factor in a country’s democratic trajectory. Often, courts represent some of the last remaining checks on an elected autocrat’s ability to enforce their will. For this reason, constitutional and judicial reforms remain some of the hardest political battles across the case studies. Hugo Chávez lost a 2007 national referendum that proposed a spate of constitutional reforms.<sup>114</sup> Bolivia’s adoption in 2009 of a constitutional overhaul also elicited mass anti-government demonstrations and fierce opposition activity.<sup>115</sup> Notably, constitutional changes were often tied to the extension or circumvention of presidential term limits. In Venezuela and Ecuador, presidential term limits were eliminated, while Bolivia’s constitutional change enabled Evo Morales to serve a total of three terms—his 2006-2009 stretch not being counted against the two-term limit imposed by the new constitution.<sup>116</sup> Morales later maneuvered to run for another term, with control over the Supreme Court ensuring he could run for a fourth term—after losing a referendum on the subject—on the basis that term limits violated his human rights. In Argentina, Néstor Kirchner had already aroused suspicion from civil society when he abolished gubernatorial term limits while serving as governor of Santa Clara province.<sup>117</sup> This backlash proved sufficient enough to dissuade Kirchner from pursuing a

similar effort while in federal office, though in practice analysts note that the Kirchners managed to de facto circumvent term limits with the 2007 election of Cristina Fernández de Kirchner, who benefited from practical incumbent status while remaining an outside candidate on paper.<sup>118</sup>

In the case of El Salvador, Bukele has also disregarded his constitutionally mandated single term in office. However, unlike the previous cases, he has not done so by means of referendum or constitutional reform, but by co-opting El Salvador's Supreme Court. Following the victory of Bukele and his Nuevas Ideas party in 2019, the country's National Assembly swiftly dismissed and replaced all five Supreme Court justices and replaced them with party loyalists who predictably handed down a ruling reinterpreting the constitution to permit Bukele's 2024 reelection bid.<sup>119</sup> A similar story has been playing out for far longer in Venezuela, where the judicial branch has contorted into a mere extension of the Maduro regime over the course of years of political machinations. This came to a head in 2017, when the Supreme Court voted to dissolve the opposition-controlled National Assembly.<sup>120</sup> This incident, in which an unelected body in the service of an autocratic leader overawed popular sentiment, underscores the strength and centrality of the courts, along with their potential to be an asset both in the service of and against autocracy.

In Argentina, efforts to exert presidential control over the courts were eminently popular. Six of nine supreme court justices were dismissed and replaced during the Kirchner years, while the National Congress passed laws enhancing the executive's control over the selection of new justices. This was in fact a reversal of former president Carlos Menem's efforts to pack the court; however, the manner in which Néstor Kirchner went about cleaning up Argentina's judiciary was not without a cost.<sup>121</sup> Steven Levitsky and María Victoria Murillo pinpoint this challenge, finding that "Kirchner's purge produced a better and more publicly legitimate Court, but it came at the cost of another blow to the institution of secure judicial tenure, thereby reinforcing existing patterns of judicial weakness."<sup>122</sup>

China's role in this facet of democratic vulnerability is far more nebulous. Constitutional referenda as well as attempts to undermine judicial independence were both domestically driven political projects, with minimal external impetus. Protection may have been a factor in emboldening governments to pursue more strident antidemocratic reforms, but this influence was likely only marginal.

## **THE ISOLATION SPIRAL**

One of the most troubling dynamics identified across the backsliding cases is the mutually reinforcing relationship between antidemocratic behavior, international isolation, and dependency on China. The essence of this dynamic is that the erosion of democratic checks and balances typically leads to governments distancing themselves from the United States, neighboring countries, and the broader liberal international order. This comes with both political and economic consequences, leaving these countries cut off from traditional financing sources like the IMF and World Bank, while in some cases triggering economic sanctions against particularly egregious behaviors. Facing this external pressure, backsliding countries turn to China as a source of economic succor, giving the PRC leverage that it uses to encourage further dependency, backsliding, and isolation—a vicious cycle.

Ecuador best exemplifies the isolation spiral, as President Correa leaned heavily on China to achieve his ambitious social and economic goals.<sup>123</sup> The first window appeared in 2008 when Ecuador

defaulted on over \$3 billion in loans, with Chinese state-owned firms stepping in to provide an emergency line of credit.<sup>124</sup> This episode both left the Ecuadoran economy—especially its oil and gas sectors—open to vastly increased Chinese involvement and damaged Ecuador’s standing in the eyes of alternative potential investors. Correa, however, had little incentive to change his behavior, and almost immediately after the default he passed a controversial mining law making it easier for foreign companies to begin operations within Ecuador—an opening that the state-owned Tongling Nonferrous Metals Group was eager to seize.<sup>125</sup> Not only did Tongling and other firms engaged in extractive industries benefit from this new legal structure, they counted on the government to suppress largely Indigenous-led protests against the expansion of mining on and near their historic lands. Just a year later, Correa signed his first oil-backed deal with the China Export-Import Bank to finance the Coca Codo Sinclair Dam, an infrastructure megaproject that has become legacy-defining for Correa—if for none of the reasons he likely intended.<sup>126</sup> Amid an environment of growing state power, deteriorating rule of law, and periodic mass protests, the investment conditions in Ecuador were hardly promising, save for Chinese firms that could count on the leverage the PRC had already accrued to ensure that their interests were preserved, while boxing out potential competitors.<sup>127</sup> Provided China’s economy remained flush with the cash needed to sustain massive—and often dubious—investments, the spiral would only continue downwards.



*Outside view of the Coca Codo Sinclair hydroelectric power plant in Napo, Ecuador, on November 20, 2018.*

Photo: Cristina Vega/AFP via Getty Images

A similar narrative has played out, albeit over a longer period of time, in Venezuela and Bolivia. With a collapsed economy and a poisoned international reputation, the Maduro regime counts on fellow autocracies such as China, Russia, and Iran for an economic and diplomatic lifeline. Especially

after 2019, when the United States imposed sectoral sanctions against the Venezuelan oil industry, China was instrumental in a scheme to disguise heavy crude as Malaysian oil, buying up to \$3.5 billion from May 2020 to June 2021 and transshipping it to China for refining by so-called teapot refineries.<sup>128</sup> Bolivia's five-year National Development Plan, which formed the cornerstone of Evo Morales' final term economic policy, was made possible with a \$10 billion line of credit from the PRC.<sup>129</sup> Just as China was expanding its leverage over Bolivia through foreign debt and in sectors like construction, mining, and energy, Morales' declared "total independence" from Western-backed financial institutions like the World Bank and IMF. Of particular note is the finding by China scholar R. Evan Ellis that, in both cases, Chinese engagement began cautiously.<sup>130</sup> It was only after considerable centralization of power in both countries—Chávez's response to the 2003 general strike in the case of Venezuela and the 2009 constitutional reform in Bolivia—that Beijing surged ahead with renewed enthusiasm.

The isolation spiral appears nascent in El Salvador, but it is worsening rapidly as Bukele moves to cement his hold on power. While El Salvador still depends heavily on the United States—which serves as the destination for roughly 40 percent of the country's exports, and which El Salvador depends on for the vast majority of the remittances that account for nearly a quarter of its GDP—Bukele has courted China since coming to power in the hopes that it could provide a counterbalance to U.S. economic pressure.<sup>131</sup> China has offered to fund port and tourism infrastructure, as well as constructed a new National Library (which has played a starring role in Bukele's propaganda of late); but surely the most dramatic episode was its offer to buy the entirety of El Salvador's external debt when the country faced potential default on IMF loans in early 2023.<sup>132</sup> Ultimately, Bukele was able to strike a deal with his creditors, but future economic travails may see him return to Beijing as a foreign backer willing and able to shore up an autocratic project.

## **CRIME AND CONTROL**

The final commonality across the backsliding cases has been their adoption of increasingly aggressive strategies for policing, civil security, and social control. This manifests in part organically, as initially popular leaders begin to reckon with unpopular policies and growing pressure for democratic accountability. It also often involves the pursuit of more sophisticated capabilities to monitor and proactively repress populations before they can organize to put a challenge to the government. China has played a hand in supporting both types of activity, but in the latter case has been especially effective in disseminating its knowledge of surveillance and digital authoritarianism throughout the hemisphere.

El Salvador has evinced the most dramatic crackdown on civil liberties in the name of civilian security. Following a harrowing murder spree in March 2022, Bukele launched a state of exception: suspending the right to assemble, authorizing indefinite pretrial detention, and granting the military and police a free hand to arrest individuals with little to no evidence of gang affiliation.<sup>133</sup> What was initially approved as a 30-day special period has become a state of permanency for Salvadorans, with the legislature rubber-stamping extensions month after month. Meanwhile, El Salvador's prison population has mushroomed to over 100,000 individuals, or about 2 percent of the country's entire adult population.<sup>134</sup> A pervasive culture of impunity has paved the way for abuses by the security forces who, in some areas, have merely replaced the gangs as sources of fear and criminality. In Venezuela, the Maduro government has a long track record of utilizing the language of citizen security to justify the repression of dissent.



The so-called Operation Liberation of the People in 2015, for instance, was responsible for at least 20 documented extrajudicial killings, while recent “mega-operations” against prison gangs have seen individuals arrested and detained without cause and led to dozens more killings with no accountability on the part of security forces.<sup>135</sup> In fact, the regime stands accused of committing crimes against humanity in the International Criminal Court.



*Salvadorean soldiers get ready during an operation against gangs in Soyapango, El Salvador, on December 5, 2022.*

Photo: Marvin Recinos/AFP via Getty Images

In response to mass protests, backsliding governments have shown few reservations around the use of force to curb dissent. From 2002 to 2019, 273 people were killed by security forces at protests in Venezuela, with Chinese-made VN-4 armored vehicles playing an especially notorious role in crushing demonstrations since the first delivery was made in 2012.<sup>136</sup> As Venezuela descended further into autocracy, many countries shut off exports of weapons and military equipment to the country, leaving Russia and China as the sole external suppliers of arms to the country from 2017 to 2021.<sup>137</sup> However, perhaps more insidious than China’s role as a provider of arms and equipment has been its efforts to proliferate mass surveillance technologies throughout the region. As early as 2008, Venezuelan officials were in contact with representatives from Chinese technology firm ZTE to discuss plans to overhaul the country’s citizen ID system. The resulting “fatherland card,” which rolled out in 2016 after years of close collaboration between Venezuela, Cuba, and the PRC, remains one of the preminent cases of data-enabled social control in LAC today. According to a 2017 Reuters investigation, the system “stores

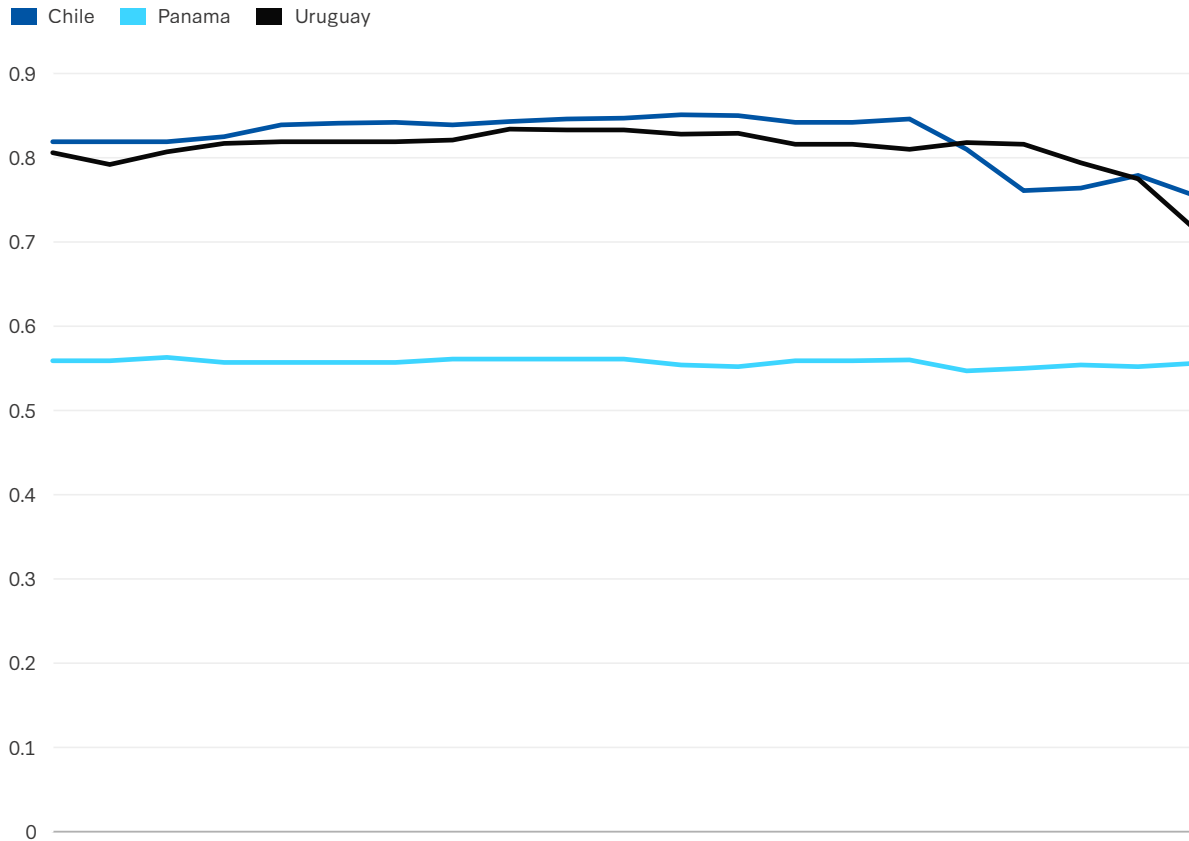
such details as birthdays, family information, employment and income, property owned, medical history, state benefits received, presence on social media, membership of a political party and whether a person voted.<sup>138</sup> However, Venezuela was not the only country to see new technological tools repurposed in the interest of keeping tabs on citizens. In 2011, Ecuador signed another oil-backed deal to the tune of approximately \$200 million for Huawei and the China National Electronics Import & Export Corporation (CEIEC) to install new security cameras and integrate them with the ECU-911 security response system.<sup>139</sup> In the years that followed, reports surfaced that the multiplicity of cameras were not only doing little to reduce crime on a day-to-day basis but also feeding information to police and emergency responders as well as the National Intelligence Secretariat (Senain)—the secretive agency that spearheaded the surveillance and suppression of opposition parties and dissidents under Correa.<sup>140</sup> In at least one case, Chinese-supplied cameras were installed outside the residence of a prominent anti-government activist, a clear attempt to chill criticism of the Correa government.<sup>141</sup> In 2016, Bolivia and the China Export-Import Bank signed an agreement for the PRC to supply Bolivian police forces with cameras, telecommunications equipment, and a new command center in La Paz for the BOL-110 citizen security system, an initiative which has continued apace well past Morales's exit from government.<sup>142</sup>

In contrast to the above examples, Argentina did not appear to adopt social control measures on the same scale. This can be attributed in part to the prior strength of Argentine democratic institutions, relatively lower levels of insecurity, and the fact that Néstor Kirchner came to power on the heels of massive protests during which two protesters were killed in clashes with riot police.<sup>143</sup> The memory of this upheaval likely served as a powerful mobilizing force and constraint on the Kirchners' ability to use force in domestic security affairs, a factor which seems to have helped stay the hand of Cristina Fernández de Kirchner as late as 2012-2013, when another wave of anti-government protests gripped the nation.<sup>144</sup>

As is the case with the isolation spiral, China's role in democratic backsliding is prominent when it comes to facilitating government repression. Both propagation and protection trends are at play in this regard. For the former, it is telling that both Ecuador and Venezuela embarked on their digital authoritarian projects after officials visited China and saw how successful the PRC has become in managing its citizens' public lives. Chinese bilateral police diplomacy also stresses the superiority of China's model compared to the United States, while the GSI more recently signals a clear effort by China to disseminate and socialize its approach to security among other countries.<sup>145</sup> China's willingness to arm and equip militaries and police forces accused of human rights abuses also speaks to the protection dimension—and to China's emerging role, alongside Russia, as a go-to security partner for countries that struggle to access the international arms market.<sup>146</sup> As LAC countries continue to grapple with resurgent criminal organizations and a seeming lack of interest on the part of the United States in such issues, China's offer may appear more and more tempting, especially for countries like El Salvador, which has yet to enlist significant Chinese assistance in the conduct of its state of exception.

## Shared Resiliency

Figure 7: Liberal Democracy Indices over Time: Countries That Engaged with China and Experienced Little Democratic Backsliding



Source: Coppedge et al., "V-Dem [Country-Year/Country-Date] Dataset v13"; and Pemstein et al., "The V-Dem Measurement Model."

### THE WISDOM OF CROWDS

In both the cases of backsliding and those where countries managed to retain healthy democratic institutions throughout their engagement with China, civil society and popular protest served as some of the most effective checks on executive aggrandizement. Chile, Uruguay, and Panama alike not only possess vibrant civil societies and cultures of mass mobilization but have time and again proven effective in securing political concessions from their governments. In some cases, this mass mobilization has been explicitly aimed at expansions of Chinese influence deemed harmful to the national interest.

From 2019 to 2022, Chile experienced a period of social upheaval driven largely by grassroots organizing and civil society groups. Beginning with a set of student-led protests against a metro fare hike proposed by the conservative government of President Sebastián Piñera, demonstrations boiled over into a mass movement which at its height drew upwards of a million protesters to Santiago.<sup>147</sup> While the demonstrations were largely peaceful, it is important to stress that early reports of looting and vandalism, as well as a violent, heavy-handed government response to the initial unrest, pointed toward a worrying conclusion.<sup>148</sup> Yet rather than pushing government and

protesters to opposite extremes, the Piñera government capitulated and rolled back its fare hike in the face of obvious public discontent. Furthermore, the protests jump-started a broader political transformation that would ultimately result in the inauguration of a new government, as well as a constitutional reform process.<sup>149</sup> Constitutional changes being driven in response to pressure from below certainly stands in marked contrast to the referenda preferred by backsliding countries, which were often little more than barefaced attempts to legitimate further centralization of power—although it is notable that both of Chile’s constitutional rewrite attempts have been rejected when put to voters.

In Uruguay, civil society has often acted as a check on outsized foreign influence, and Chinese influence in particular. The cancellation of a proposal by Shandong BaoMa Fisheries Group for a \$200 million port project in Montevideo following local outcry is one especially salient example, where local opposition, coupled with fears the port could exacerbate Uruguay’s struggle against illegal, unreported, and unregulated fishing, directly countermanded a PRC-backed initiative.<sup>150</sup> Meanwhile, Panama has seen two dramatic national upheavals in the past four years: first in 2021 against electoral reforms seen as hindering transparent and accountable democracy, and subsequently in 2023, with national outrage flaring against a potential copper mining concession.<sup>151</sup> The 2021 demonstrations were critical for their role in signaling the Panamanian populace’s commitment to democratic and electoral integrity. The 2023 upheaval carried at its heart questions of Panama’s economic, environmental, and social future, but it was also about China’s role in sensitive extractive industries.<sup>152</sup> The copper mine in question, while owned by Toronto-based company First Quantum, counts as a major shareholder Chinese state-owned Jiangxi Copper Company Limited, and the PRC is the destination for some 60 percent of all copper produced in Panama.<sup>153</sup> Accordingly, while driven by domestic interest, these protests were closely tied to Panama’s relationship with China—and specifically, its role in extractive sectors.



*A woman holds a sign reading “China out” as she takes part in a protest against the government of Argentinian president Alberto Fernández at Plaza de la República in Buenos Aires on October 12, 2020.*

Photo: Juan Mabromata/AFP via Getty Images

To be sure, the presence of mass protest against certain policies does not mean the positions being advocated by the demonstrators are necessarily correct or even reflect the opinion expressed by a majority of the citizenry. However, the fact that in all three cases, protests succeeded in directly influencing government behavior signals a level of representation between the state and population that acts as an important democratic safeguard. Nevertheless, this observation should not discredit the courageous and impressive achievements of civil society in Venezuela, Bolivia, Ecuador, El Salvador, and Argentina. Protest organizers in these countries achieved impressive results, often under a miasma of intimidation and threats. Instead, it is best to understand that an activated civil society is a necessary, but not sufficient, condition of safeguarding democracy. Other ingredients are necessary to arrest the descent into authoritarianism in the face of a leader who is set on corroding democratic institutions.

### **MAKING ENDS MEET**

A second important distinction between the backsliding cases and those instances of democratic resiliency is the nature of Chilean, Uruguayan, and Panamanian economic engagement with China. Each of these countries benefited from a comparatively stronger financial and infrastructural starting point when they first engaged the PRC. Indeed, in 2022 these countries accounted for the top three highest GDPs per capita in purchasing power parity throughout LAC. This helped to serve as a buffer against the isolation spiral by leaving fewer opportunities for China to gain leverage, and it let the countries set the terms for their engagement with the PRC on more equal footing.

Turning first to the question of infrastructure, LAC on the whole suffers from a profound infrastructure gap. Countries in the region spend on average between 2 and 4 percent of their GDP on infrastructure—less than half of what the Inter-American Development Bank estimates is needed to modernize and expand critical infrastructure.<sup>154</sup> Nevertheless, in the 2018 Global Competitiveness Report, Chile, Uruguay, and Panama all fell in the top five spots for Latin America in terms of infrastructure competitiveness, with Chile leading the pack in terms of overall competitiveness as well as road connectivity and utilities.<sup>155</sup> For this reason, there is comparatively less demand on the part of these countries for flashy (and expensive) infrastructure investments that would be difficult to obtain anywhere other than China. This does not mean these countries have no need for investment in their ports, roads, railways, and power sectors, but it does mean that they can rebuff unsustainable or disadvantageous deals more easily, preventing them from falling victim to a self-propagating cycle of dependence on China for funds. This can be seen in the aforementioned case of the Montevideo port, as well as the decision of Panamanian president Laurentino Cortizo to cancel another Chinese port concession in the Colón Free Trade Zone under U.S. pressure and upon finding numerous breaches of contract on the part of the Shandong-based Landbridge Group in charge of implementing the project.<sup>156</sup> To be sure, Panama continues to move forward with a \$1.4 billion Chinese-financed bridge over the Panama Canal, but it is telling in and of itself that this would be the fourth such bridge.<sup>157</sup> Chinese investment is therefore welcome, but it is largely augmenting and expanding upon existing infrastructure.

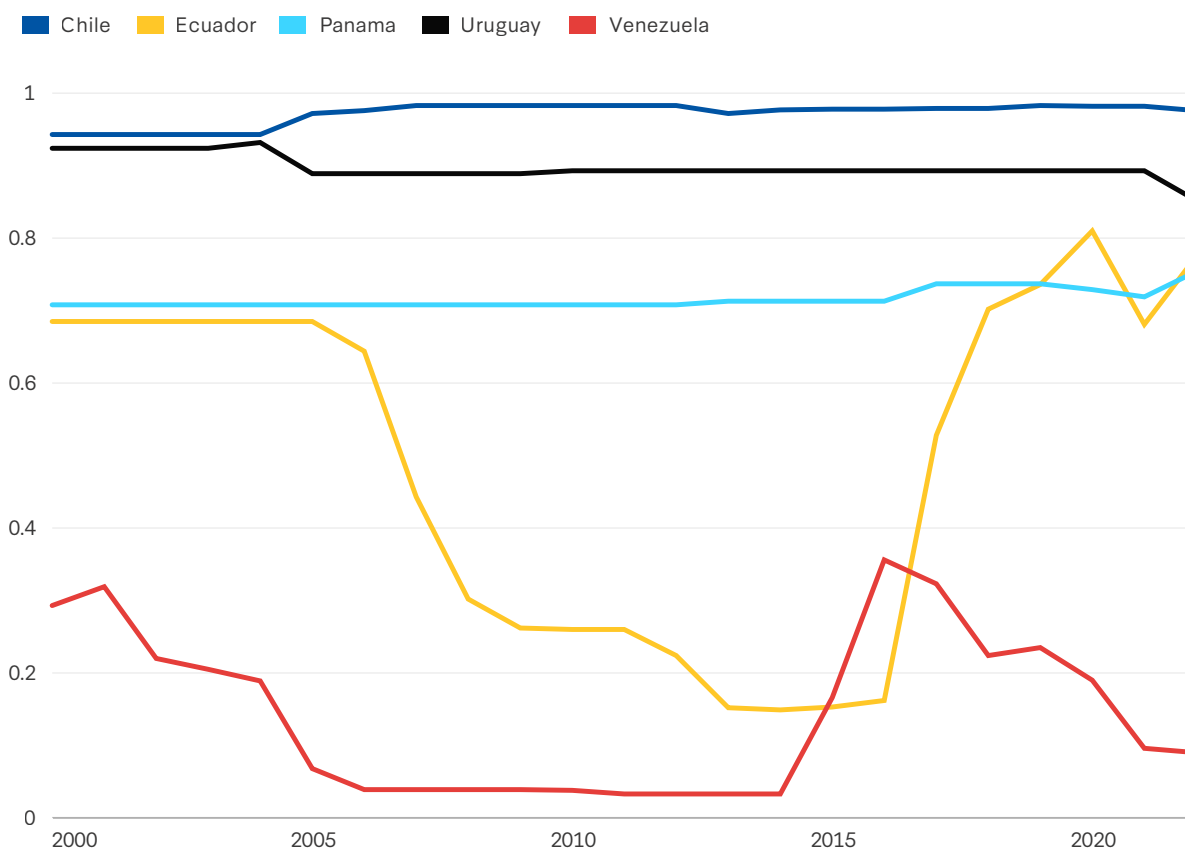
The three cases of resilience also possess some of the most developed and modernized economies throughout all of LAC, further strengthening their hand to engage with China in a less asymmetric

way and decline where otherwise unnecessary. As of 2021, Chile and Uruguay both enjoyed trade surpluses with China, a rarity in all of LAC. Meanwhile, Panama, which still has a roughly \$7 billion trade deficit, has been rapidly growing since its 2017 opening to the PRC.<sup>158</sup> To these countries, engaging with China is not a matter of economic survival—as it might have been for Ecuador when it faced default or Venezuela when it came under U.S. oil sanctions—but rather one of economic opportunity.

### LEGISLATIVE HEALTH

The final key thread in democratic resilience across the three countries has been the comparative strength of their legislatures. In a hemisphere where democratic backsliding often comes in the form of executive aggrandizement, the presence of competent, independent, and empowered legislators acts as a critical check and balance, as well as a pressure release valve for overwhelmed judiciaries. This is not to say that legislatures themselves cannot contribute to democratic erosion; indeed, national assemblies throughout LAC have accrued sizeable powers with little oversight in recent years. However, this observation is further evidence in favor of the role that accountable and transparent legislatures with well-institutionalized parties play as a bulwark against backsliding.<sup>159</sup>

Figure 8: Legislative Constraints on Executives Index over Time



Source: Coppedge et al., “V-Dem [Country-Year/Country-Date] Dataset v13”; and Pemstein et al., “The V-Dem Measurement Model.”

All three countries have robust, multiparty systems wherein presidents regularly find themselves governing over divided legislatures, putting a premium on coalition building. Even in Uruguay, where the Frente Amplio governed the country for some 15 years, power changed hands in 2019 to the Partido Nacional.<sup>160</sup> Furthermore, the three countries benefit from a well-established set of parties, which serve as incubators for future leaders within both executive and legislative branches. Weak parties were a challenge which plagued Argentina under the Kirchners, who failed to cultivate strong leadership within the national assembly, causing it to delegate leadership functions to the executive branch.<sup>161</sup> The result was a system in which neither the incumbent nor opposition factions within the legislature possessed the requisite experience to guide Argentina through its tumultuous economic and political crises.

Strong legislatures are more than just checks on executive power; they often wield influence over the appointment, remit, and funding of the judicial branch. Judiciaries, as previously noted, are often the last line of democratic defense, but legislative weakness often leaves the door open for authoritarians to push policies severely curtailing judicial independence.

Furthermore, legislatures are especially susceptible to Chinese strategies of elite capture, with it being easier for Chinese firms to indirectly influence policymakers through lobby groups or directly secure influence via guarantees of plush investment projects in their home districts. In Argentina, much like in Brazil, China's demand for agricultural products has cemented a pro-Beijing constituency within the country's farming sector that has proven durable across changes in administrations and political leanings.<sup>162</sup> Broader Chinese economic influence also came into play during debates over the Neuquén Space Station deal in 2014, which handed over territory for deep space observation to the PLA in an opaque and unaccountable fashion. Urdinez et al. describe how during legislative debates over this agreement, China's economic benefits and foreign direct investment in Argentina were frequently raised by Kirchnerist legislators to block opposition comments.<sup>163</sup> In Ecuador as well, Chinese mining companies stepped up investments in the country in concert with the debate over the 2008 constitutional reform and lobbied both the Correa administration and National Assembly members to enact reforms that would open the country's mining sector to foreign investment (in reality almost entirely Chinese investment). When local communities began to protest new mining projects, they swiftly found that the institutions meant to reflect their grievances at the national level had been co-opted by the dramatic influx of investment in to Ecuador's mining sector.<sup>164</sup> Elite capture of legislators is further propelled by the general lack of transparency associated with Chinese investment and development contracts, which leaves these ripe for corruption and hidden kickbacks, with one study noting: "The opaque nature of BRI projects presents regular opportunities for massive corruption, best described as a 'feature' of the BRI rather than a 'bug.'"<sup>165</sup>

Strong party traditions and turnover in control of the legislature is therefore not enough to completely resist potential corrosive effects from China's engagement; legislatures must have strong transparency and anticorruption safeguards to ensure that their members cannot be co-opted by narrow interest groups. Legislative strength across the three cases of democratic resilience studies is in this respect uneven. Chile's 2016 reforms to campaign financing and party governance in

the wake of a series of scandals over the previous years was hailed as a step in the right direction toward limiting the role of interest groups in government. Uruguay has benefited from its history of well-institutionalized political parties, which lend predictability to governance, avoid wild swings in policy or overly personalist leaders, and serve as incubators for new generations of leadership.<sup>166</sup> Panama, by contrast, continues to suffer from one of the least transparent legislatures in all of LAC, a feature which undermines public trust in Panamanian democracy and compounds the country's struggles with entrenched corruption.<sup>167</sup>

## The Role of Ideology

In surveying the cases of democratic backsliding, it may be tempting to suggest that left-wing, socialist populism is to blame for the erosion of checks and balances. Several scholars and analysts have made this argument, observing as well that the Marxist-Leninist-Maoist underpinnings of the CCP are likely to resonate more with left-leaning governments. Three of the five backsliding cases were also members of the Bolivarian Alliance for the Peoples of Our America (ALBA), a multilateral organization founded by Venezuela and Cuba with an explicitly socialist mission, suggesting that ideological preferences certainly exerted some impact on the foreign policies of those countries.<sup>168</sup> Ideology undoubtedly plays a role in the preferences, and potentially the democratic trajectories of countries; however, upon closer inspection the nature of this relationship is far less causal in nature, for a number of reasons.

First, the case of El Salvador provides a clear exception to any rule that China prefers to engage leftist governments. Bukele's administration has in many ways defied traditional categorization along a left or right spectrum, while his embrace of cryptocurrency and peculiar private investment schemes suggests a libertarian bent.<sup>169</sup> The administration of Gabriel Boric in Chile similarly gives reason for pause when evaluating an ideologically determinative model for China's role in democratic backsliding. Boric rode a wave of left-wing activism to the presidency, yet has been a staunch supporter of democracy, fiercely criticizing the regime of Daniel Ortega in Nicaragua, for instance, which seeks to cloak itself in the language of revolutionary socialism.<sup>170</sup> Accordingly, even if impactful, ideology is not universally predictive.

Second, the trendlines identified by the case study analysis already account for the role ideology plays. In the case of the isolation spiral, for instance, ideological opposition to the United States or Western international order can help push countries away from certain groups and toward greater dependency on China. ALBA itself was an ideological project which also had the effect of further distancing its members from established organizations like the Organization of American States (OAS) and reinforcing dependency on China. The beliefs of leaders about the nature of their mandate and popular support may likewise be influenced by ideology, with leaders such as Evo Morales and Hugo Chávez pronouncing themselves to be giving voice to the voiceless and claiming to be embodiments of the popular will. The effect of this is nevertheless that such leaders will be less willing to listen to popular backlash when it occurs. In this way, the trendlines identified offer allow ideology to enter the conversation, but they also make space for alternative influences, thereby allowing for a more granular look into the factors propelling democratic backsliding.



Finally, the policy prescriptions associated with an ideology-first understanding of backsliding in LAC are at odds with a U.S. strategy that seeks to prioritize democracy promotion.<sup>171</sup> Assuming that left-wing governments are inherently susceptible to authoritarianism and Chinese influence, the response should be for the United States to encourage countries to avoid electing leftist leaders—a recommendation which risks encouraging U.S. intervention in other countries’ democracies and smacks of the dark history of Cold War-era interventionism. A democracy-first approach to U.S. strategy in LAC must therefore take as a given that people are free to elect the leaders they desire, and it should focus instead on ensuring that proper guardrails are in place to prevent the erosion of democracy—whether from within or via malign external influence.

## **Absence of Backsliding Is Not Absence of Influence**

The above analysis is concerned primarily with vulnerabilities and sources of resiliency with respect to democratic backsliding specifically. As such, it does not provide a full accounting of China’s influence in each of the eight case studies. Taking this perspective reveals that even in countries like Chile and Panama, China has accrued an impressive degree of leverage. In March 2021, Chile’s antitrust regulator approved a takeover of the *Compania General de Electricidad* electrical utility by the State Grid Corporation of China, a move that means Chinese SOEs now control nearly 60 percent of all power distribution in the country.<sup>172</sup> In Panama, despite the Cortizo government’s rejection of the Colón Container Port project, concerns have grown steadily over the two ports along the Panama Canal operated by Hong Kong-based Hutchison Whampoa, with senior U.S. diplomats and security officials highlighting the risk to the canal’s operation in the event of conflict or crisis.<sup>173</sup>

In the cases of backsliding as well, Chinese influence has persisted and grown long after the time period under consideration. In Argentina, the conservative Macri government continued to lean heavily on the PRC for economic support, cementing Sino-Argentine relations. Under the subsequent administration of Alberto Fernández, Argentina doubled down on cooperation with China, signing on to the BRI in 2022 and opening a \$6.5 billion currency swap credit line.<sup>174</sup> Ecuador remains heavily constrained by its massive debt to China in spite of a democratic reopening under Lenín Moreno and Guillermo Lasso, and in June of 2023 Bolivia signed a deal with Chinese battery manufacturer CATL to begin extraction of the country’s vast lithium reserves.<sup>175</sup>

China’s advance in strategic sectors across the entire hemisphere has provided it with remarkably durable influence, the full implications of which remain unclear. Since Beijing has largely sought to court rather than compel countries in LAC, the region has yet to experience some of the economic and political pressure China has become notorious for in other cases. However, should this change one day, and China seek to put its cards on the table for a coercive approach, the region would find itself with precious few safeguards or contingencies in place.

# The Case Studies

## *Part II*

This chapter considers three distinct categories of cases, beginning with Ecuador since 2017, which represents the sole case study country that appeared at the precipice of authoritarian consolidation only to walk back toward democracy. Next, it turns to the cases of Brazil and Peru, two countries that have experienced both significant levels of Chinese engagement and considerable political tumult but have nevertheless not shown a clear trend toward either authoritarianism or democratic consolidation. Finally, it examines two cases in which the process of backsliding occurred independent of Chinese engagement: the Dominican Republic under Danilo Medina and Nicaragua under Daniel Ortega. Both countries began their democratic regression as diplomatic allies of Taiwan, severely constraining the PRC's ability to influence political dynamics in either.

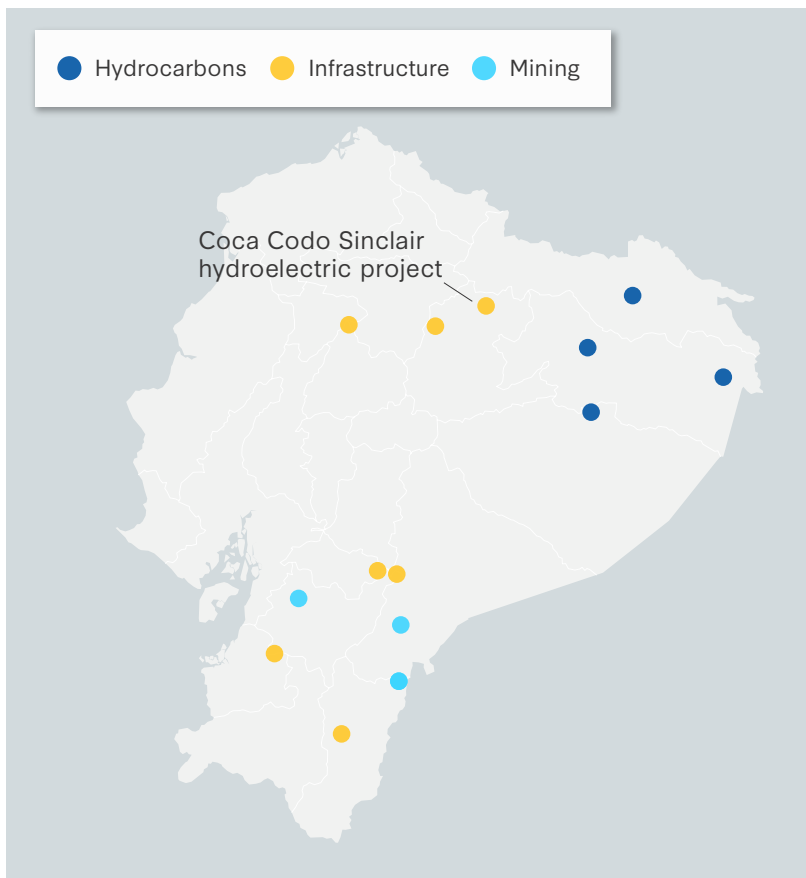
### **On the Precipice: The Case of Ecuador**

In 2017, Rafael Correa left the presidency to his handpicked successor and political protégé Lenín Moreno. The decision was by all accounts not intended to herald a reopening of democracy; rather, Correa expected to continue to wield power over the government while not in office and potentially return to run the country in a few short years. The situation was therefore akin to the Kirchners' trade-off with one another in 2007 or, as one analyst wrote later, Putin's sharing of the presidency with Dmitri Medvedev.<sup>176</sup> However, Moreno broke sharply with Correa soon after he was elected, professing openness to dialogue and reconciliation with the opposition and announcing a 2018 referendum which, among other items, reimposed term limits on the presidency.<sup>177</sup> Moreno also pursued a conservative fiscal policy, seeking to dramatically tamp down public spending, which

surged during the Correa years, and engaging the IMF and World Bank, rather than China, for financial assistance.<sup>178</sup> Correa was reduced from backroom powerbroker to columnist, writing scathing attacks on the Moreno government but wielding little sway over the administration he helped install. Just a year after he left office, an arrest warrant was issued for Correa after he failed to appear in court (he had moved to Belgium shortly after leaving office). In 2020 Correa was convicted in absentia on bribery charges alongside former vice president Jorge Glas and a number of other former officials.<sup>179</sup>

Moreno left office in 2021, handing off the presidency to Guillermo Lasso, a banker who had been Correa’s main political opponent in the 2013 elections. Lasso continued the democratic reconstruction project he had been left: on his first day in office, he repealed the 2013 Ecuadorian Communication Law, which Correa had promoted in an attempt to muzzle the press, which the former president deemed “rabid dogs.”<sup>180</sup> Lasso made early overtures to Ecuador’s Indigenous communities, which had faced continuous repression as the Correa government sought to pave the way for greater investments by Chinese companies in the oil and mining sectors.<sup>181</sup> However, in spite of initial progress, the Lasso administration found itself swiftly embroiled in a set of overlapping

**Figure 9: PRC-Funded Infrastructure Projects Involving Alleged Malpractice in Ecuador**



Source: “Chinese Activities Dashboard,” Florida International University.

crises. During the summer of 2022, protests against rising energy prices, corruption, and the continuation of extractive industries on or near Indigenous land paralyzed the country. Organized crime spiraled, causing the government to declare repeated states of emergency as homicide rates skyrocketed. Finally, Lasso himself became embroiled in a bribery scandal and faced impeachment by the opposition-controlled National Assembly. Staring down impeachment, Lasso invoked a rare constitutional provision of “muerte cruzado” or mutual death, disbanding the assembly and calling for new snap general elections.<sup>182</sup> Ultimately, Lasso served a little over half of his elected term,

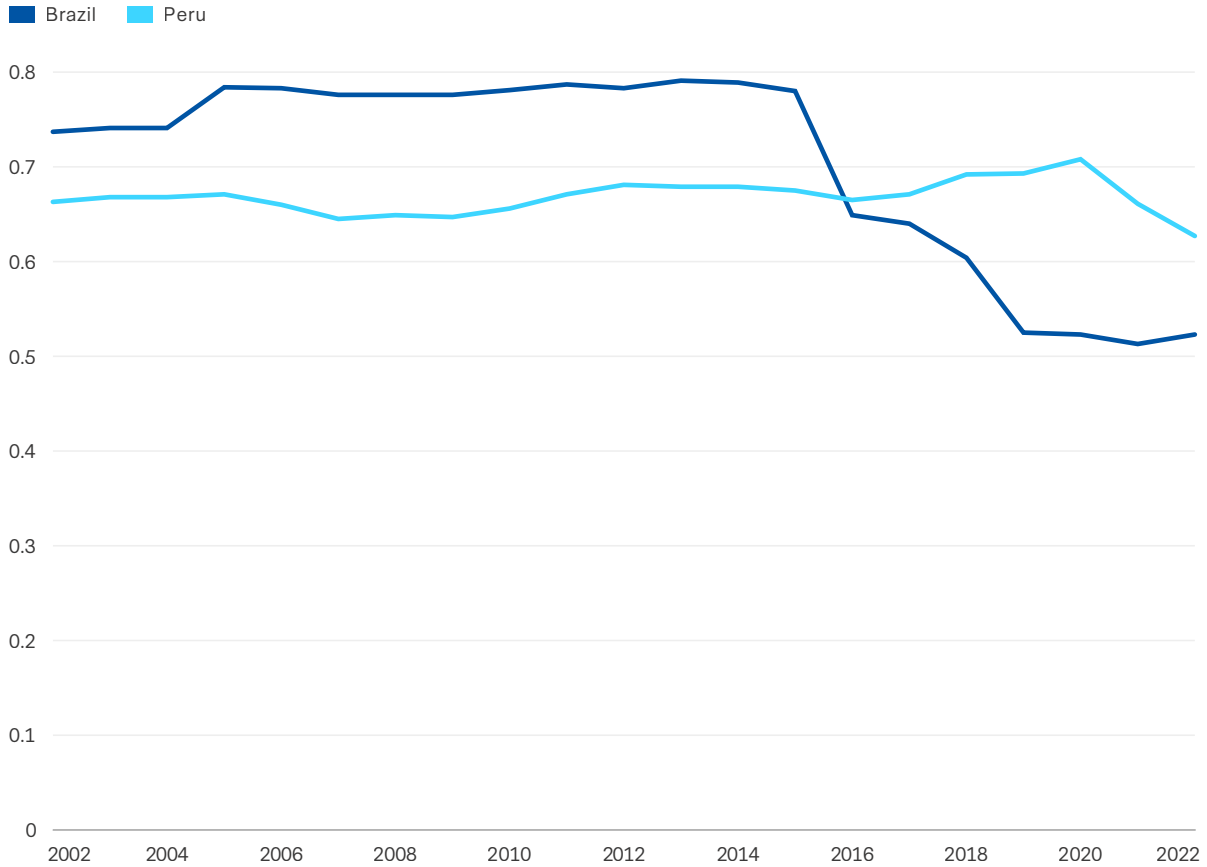
departing office in a fragmented political environment with monumental challenges facing the new Noboa administration.

Yet while political instability remains a pressing concern, Ecuador's transition from a populist, personalist, and increasingly autocratic system before 2017 to a country marked by active competition between political parties and an increasingly vocal civil society bears careful study. It would be easy to chart a course in which Ecuador remained on course for a consolidated authoritarian regime were it not for a handful of decisive factors. Foremost among these was the unexpected about-face by Lenín Moreno, which appeared to have caught Correa completely off-guard. Moreno's shift underscores a key observation when it comes to peaceful democratic transitions, namely that such shifts often require the incumbent regime to be taken by surprise. This was the case in Chile's historic "no" referendum in 1988, as well as in the 1989 Panamanian general election which precipitated Manuel Noriega's removal from power.<sup>183</sup> In both cases, authoritarian governments miscalculated a democratic opening, trusting that their combination of social control methods and political patronage could secure a win through stage-managed elections. Correa similarly bet on his ability to control a successor, only to find his sway dramatically reduced once he departed office. This suggests that the United States ought to pay careful attention to those rare democratic openings in otherwise authoritarian countries. The nature of the third reverse wave may also be relevant here, as modern autocrats seek to project the veneer of democracy, leaving them open to surprises at the polls or among their successors.<sup>184</sup>

Another important consideration revealed by the Ecuador case is the fragility of democratic transitions. More than five years of efforts to rebuild democratic institutions have yet to fully peel back the legacy of Correa on Ecuadorian institutions and politics. Indeed, the inauguration of a new leader, even one firmly committed to democracy and rule of law, is insufficient to prevent the onset of another wave of popular discontent and perhaps even the return of an authoritarian leader. Ecuador's latest presidential election underscored this, with Correista loyalist Luisa González coming in as a close second and President Correa's Revolución Ciudadana movement winning a plurality of seats in the National Assembly. China also contributed to Ecuador's post-Correa instability: the environmental and economic fallout from China's infrastructure projects and investments served as a wedge issue between successive governments and impacted communities. Even Moreno and Lasso, who preferred to engage more closely with the United States and Western institutions, were nevertheless forced to treat with the PRC as a consequence of the extreme levels of debt and access Correa had signed over to Beijing. The United States, for its part, should engage closely with countries that appear on the edge of discarding their authoritarian past; it should seek to identify potential pain points—whether in the form of unsustainable debt burdens, security challenges, or institutional shortcomings—and formulate a strategy to assist these governments in addressing them.

## In the Middle

Figure 10: Liberal Democracy Indices over Time: Countries That Engaged with China Whose Democratic and Institutional Outcomes Remain Uncertain

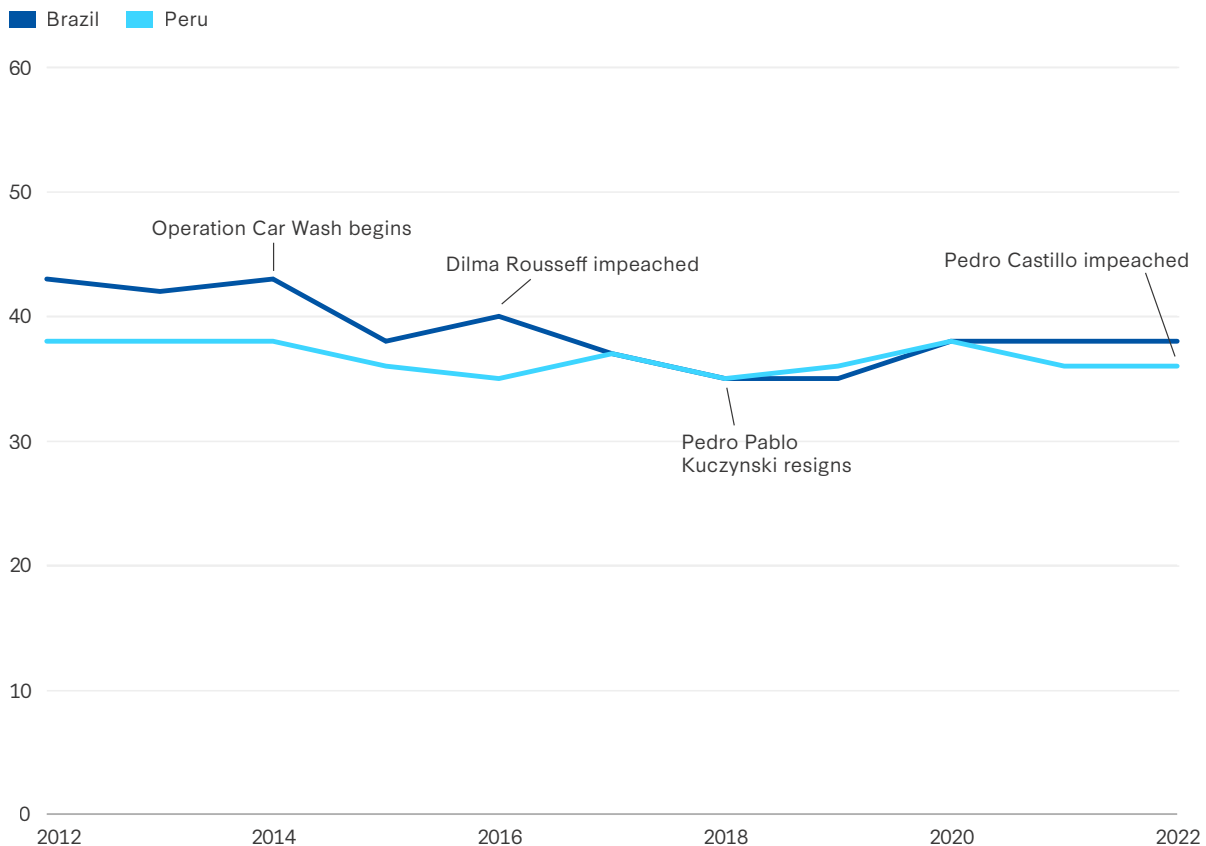


Source: Coppedge et al., "V-Dem [Country-Year/Country-Date] Dataset v13"; and Pemstein et al., "The V-Dem Measurement Model."

### CORRUPTION'S TOLL

The recent history of democracy in Brazil and Peru alike is in many ways the story of these countries' attempts at reckoning with entrenched corruption. In the case of Brazil, domestic corruption not only consumed the country's internal politics but touched virtually every country in the hemisphere in the form of the Odebrecht scandal. The Brazilian construction firm, which had grown to become the largest construction conglomerate in the hemisphere, would be uncovered in 2016 as having distributed an estimated \$788 million in bribes throughout LAC, with scandals reaching across the Atlantic to Angola and Mozambique as well.<sup>185</sup> The Odebrecht case followed on the heels of Operation Car Wash, a historic anticorruption investigation in Brazil which uncovered a web of money laundering and corruption valued in the billions and implicating Odebrecht, state-owned oil giant Petrobras, as well as three former presidents and countless serving and former government officials.<sup>186</sup>

Figure 11: Corruption Scores over Time: Brazil and Peru



Source: "Corruption Perceptions Index," Transparency International, 2022, <https://www.transparency.org/en/cpi/2022>.

Corruption, and the attendant controversies it spurred, led to the ousting of presidents in both Brazil and Peru. In 2016 Dilma Rousseff was formally impeached, with detractors accusing her of corruption while others maintained that the prosecution took place precisely because she refused to back down from the Operation Car Wash investigations.<sup>187</sup> Then former president Lula da Silva was also tried and convicted for his involvement in the scandal, only for the case against him to later be annulled.<sup>188</sup> In Peru, President Pedro Pablo Kuczynski resigned ahead of a planned impeachment vote against him for his connections to the Odebrecht scandal.<sup>189</sup> Accusations of corruption later dogged President Pedro Castillo, who prompted a constitutional crisis, attempting to dissolve the Peruvian Congress in a bid to avoid facing impeachment on corruption charges himself.<sup>190</sup> The use of corruption as a cudgel is not new in regional politics, and both Brazil and Peru embody the complex and often tangled dynamics of corruption. On the one hand, corruption in both countries runs deep, giving politicians an easy accusation to level against their opponents and poisoning discourse and public opinion toward government. However, the mere existence of probes like Operation Car Wash, and intermittent but noteworthy progress on corruption investigations in Peru, suggest these countries remain willing and able to pursue high-profile instances of graft.

Also worthy of note is the fact that both the Odebrecht and Petrobras scandals were driven, in the case of Brazil, by domestic companies. China had little to do with these landmark cases despite its impressive penetration into both Brazilian and Peruvian economies. However, there remain troubling signs that China's growing economic and business engagement, coupled with a preference for opaque backroom dealings, may present a dangerous combination for a region that already suffers from endemic corruption. This should be especially concerning for Brazil and Peru as the number one and two destinations for Chinese foreign direct investment in the hemisphere, respectively.<sup>191</sup> In recent years, both countries have uncovered cases of illicit lumber trafficking tied to Chinese firms. In 2021, for instance, the governor of Madre de Dios department was accused of accepting bribes in exchange for overlooking an illegal logging operation headed by Chinese businessman Xiadong Ji Wu.<sup>192</sup> How Brazil and Peru respond to these cases and implement effective transparency safeguards will play a major role in determining whether China's engagement ends up being a bane or a boon for democracy in these two uncertain cases.

### **DYNAMISM AND DISCONTENT**

Another feature of both Brazil and Peru's recent political history has been a high degree of social contention, with mass protests and fierce political polarization accompanying changes in government. Political polarization may in fact be one of the reasons these countries have not undergone the same degree of democratic backsliding observed in Bolivia, El Salvador, or Venezuela, as new leaders rarely reach the levels of popularity needed to push through autocratic policies. Here as well, an underappreciated facet of China's relationship to both countries has been the often unintentional effects of Chinese private sector engagement on exacerbating social and political strife. In Brazil, this can be seen with the ascension of Jair Bolsonaro to the presidency in 2018. While Bolsonaro initially promised a reset away from close ties to Beijing after previous administrations had drastically expanded China-Brazil trade ties, he swiftly began to revisit this proposition.<sup>193</sup> Top Bolsonaro allies, especially in the agricultural industry, dispatched delegations to China, pursuing strengthened bilateral relations themselves while lobbying the government to make more farmland available for cultivation.<sup>194</sup> Lula's victory in 2022 subsequently prompted panic among agriculturalists, who worried the new administration's policies would hamper their ability to produce more soy, beef, and sugar for export to China. Some of these farmers at the furthest political fringes would go on to play a key part in bankrolling the unsuccessful January 8 uprising to oust Lula.<sup>195</sup>

**Figure 12: PRC-Funded Infrastructure Projects Involving Alleged Malpractice in Peru**



Source: “Chinese Activities Dashboard,” Florida International University.

Bambas and other mines have remained sources of contention and protest well through 2023.<sup>199</sup>

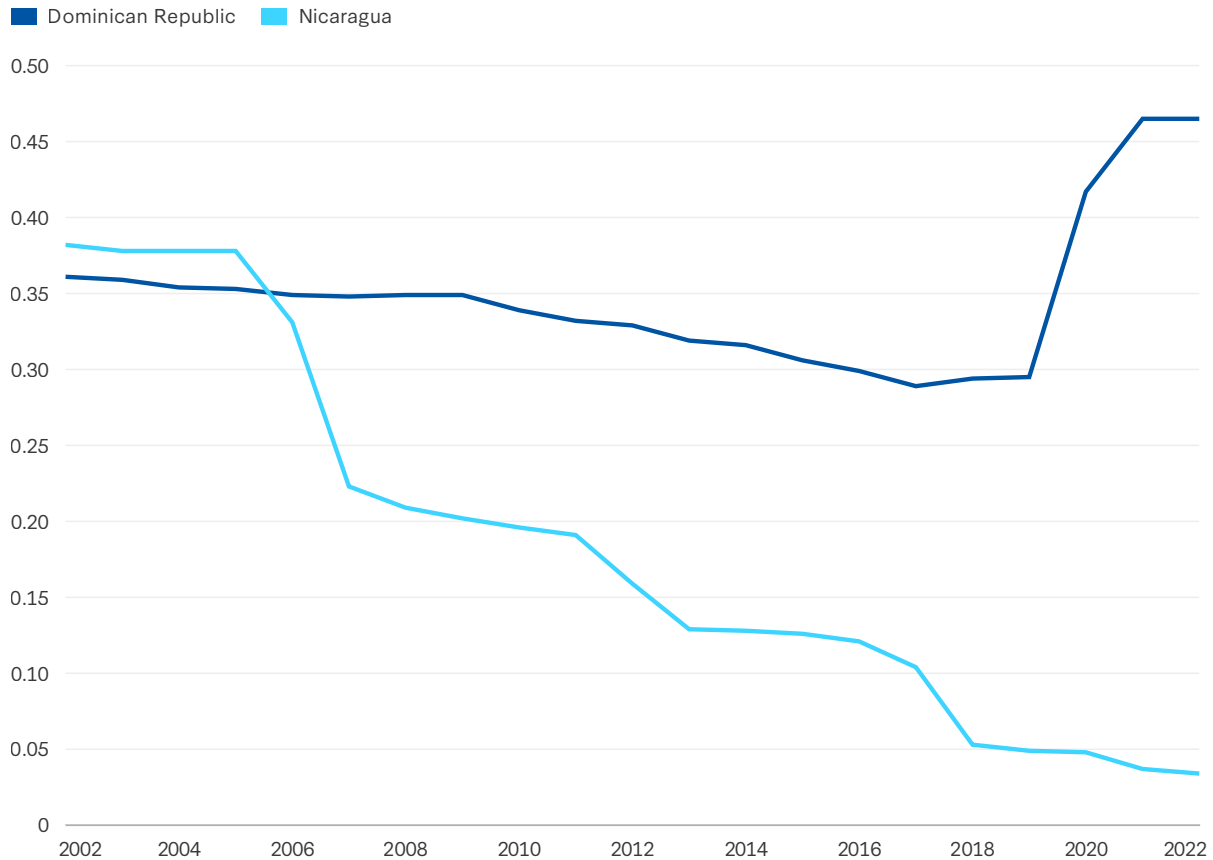
This trend can be found throughout the hemisphere and beyond. In Sri Lanka, demonstrations brought on by an economic crisis and mounting external debt—much of it to China—transformed into an uprising which briefly occupied the presidential palace and compelled a turnover in government.<sup>200</sup> Returning to Ecuador, the Moreno government’s adoption of fiscal austerity to avoid letting its debts to China run out of control prompted a break in supporters, with many individuals who appreciated Moreno’s promotion of greater civil and political liberties turning against him when the social spending taps also dried up.<sup>201</sup> In this way, China can often exert an unintentional but profound effect on domestic political stability, with concerning implications especially for LAC’s unconsolidated democracies.

In Peru, China’s participation in extractive industries, especially mining, has been a sustained political flashpoint. In particular, the Las Bambas copper mine, responsible for roughly 2 percent of global copper supply and majority-owned by the SOE China Minmetals, has repeatedly generated large-scale protests.<sup>196</sup> First, in 2015 several demonstrators opposing development of the mine were killed by police; in 2021, following the election of President Castillo, local communities blocked roads surrounding the mine and disrupted production. For a left-wing populist government like Castillo’s, anti-mining protests were an especially pernicious challenge, striking at the heart of his coalition which saw him as granting a voice to Indigenous and rural communities traditionally victimized by extractive industries.<sup>197</sup> Simultaneously, with an export commodity-driven economy wherein Chinese firms own seven of the largest mines and the PRC accounts for 34 percent of all trade in 2022, neither the Castillo nor the subsequent Boluarte government could afford to make extensive concessions against the mining industry.<sup>198</sup> Accordingly, Las



## Backsliding without Backers?

Figure 13: Liberal Democracy Indices over Time: Countries That Have Not Engaged with China But Nevertheless Experienced Democratic Backsliding



Source: Coppedge et al., "V-Dem [Country-Year/Country-Date] Dataset v13"; and Pemstein et al., "The V-Dem Measurement Model."

### EXTERNAL ENABLERS

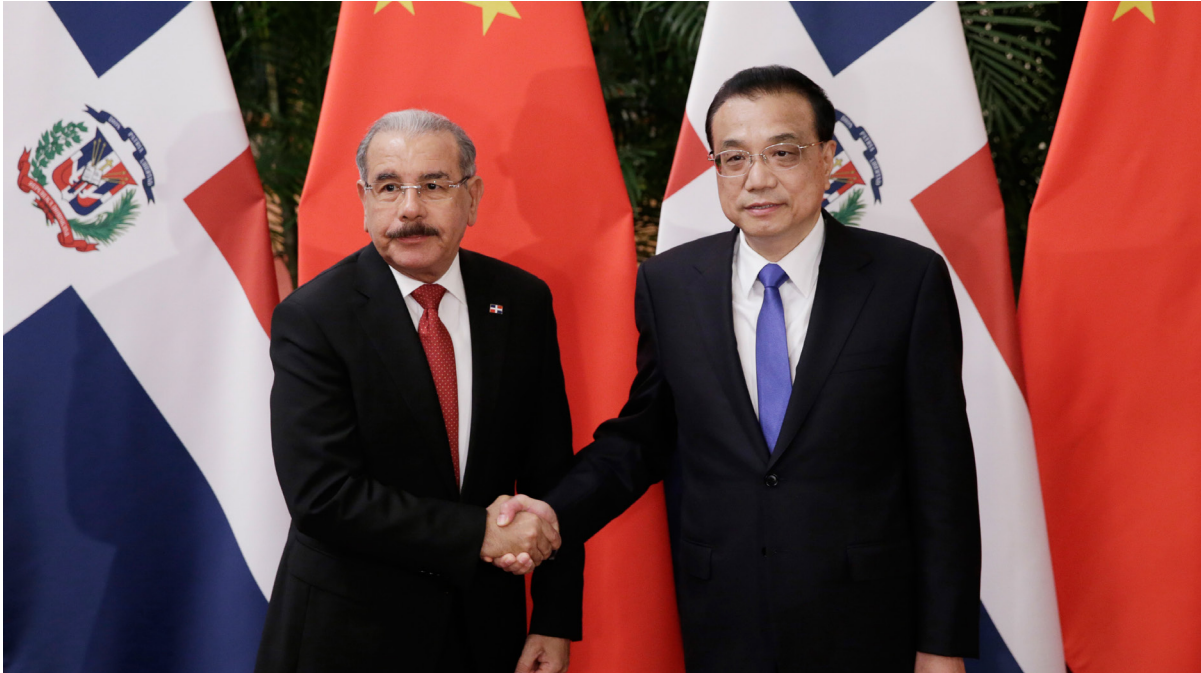
In the cases of Nicaragua under Daniel Ortega and the Dominican Republic under Danilo Medina, backsliding took place absent significant engagement from the PRC. Both cases nonetheless adhere to many of the trends identified in those cases of backsliding that involved substantial engagement from China. In particular, both Ortega and Medina pursued constitutional reforms as a means of executive aggrandizement and removing the strictures of term limits (though in the latter case, Medina faced an upper limit with two consecutive terms).<sup>202</sup> Both came to power within profoundly corrupt contexts and only worsened these conditions throughout their terms, with the Dominican Republic experiencing a net loss of 19 places on the Corruption Perceptions Index from 2012 to 2020 and Nicaragua a whopping net loss of 56 places from 2006 to 2022.<sup>203</sup> Yet while neither could count on the economic might and authoritarian savvy of China to back their political projects initially, they were anything but cut off from sources of outside support.

Nicaragua, in particular, has cultivated an extensive network of enablers as Ortega evinces a nightmarish level of commitment to stifle civil and political rights. In this regard, Ortega has relied upon his historic ties to Moscow, dating back to his Cold War dealings with the Soviet Union as a leader in the Sandinista National Liberation Front (FSLN). Russia in turn has furnished the Nicaraguan military with a range of military equipment, from tanks to armored vehicles and small arms, some of which have been tied directly to massacres of civilians by security forces.<sup>204</sup> In the summer of 2022, Managua and Moscow advanced this relationship further, signing an agreement to allow Russian forces to deploy in Nicaragua to assist in “humanitarian and emergency responses, combatting organised crime and drug trafficking.”<sup>205</sup>

Ortega has also benefited from a burgeoning intra-hemispheric authoritarian network forged by Cuba and Venezuela. As the three fully fledged LAC dictatorships, these countries have shown a significant degree of coordination and sharing, with Cuba serving as a model of a decades-old authoritarian regime now learned in all manner of tools for suppressing popular discontent and maintaining social control.<sup>206</sup> Indeed, in 2018 when mass protests broke out across Nicaragua against Ortega’s proposed pension reforms, Cuban military intelligence officers were reported to be present in Nicaraguan jails, overseeing the interrogation and brutalization of political prisoners.<sup>207</sup> In the case of Venezuela, Nicaragua forms a key link in a chain of illicit gold smuggling operations, helping launder illegal shipments into the international market and providing a much-needed economic lifeline to Caracas.<sup>208</sup>

The two backsliding cases also spotlight more nontraditional enabling forces, such as the Central American Bank for Economic Integration (CABEI), which under former executive president Dante Mossi allocated a disproportionate amount of its budget to projects in Nicaragua under dubious selection criteria and considerations for transparency.<sup>209</sup> In the Dominican Republic, a Chinese firm was passed up for the contract to develop the Punta Catalina power plant in 2013. However, this was not a statement of geopolitical alignment on the part of the Medina government, but rather an election in favor of another source of “easy money” with links to corruption, as the contract was awarded to Odebrecht instead.<sup>210</sup>

It should be noted however that protection dynamics appear to nevertheless be in play for both Nicaragua and the Dominican Republic. For instance, the two countries ultimately switched their recognition from Taiwan to China at moments of regime vulnerability. By 2021 Ortega was facing down mounting international pressure in the wake of a blatantly stolen election; in 2018, Medina was gambling on an economic windfall from promised development projects that would bolster his popularity in the face of a fraying coalition and swirling questions around the possibility of a third term. Additionally, it is worth noting that Nicaragua and the Dominican Republic remain members of the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), and Washington has been reluctant to impose upon either the level of broad-sectoral sanctions it did against Venezuela.<sup>211</sup> The fact that both countries waited for so long before seeking out another authoritarian backer was in turn perhaps influenced by the reluctance of the United States to take decisive action against deteriorating democratic conditions.



*Chinese premier Li Keqiang (R) shakes hands with Dominican Republic president Danilo Medina at the Great Hall of the People in Beijing on November 2, 2018.*

Photo: Jason Lee/AFP via Getty Images

### **COALITIONS AND THEIR DOWNFALLS**

The cases of Nicaragua and the Dominican Republic further underscore the importance of political parties and coalitions in enabling—as well as occasionally dismantling—authoritarian rule. Ortega and Medina benefited in their rise to power from a fragmented and ineffectual opposition, which in the former’s case allowed him to win the presidency without ever securing a majority of the votes. In the Dominican Republic, the powerful political machinery of the Dominican Liberation Party (PLD) saw some analysts categorize the country as an emerging one-party state.<sup>212</sup> Yet ultimately Medina was undone in no small part by the brittleness of his own party and inability to maintain a handle over internal fractures.

The 2006 elections in Nicaragua saw a split form within the Constitutionalist Liberal Party (PLC), the traditional opposition (and occasional opportunistic collaborator) to Ortega’s FSLN. This resulted in the vote becoming split between PLC candidate José Rizo and newly formed Nicaraguan Liberal Alliance candidate Eduardo Montealegre.<sup>213</sup> Due to a constitutional change Ortega had brokered shortly before the election, he was able to ascend with a plurality of the vote, avoiding a runoff which would have given the anti-Ortega factions a chance to consolidate. Subsequently in 2011 Ortega benefited from a divided opposition unable to unite even in the face of clear signs that the president had been consolidating power at the expense of Nicaragua’s democratic institutions.<sup>214</sup> Ortega’s victory, and the supermajority the FSLN gained in the legislature, helped to cement the pathway to democratic decline for the coming decade.

In the Dominican Republic, a weak opposition similarly helped ensure Medina's victory in 2012 and grant him a commanding legislative position through which to implement his agenda. The PLD under Leonel Fernández had held the presidency for eight years prior to Medina's rise. Meanwhile, the main opposition, the Dominican Revolutionary Party (PRD), faced a schism resulting from the "blue ties pact" made between PRD party president Miguel Vargas and Fernández, which ensured cooperation between the two parties on a series of constitutional reforms but was seen by many within the opposition as an act of submission to the PLD.<sup>215</sup> Without a strong opposition counterweight, Danilo Medina's ascension was challenged only by his internal rivalry with Fernández for leadership of the PLD. Nevertheless, after eight years of government, this tension ultimately came to a head in 2020, when Medina sought to position his chosen successor, minister of public works and communications Gonzalo Castillo, as the next president in the face of a renewed bid from Fernández.<sup>216</sup> Castillo cinched the nomination, only for Fernández to turn his back on the PLD entirely, forming a third-party platform which would help divide the vote in 2020 and create a pathway for PRD candidate Luis Abinader, who had been defeated by Medina in 2016, to reach the presidency.<sup>217</sup> The same dynamics which had brought the Dominican Republic to the precipice of one-party rule now appeared to be the undoing of the PLD's political monopoly.

The experiences from Nicaragua and the Dominican Republic suggest that, as strong legislatures can be bulwarks against democratic backsliding, internal party dynamics are also deserving of close scrutiny and can help enable the rise of autocrats to positions of power. The ability or failure of opposition groups to unite can play a decisive role in opening the path for consolidation of power, while mismanagement of one's own coalition and party operations can bring an authoritarian project crashing back down.

# Policy Recommendations

The preceding case studies have indicated that China's engagement in LAC has an identifiable deleterious effect on democracy in a number of ways. China engages in the promotion of authoritarianism by encouraging countries on the path of democratic backsliding to deepen their dependency on the PRC, as well as by promoting its model of citizen security and public order maintenance as a model to be replicated abroad. China helps protect authoritarian regimes and insulate them from the worst consequences of their actions by serving as a lender of last resort and offering diplomatic cover to initiatives like ALBA and CELAC, which seek to chip away at the idea that interstate relations in the Western Hemisphere flow from democratic principles. Furthermore, there are a multitude of unintended consequences to China's engagement in the hemisphere that magnify political instability and contribute to the erosion of rule of law. The willingness of Chinese firms to engage in corruption or unfair business practices, for instance, feeds a damaging cycle of corruption that is alive and well throughout the region.

## Case Study Key Takeaways: Characteristics of Democratic Backsliding and Resilience

Surveying the commonalities and differences between the 13 case studies makes it possible to begin sketching the contours of democratic backsliding and resilience in the Western Hemisphere and parse China's role in these trends.

The cases of Argentina, Bolivia, Ecuador, El Salvador, and Venezuela point to two especially notable mechanisms through which China exerted a downward pressure on democracy. First, greater Chinese

investment and trade flows appear to have the most detrimental effect when they occur in the context of an “isolation spiral,” wherein a country cuts itself off from sources of economic and development assistance traditionally associated with the United States and the liberal international order in favor of receiving a Chinese substitute. Venezuela, Bolivia, and Ecuador under Correa stand out as especially acute examples of the isolation spiral in action, and even after a democratic second wind in Ecuador, the country has yet to free itself from the tendency to spiral back into reliance on Beijing.<sup>218</sup>

Second, these countries seized on China’s robust domestic surveillance network to establish social control over potentially restive populations. Bolivia and Ecuador both rushed to acquire Chinese-made security cameras and related capabilities following their visits to the PRC. Venezuela has gone the farthest with its “Homeland Card” identification system, though there is little reason to expect the partnership between Caracas and Beijing will stop there.<sup>219</sup> In this regard, China stands out from other extra-hemispheric authoritarians, such as Russia and Iran. While those governments may provide arms and equipment to militaries and police forces in LAC, China appears to be increasing its own vision of law and order, one which autocratic governments in the Western Hemisphere have thus far been disposed to embrace.

Not all these trends depend on China’s involvement. China, for example, certainly does not appear to have played an appreciable role in facilitating the removal of presidential term limits in Venezuela, Bolivia, or Ecuador, nor is it reasonable to assume China has been responsible for the sky-high approval rating boasted by Nayib Bukele in El Salvador, which has allowed him to successfully dismantle checks on executive power. These elements underscore the multicausal nature of democratic backsliding, wherein China can play an important, but not all-encompassing role. Indeed, for the above cases, a confluence of internal and external drivers was necessary to generate sustained erosion of democratic values and institutions.

China’s engagement alone is also far from a death sentence for democracy, as the cases of Chile, Panama, and Uruguay attest. Nevertheless, all three of these cases possessed common features which rendered them resistant not only to major backsliding, but to China’s other forms of influence as well. Most notably, the three countries were all insulated against the siren song of the isolation spiral, as they already boasted impressive preexisting development and infrastructure capacity prior to engaging heavily with China. Furthermore, the presence of active civil societies, as well as capable and well-institutionalized legislatures in the three countries, served as important checks on government power and, in some cases, played a role in directly curtailing China’s influence over the countries.<sup>220</sup> These findings suggest that, where countries are able to effectively discern and subsequently channel certain facets of PRC influence and engagement they choose to permit, China’s presence in the hemisphere can be a powerful force for economic growth and development. Even so, this is not a perfect formula, as China’s growing dominance in the Chilean energy sector and Panamanian mining industry underscores—the absence of backsliding in these three cases does not mean that China lacks the means to influence policymaking in strategic areas.

Indeed, the uncertain cases of Brazil and Peru demonstrate how China’s engagement has penetrated deep into the very fabric of political order in both countries. While endemic corruption is a persistent challenge across LAC, in Brazil and Peru it has acquired a particular salience in the

political realm, having directly unseated leaders and been wielded as a political weapon of choice. To this end, China's preference for opaque business dealings risks fueling corruption in these countries and further adding to the governance challenges faced by both.<sup>221</sup> China has also had a more subtle, but nevertheless pronounced effect on political polarization in Brazil and Peru. China's appetite for raw materials has pushed successive administrations in Peru to weaken environmental and social protections for communities affected by extractive industries, a consistent pain point in that country's politics.<sup>222</sup> Meanwhile, the tangled connections between China's demand for foodstuffs, Brazilian agribusiness, and an extremely polarized electoral context saw Brazil face one of the most acute threats to its democracy in decades. Unlike the isolation spiral or China's citizen security efforts, which constitute more overt means by which the CCP looks to spread its influence, China's role in corruption and fomenting political polarization appears more unintentional.

Nicaragua and the Dominican Republic, which both experienced backsliding without substantial engagement from China, nevertheless assiduously cultivated other backers disposed to work with autocratic and corruption-prone governments. For Nicaragua, this came in the form of Russia, while in the case of the Medina government in the Dominican Republic, Odebrecht filled the role of China in part with its easy access to lending and willingness to grease the wheels of government graft in the pursuit of economic gain. Ultimately, it is telling that both countries did pursue closer relations with the PRC toward the end of the observation period. This points to the importance of the protection mechanism in understanding democratic backsliding, as both Ortega and Medina came to rely on external support to maintain their hold on power, and both ultimately came to view the PRC as a vital component of this scaffold on their autocratic edifice.

Finally, the case studies of Nicaragua and the Dominican Republic, which suffered democratic backsliding, as well as the case of Ecuador, which ultimately retreated from the precipice of authoritarian consolidation, all illustrate the contingent nature of democratic backsliding and resiliency. In each of the case studies, but most notably in these three, key developments hinged upon a set of variables mired in uncertainty, whose emergence took place at unexpected moments. The fracturing of organized opposition in Nicaragua, the split within the PLD in the Dominican Republic, and the willingness of Lenín Moreno to backtrack on his predecessor's tentpole policies all had ripple effects of immense consequence for the democratic (and antidemocratic) trajectories of all three countries. Highlighting the role of contingency is important, not only to encourage a degree of humility when prognosticating about the future of democracy in LAC, but also to demonstrate that an overabundance of caution is warranted when it comes to factors that could potentially push countries over the edge and into autocracy. It is not always readily apparent what will make the difference in the moment, and accordingly, any factor that appears negatively correlated with democracy, such as China's engagement, should be cause for concern.

Counteracting the most corrosive elements of China's engagement in LAC will require a fine-grained and practical strategic posture that accounts for the needs of the region in addition to the unique threat profile the PRC presents. Such a strategy must also be practical and recognize that competing geopolitical priorities will inherently pull resources away from the hemisphere.<sup>223</sup> Wherever possible, the United States will need to work with like-minded allies to shape a strategy that is more

than the sum of its parts. Above all, the United States must recognize that its strategy for engaging LAC cannot be a “China-first” approach; it must emphasize meeting partners where they are while sufficiently emphasizing the China-element for its domestic political exigencies.

**Table 3: Case Study Trends: A Summary Assessment of China’s Impact on Democracy**

Trend	China's Influence	Impact on Democracy
Popular Presidents, Imperial Executives	Moderate	Negative
Constitutions and Courts	Negligible	Negative
The Isolation Spiral	Significant	Negative
Crime and Control	Significant	Negative
The Wisdom of Crowds	Counteracted	Positive
Making Ends Meet	Counteracted	Positive
Legislative Health	Counteracted	Positive
Corruption’s Toll	Moderate	Negative
Dynamism and Discontent	Moderate	Mixed
External Enablers	Significant	Negative
Coalitions and Their Downfalls	Negligible	Mixed

Note: Assessments consider the degree to which China was able to directly influence a given trend, and that trend’s subsequent implications for democracy. If the trend explicitly reduced China’s influence, this was coded as counteracted.  
Source: Authors’ analysis.

## Contours of a Democracy-First Strategy for LAC

While the geopolitical value of constraining China’s influence in LAC has been well-articulated, the importance of maintaining the democratic character of the hemisphere in the face of rising authoritarian influence has received less attention. Some analysts have gone so far as to suggest that the United States seek to partner with regional authoritarians in a bid to peel these governments away from their backers in Beijing and Moscow that smacks of realpolitik.<sup>224</sup> However, the nature of the Western Hemisphere’s dictatorships, riven as they are by corruption, mismanagement, and criminality, means that even if the United States were successful in such a rebalancing, these governments could offer little save further destabilization, while undermining U.S. claims of pursuing a values-based foreign policy. Venezuela, for instance, which seems to have been posited as a potential solution to spiking energy prices following the Russian invasion of Ukraine, has yet to surpass 1 million barrels per day of production, less than half its 2016 levels.<sup>225</sup> Instead, the Maduro regime has only succeeded in endangering its neighbor and rising energy superpower Guyana through saber-rattling around the disputed Essequibo region.<sup>226</sup> Simply put, it makes little



geostrategic sense to engage LAC's dictatorships for any reason other than to advocate for their return to democracy.

By contrast, a foreign policy based on engagement with and strengthening of fellow democracies promises to pay dividends in the Western Hemisphere. As previously noted, shared commitment to democracy and human rights has formed the basis for the shared value system that has underpinned hemispheric relations since the signing of the IADC. As the United States confronts an increasingly divided world, preservation of these bonds will be essential, especially within its own neighborhood.<sup>227</sup> Relatedly, unlike Venezuela and Guyana, robust, consolidated democracies nearly never come to blows with one another—helping to preserve the hemisphere as a realm of interstate placidity, which benefits all countries in the form of enhanced trade and economic security.<sup>228</sup>

Sketching a strategy for preserving democratic systems in countries where these are already healthy, countering entrenched authoritarians, and competing with extra-hemispheric players like the PRC for influence in edge cases requires a modification to the “insulate, curtail, compete” framework outlined in a previous CSIS report.<sup>229</sup> Specific policy prescriptions for all three cases are as follows:

#### *Where Democracy Holds Fast - Insulate*

For countries whose democratic health is not in question at present, the United States should seek to strengthen institutions and insulate governments from the most corrosive forms of China's influence.

##### *1. Adumbrate a strategy to counter economic coercion in the hemisphere.*

Even in countries that have successfully resisted or minimized the most deleterious effects of China's influence on their democracies, the risk of China's potential coercive influence continues to loom large. As one CSIS study has noted, “as China has grown economically, so too has its propensity to engage in acts of economic coercion against both its neighbors and more distant countries.”<sup>230</sup> While China has thus far not deployed its coercive tool kit in the region to the extent it has against countries such as Australia or Japan, should a LAC country pursue a policy China deems as inimical to its strategic interests—such as moving to restrict critical mineral exports to the PRC or considering reverting diplomatic recognition to Taiwan—it is not unthinkable to see Beijing pursue a more aggressive geoeconomic policy in the hemisphere.

LAC countries face a number of vulnerabilities that could leave them susceptible to coercive strategies in the future, from overreliance on a small subset of commodities for economic stability to weak cybersecurity infrastructure that leaves them vulnerable to asymmetric forms of pressure. In 2022, for instance, Costa Rica suffered a debilitating cyberattack which brought down vital government services including healthcare databases and social security records.<sup>231</sup> The attack was attributed to the pro-Russian Conti Group, who demanded millions to unlock the systems; the attack may have been brought on as a result of Costa Rica's alignment with the United States in sanctioning Moscow.<sup>232</sup> A potential Chinese coercive strategy could entail similar cyber operations, combined with the imposition of heightened import duties on agricultural or mineral shipments and even the leveraging of critical infrastructure like power generation, which Chinese SOEs have acquired a domineering stake in.

The United States should lead a regionwide effort with partner countries to review vulnerabilities in their economies that may be targeted for coercion and map these onto existing nearshoring priorities. In certain sectors, like the metals trade, this could be relatively straightforward and dovetail with existing initiatives to fortify U.S. access to critical minerals.<sup>233</sup> In other sectors, such as agriculture, where the United States is more competitor than buyer, the United States should seek to facilitate access for LAC countries into new markets like the European Union. Additional components of such a strategy may include allocating funds for relieving targeted countries or sectors, either through the creation of a new “coercion compensation fund” or an expansion of the Development Finance Corporation’s (DFC) political risk insurance authority.<sup>234</sup>

## 2. *Expand democratic partnerships.*

Core to any strategy of democracy promotion is ensuring that leaders and their citizens feel as if “democracy delivers.” U.S. efforts in this regard have been seen as sorely lacking, as evidenced by the 2023 Summit of the Americas wherein analysts attributed the boycotts of several LAC heads of state to a pervasive sense that there was little to be lost by not attending in person.<sup>235</sup> The rise of multilateral forums, such as CELAC, which unlike the OAS do not center democracy and civil and political rights in their dealings further points to a drift away from both the United States and democratic diplomacy as a whole in the hemisphere.

To reverse this trend, the United States should work to regitalize the OAS as the body through which countries engage on the most pressing and high-level issues. One option could be to restructure the councils to create elevated roles for major regional players like Argentina, Brazil, Chile, and Mexico, to grant these countries a greater voice and stake in the actions of the organization.<sup>236</sup> The United States should also look to promising initiatives that have emerged organically from LAC countries such as the Alliance for Development in Democracy.<sup>237</sup> Founded by Costa Rica, the Dominican Republic, and Panama in 2021, and later joined by Ecuador under the Lasso administration, the alliance seeks to showcase the intertwined relationship between democratic governance and economic opportunity. The United States should uplift this grouping, potentially by offering to host a summit for members and encouraging other robust democracies within the region to seek membership.

Finally, the United States should leverage APEP to encourage the adoption and strengthening of civil and political rights throughout its hemisphere.<sup>238</sup> At present, the partnership appears as a “menu” of voluntary standards members are invited to select from in return for nebulous benefits. The United States can color in the gaps in APEP by both leaning into the importance of adhering to good governance standards and using APEP as an umbrella under which to house the multitude of additional economic and trade initiatives the Biden administration has created. These include money for semiconductor development made possible through the International Technology Security and Innovation fund established in the CHIPS Act. APEP can also be tied to the Minerals Security Partnership (MSP) intended to strengthen collaboration on critical mineral supply chains.<sup>239</sup> Countries that adhere to certain APEP standards should therefore be considered on the “short list” for inclusion in these initiatives. The DFC may also play a role, establishing an expedited process for responding to proposals for APEP members, or possibly creating another exemption to

the BUILD Act's low-income focus for countries in APEP. Bringing these initiatives to bear will not only ensure a partnership, by extension making the U.S.-led democratic "club" feel worthwhile to join, but also help regional democracies better deliver for their own citizens.

### 3. *Invest in legislative strengthening and modernization.*

In the aftermath of the fall of dictatorships throughout the region, efforts to improve the quality of governance and help nascent democracies rise to their feet abounded. Legislative strengthening was one of the most significant among these programs; this referred broadly to efforts aimed at allowing national congresses, assemblies, and parliaments—many of which had existed as rubber stamp bodies if they existed at all—to effectively govern. Key initiatives included standing up budget offices and research institutions under the auspices of the legislature which could provide policymakers with information needed to make informed decisions on the pieces of legislation they were asked to debate.<sup>240</sup>

Today, legislatures serve as some of the most important bulwarks against executive aggrandizement in LAC. Yet these bodies are facing new pressures that make efforts to strengthen their functions all the more important. First, political polarization has in several cases weakened executives throughout the hemisphere, leaving the fate of governance in the hands of factitious assemblies controlled by a growing number of parties, resulting in what one scholar has deemed "underground parliamentarism."<sup>241</sup> Second, the Covid-19 pandemic and restrictions on gatherings forced many legislatures to rapidly adopt new technologies and virtual or hybrid meeting protocols. These create new opportunities for transparency, but they also expose vulnerabilities to cyberespionage and digital dis- and misinformation.

In response, the United States should redouble its legislative strengthening efforts in LAC, led by the U.S. Agency for International Development (USAID) alongside party institutions like the National Democratic Institute and International Republican Institute, with a focus on sharing strategies for identifying disinformation, strengthening cybersecurity, and developing public databases and tools for citizens to better follow the progress of legislation. The United States can also increase bilateral exchanges with legislators and staff from LAC traveling to the United States to learn about how Washington has sought to rise to these challenges, as well as dispatching U.S. congressional and staff delegations to the region to learn more about local contexts. Furthermore, such initiatives should include an emphasis on raising awareness about China's ILD activities and their use to disseminate pro-CCP narratives among LAC political parties.

Finally, the United States could engage the European Union to join these initiatives.<sup>242</sup> The extensive experience of European democracies in managing coalition dynamics and accounting for a multiplicity of parties within their legislatures could be invaluable in helping LAC navigate its current challenges with political representation and bring shadow parliamentarism into the light.

### *Where Democracy Has Dissipated – Curtail*

For countries that are at an advanced stage of democratic backsliding or else have even transitioned into consolidated autocracies, the United States should seek to curtail China's ability to prop up and empower authoritarian governments.

#### *1. Develop early warning indicators.*

It is far easier to seek to halt democratic backsliding than to bring a consolidated authoritarian regime back to democracy. Accordingly, the United States should develop and articulate a clear set of indicators to identify democratic backsliding while it is in progress. The findings from the case study analysis can serve as important starting points in this regard. Signs like attempts to remove term limits, use of excessive force in response to protests, and attempts to cultivate economic safety nets with authoritarian governments all stand out as initial red flags. An excellent recent example of early warning and action transpired in Guatemala to counter the undemocratic actions of those who sought to prevent then president-elect Bernardo Arévalo from assuming office.

While identifying early signs of backsliding on its own means little absent further steps toward reversing this trend, a robust set of indicators will nevertheless help the United States deploy limited resources more judiciously. For instance, while both Panama and Honduras face challenges around impunity and corruption within their judiciaries, the Castro administration's efforts to end-run the selection of a new attorney general merits greater concern as a sign of a concerted effort to centralize control over the justice system.<sup>243</sup>

The United States should also strive to build support around these indicators with like-minded countries in the hemisphere to leverage more voices speaking out against cases of backsliding. Countries like Chile, Uruguay, and members of the Alliance for Development in Democracy could all be worthwhile partners in this regard, as should relevant civil society organizations.

#### *2. Disrupt authoritarian networks.*

Autocrats can rarely sustain their grip on power without cultivating external backers. In all cases of democratic backsliding studied, the regime in question counted on some form of outside support, whether from intra-hemispheric dictatorships or increasingly from China as the country with the most resources and least scruples when it comes to the types of regimes engaged. Today, a robust network of collaboration exists between Cuba, Nicaragua, and Venezuela within the Western Hemisphere, while each of these countries in turn engage (to varying degrees) with Russia, China, and Iran as external backers.<sup>244</sup> For U.S. pressure against dictatorships in LAC to be more effective, these networks of mutual support ought to be disrupted.

The Treasury Department's Office of Foreign Asset Control (OFAC) should be designated lead on an investigation into sources of trade flows between hemispheric dictatorships and external authoritarian regimes to map key nodes and the actors responsible for bankrolling these governments. The OFAC can also investigate specifically Chinese firms operating in the Western Hemisphere's dictatorships, and it could consider imposing new sanctions on individuals and entities responsible for profiting off illicit economic activity or assisting these governments to repress their populations.

Multilateral cooperation will be essential here as well. Fortunately, the international sanctions campaign against Russia provides a useful model for best practices in maintaining a global coalition for economic pressure.<sup>245</sup> The United States could spearhead work within the G7 to harmonize policies on issues like illegal gold trafficking or arms sales to countries with records of human rights abuse by security forces. The United States can also lean on partners like Japan and Taiwan to use their influence within CABI to increase scrutiny on investments going to Nicaragua specifically.<sup>246</sup> Within the hemisphere, the United States can step up intelligence-sharing initiatives with allies and work to coordinate displays of solidarity such as a joint declaration by multiple countries that their airspace cannot be used by flights carrying Chinese or Russian military personnel to Cuba, Nicaragua, or Venezuela.

Undoubtedly, even the most tight-knit web of sanctions enforcement cannot prevent authoritarian regimes from cooperating with each other to maintain their grip on power. Nevertheless, looking at the support networks that exist between autocracies, rather than the individual regimes in isolation, promises to open new opportunities to pressure these governments and degrade the ability of dictators in the Western Hemisphere to survive in the face of domestic and international pressure.

### *3. Develop proactive strategies for countering digital authoritarianism.*

The co-option of digital tools by autocrats has proven one of the most troubling developments in the fight against authoritarianism in LAC. From mis- and disinformation to internet shutdowns and mass surveillance, the tools of digital authoritarianism are manifold and inimical to a free and open civil society. Digital authoritarianism is also another case in which cooperation among dictatorships has proven most robust, with China leading the way but Cuba also making important contributions to the spread of mis- and disinformation tools.

Thus far, responses to digital authoritarianism have tended to be reactive, responding after the fact. A fortified strategy should carry greater emphasis on proactive responses that aim to bolster civil society in the face of digital repression and unbalance authoritarian regimes in the information space. This should include connecting civil society and democracy advocates across sectors, for instance bringing cybersecurity experts in touch with investigative journalists and polling organizations.<sup>247</sup> Training journalists on open-source intelligence (OSINT) collection is also essential in countries where the official media context has become polluted with disinformation and propaganda. Helping journalists better leverage OSINT tools is also key in cases like Nicaragua where extreme repression has forced many news outlets and journalists into exile. Leveraging geolocation, anonymous source vetting, and data analysis are critical to allow journalists in exile to report accurately on developments within the country.

The United States should also invest in the development of new technologies to provide internet access in countries where governments seek to cut off web access in order to hinder mass mobilization efforts.<sup>248</sup> Satellite internet companies like Starlink and Amazon's Project Kuiper can help to fill this void in contexts where governments shut off the internet entirely. Meanwhile, at the international level, the United States should engage heavily in forums such as the International Telecommunication Union to oppose Chinese efforts to encourage data localization, a move which

could allow other authoritarian regimes to cut off their internets from the world and get their hands on a treasure trove of sensitive data.<sup>249</sup>

Finally, the United States should strenuously oppose efforts to replicate Venezuela's Homeland Card model in other authoritarian countries or beyond, and it should step up efforts to highlight the complicity of companies like Huawei and ZTE in repression both within China and abroad.

#### *Where Democracy Is Unsure - Compete*

For countries whose democratic future is uncertain, the United States should emphasize a strategy to outcompete China for influence over critical sectors.

##### *1. Bring in the private sector.*

In a contest for economic influence with China, the United States' greatest asset is its vibrant and dynamic private sector. U.S. companies invest throughout the region in sectors ranging from manufacturing and heavy industry to advanced technologies, software, and biomedical devices, with many also enjoying long-standing ties to LAC, having been in the region for decades. For countries that risk falling into an isolation spiral as a consequence of their dependence on China for economic support, an injection of U.S. and U.S.-aligned capital can grant breathing room to course-correct.

The Department of Commerce, in coordination with local embassies, should also endeavor to bring delegations of U.S. companies through the region to spotlight emerging opportunities for investment, while legislative initiatives such as the Western Hemisphere Nearshoring Act can provide a substantial boon to companies looking to relocate their operations from East Asia closer to home.<sup>250</sup> In some sectors, it may also be necessary to look beyond the U.S. private sector. Competing with Huawei in the telecommunications sector, for instance, will require engaging with Ericsson and Nokia, which are headquartered in Sweden and Japan respectively. Reforming U.S. Export-Import Bank rules will allow these companies to qualify for export credits to serve as trusted vendors for LAC's telecommunications development.<sup>251</sup>

The DFC has a major role to play in unlocking the potential of the private sector within LAC. The organization should seek to bolster ties to businesses to learn what these firms need and fine tune its approach to buying down risk so that private enterprise can better engage in key countries. Congress should also communicate a clear mandate for the DFC to pursue projects of strategic and national security relevance during the BUILD Act reauthorization process in 2024. This signal will help the entity push back against a culture of risk aversion that has built up within the DFC, and it will encourage the corporation to make more active use of the many exceptions to its mandate to work primarily in low- and lower-middle-income countries—a requirement which has hindered investments in LAC, which features a sizeable number of middle-income economies.<sup>252</sup>

##### *2. Prioritize citizen security.*

Public safety or citizen security issues present a perfect storm for China-LAC relations. On the one hand, insecurity and organized crime challenges are mounting throughout the region, exerting pressure on politicians to take decisive action on citizen security issues. At the same time, heavy-

handed security policies are closely correlated with democratic backsliding, a phenomenon thrown into stark relief by El Salvador. Finally, security issues are an area where the PRC has made a concerted push to displace the United States and position its own model as the gold standard for social order and safety.

The United States should focus on putting forward a clear counteroffer, led by U.S. law enforcement agencies and the State Department's Bureau for International Narcotics and Law Enforcement Affairs. In doing so, the United States must critically examine its history of security engagement in the hemisphere. While past efforts saw success, the United States' reputation has suffered from a perception that Washington cares solely about countering narcotics trafficking, and not necessarily about improving the lot of ordinary citizens who suffer the most at the hands of transnational criminal organizations.

Ecuador will be an especially critical case over the coming years as a country that faces mounting security challenges, sees sizeable Chinese influence, and is navigating a fraught moment in its democratic trajectory. Before departing office, the Lasso administration forged a new security partnership with the United States, an initiative which incoming President Noboa is disposed to continue with.<sup>253</sup> The United States should endeavor to apply best practices from previous security assistance efforts like Plan Colombia and the Mérida Initiative, with a focus on capacity building among the Ecuadoran police forces to conduct community policing, along with the introduction of technological modernization efforts paired with training on data management and protection of privacy rights. Furthermore, the United States should keep careful tabs on the effectiveness of its security assistance to Ecuador to develop a model or set of common forms of assistance it can offer to other countries suffering rising insecurity.

A final initiative for the United States to consider is opening a new International Law Enforcement Academy in the Caribbean to complement the two existing such institutions in El Salvador and New Mexico, which offer trainings for police forces from LAC countries.<sup>254</sup>

### *3. Double down on core competencies in education, defense, and disaster response.*

While there are many sectors in which the United States will struggle to compete with the PRC for influence, it is important to appreciate the significant advantages Washington already holds and to take steps to extend this lead. U.S. institutions still exert a powerful pull of gravity upon the region, with tens of thousands of students from LAC traveling to the United States each year to pursue an education in a staggering number of fields. The United States remains the partner of choice for defense cooperation with the vast majority of countries in the hemisphere. Relatedly, U.S. HADR efforts remain a key source of soft power and a vital core competency for SOUTHCOM and USAID to preserve in the face of worsening severe weather events and disasters in the region.

With respect to education, the United States should work to fortify cooperation between domestic universities and LAC institutions and encourage greater reciprocal exchange. The United States can also increase scholarships awarded to students from the region—not just for university and graduate students, but also for those studying trade professions, with a special emphasis on upskilling and

reskilling workers to bolster workforces throughout LAC to grow the human capital needed to take advantage of nearshoring opportunities.<sup>255</sup>

In the defense sector, the United States should also recognize its qualitative edge when it comes to professional military education. To build upon these advantages, the Department of Defense should revisit its Section 312 and 321 restrictions on funding for personnel from upper-middle and upper income countries to receive funding to participate in security cooperation meetings or trainings.<sup>256</sup> The United States should also revisit its approach to foreign military sales to establish an expedited process for delivering regional armed forces the types of practical equipment—such as trucks, uniforms, and personal protective equipment—that are in high demand by LAC militaries and happen to be a sector where China has proven capable of furnishing on much shorter timelines.

In the HADR space, hours and even minutes can make a difference between life and death. Currently, U.S. posture requires a disaster assistance declaration to be made by USAID before SOUTHCOM and other response assets can be directed toward a crisis. The United States should seek to reverse this process by signing agreements with key allies to allow U.S. HADR personnel to respond upon request by an affected country, rather than waiting for internal bureaucratic wheels to turn.<sup>257</sup> While the proximity of U.S. forces to the region means that for now the United States is far better positioned to meet the HADR needs of the hemisphere, failure to hone this capability while China bolsters its own expeditionary HADR tool kit risks the United States being caught off-guard and potentially losing a key tool for soft power while also imperiling disaster-affected communities across LAC.



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