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December 3, 2025

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THE CHINA EFFECT: RETHINKING DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN



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Presentation for the:

***China-Mexican Studies Institute
(CECHIMEX)
National Autonomous University
of Mexico***

Overall Briefing: **UNCLASSIFIED**

China in Latin America & Great Power Competition

Some Questions:

- Focus on “opportunities” and “risks” from “China” and “Great Power Competition” *miss the point*?
- Applicability of “*Dependency theory*”?
- Effects from evolution of China’s advance--limited and accelerated by new US policy direction
- Global Dynamics: Is US being *outmaneuvered* by China?
 - Economic sectors, technology, political/institutional...
- Will there be an economic or military “*fight*”?

Global Trends Shaping China's Impact on Latin America (1)

- PRC economy **survives** through **party control levers**, despite **stresses**
 - Demographic/unemployment + healthcare + Education + Pollution + Minorities
- **Trade** selectively **expands** (purchase of **foodstuffs**, strategic **minerals**, sale of advanced **tech** (including **EVs**), **services** (**digital**, **construction**, **artificial intelligence**)
 - But bad **prices**, **contract terms**, PRC-based companies **capture most value added**
- Increasing PRC dominance of “**connectivity**”
 - Ports and maritime logistics, other transportation, electrical, digital, financial?
- PRC “**decoupling**” increases its **resiliency**, indigenous **technology** (e.g. **chips**)
- Renewed “**trade war**”→**interruptions**
- **Military limits on Xi?** (purge of 9 **generals** incl. CMC ViceChair He Weidong→Zhang Youxia)
- PRC ↑ **dominance** of **key global industries**:
 - **EV** and **new energy sector** (accelerated by US **ceding** terrain in **tech** and **markets**)
 - **Digital**: PRC advance and **standards**: Huawei components, contracts→**Data centers**
 - Little western competition / counteroffer + ↓ **LATAM incentive** to avoid PRC
 - **AI**: PRC progress + investment & coordination + open-source strategy + **chips access?**

Global Trends Shaping China's Impact on Latin America (2)

- ↑ PRC **Intelligence capability**: (Political + Commercial; **Access** + **coercion** potential)
 - ↑ quality + ↑ coordination?
 - People-to-people (GCI); ↑ disillusionment w Trump, ↑ digital access (incl. **quantum**?)
- ↑ **Military capability**: ↑ quantity, ↑ quality, ↑ **unmanned** systems; **space** capability
 - Limited by PRC cautiousness with Trump Pressures
- ↑ PRC-based companies' global **presence** & **sophistication**
 - Learning, coordination/legal + US **cedes** market/investment space.
- ↑ **PRC global posture**: Cautious increasing dominance of **multilateral institutional** space
 - Global Governance Initiative + Global Security Initiative)
 - Accelerated by US **cession** of terrain in “**democracy**,” “**soft power**,” “**institutional** space
 - **Weakening** of US **alliances** (e.g. NATO, Quad, AUKUS, South Korea, Japan)
 - **PRC advance** limited by **mistrust** of **government** and **companies** + **problems** (BRICS)
 - **Action x Taiwan?** → **Strategically transformational** (even without **conflict**)
 - **Blockade** vs **invasion** → “**Surrender**” if US won’t “**protect**”?

Impacts Specific to Latin America (1)

- Some economic benefits:
 - ↑ Agricultural exports (but **little value added**)
 - ↑ Mining and petroleum exports (↑ investment, but value added to PRC companies)
 - Infrastructure modernization (but implementation problems, best use of local capital?)
 - Selective technology modernization (but PRC company controlled, government and company information risks + negative effects on democracy & individual protections)
- PRC companies control ↑ portion of critical industries (digital, clean electric, etc.)
 - Including **“lock-in”** effect from market dominance + coordination + standards
- Dwindling freedom to position self for “best deal” or **resist** PRC companies & influence
 - **Suppression** of select discourses (eg. PRC company performance)
 - Including **International**: PRC record on Hong Kong, South China Sea, Uighurs
 - Power of “expectation of **benefit**: Market access + local partnerships + “personal”
 - ↑ PRC leverage from “**People-to-People**” activities (“Global Civilization Initiative”):
 - Scholarships (including “private”), trips to PRC, “United Front” engagement with Congress friendship committees, local Chambers of Commerce), “Police Stations”

Impacts Specific to Latin America (2)

- ↑ PRC digital access to government deliberation (**political**, **technology**, **personal**)
- **Erosion of Latin American democracy**
 - **Alternative** to Western government & institutional pressures (Venezuela, Nicaragua)
 - “**Example**” of PRC in Latin American discourse: **Security**, **efficiency**, **modernity**
 - Implementation of PRC technology favors **government power**, **surveillance**, survivability of **authoritarian models** over democracy
 - ↑ **vulnerability** of individual (privacy, discourse)
- Impact on Latin America & Caribbean of an **Indopacific conflict**
 - Possibility of significant **economic disruption** (commercial logistics, finance)
 - Caribbean: **Observation/interruption** of US warships & supply ship transits
 - Panama Canal closure
 - **PRC military exploitation** of space (against US satellites, PRC FOBS)
 - **PRC military exploitation** of ports: Chancay, Corinto/Central America
 - **PRC** use of **migration corridors** (e.g. Mexico) by PRC agents to **penetrate** US



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