China and the Self Defeating Logic of Transactional Diplomacy in the Americas The U.S. shouldn't base its Latin America policy on trying to match China's actions in the region.

Having closely followed China's advance in the Western Hemisphere for more than two decades, I have always felt discomfort with the reasonable sounding, but self-defeating explanation from our Latin American partners: "Well, the U.S. isn't offering us anything better..." writes Professor Evan Ellis

To be clear, I strongly believe that it is in the United States' interest to do far more to support the economic development of the region, and the vital related tasks of combating its endemic corruption, improving citizen security, and strengthening effective and transparent governance. Doing so is the only way to ensure that our neighbours maintain faith that democracy and a market-dominated economic system, despite their inconveniences, provide the best path to prosperity, security, and protect their fundamental rights from state and other actors who would impinge upon them.

While I am frustrated with the persistent failure of Washington to a better job of helping the region with which we are innately connected by bonds of geography, commerce and family, I am also concerned by the flawed logic, in both Washington and the region, that the answer to "China's advance" is a fundamentally transactional approach in which we attempt to "outbid" Beijing. From the U.S. perspective, it is imperative that we dramatically improve our offer to the region, as well as fixing impediments to the success of the core tools that we employ to engage with it, from USAID to the Development Finance Corporation to the Inter-American Development Bank.

Strategic competition in the era of limited resources means rethinking how much agility and effectiveness we can afford to sacrifice in the interest of using these tools to advance social engineering objectives, however meritorious. Unfortunately, beyond recalibrating and empowering existing "tools," centering U.S. policy on trying to "outbid" or "out-diplomacy" China plays to U.S. strategic disadvantages. As a market-based economy, while the United States can incentivize the private sector to invest in certain countries and sectors, it lacks China's legal and Communist Party mechanisms to "command" resources to go where the government believes they should.

As a plural democratic society with independent branches of government, the U.S. also lacks China's latitude to roll out the red carpet for dictators, criminals, and terrorists, and commit billions of dollars in questionable foreign projects without visible dissenting voices impeding the process or causing discomfort for the courted.

Our Latin American partners, for their part, are right to put their own self-interest over "great power competition," but doing so does not mean merely embracing the suitor who offers those in power a big infrastructure project with side payments to the fortunately well-connected, or "royalty treatment" on a state visit. Nor does it mean betraying one's own principles by keeping quiet about China's crushing of Hong Kong democracy, mass incarceration of Uyghurs, or "without limits" friendship supporting a brutal invasion and depredation of a neighbouring country, to avoid offending Beijing and jeopardizing receipt of its largesse. Latin America's pursuit of true "self-interest" demands selecting partners and ways of engaging that, taking into account the region's own institutional weaknesses and corruption, maximize the probability that the engagement will generate true lasting benefit for the country, while minimizing risk of being "taken to the cleaners" by a predatory partner or trapped in a cycle of dependency and influence, with suppressed ability to speak out about the partner's bad behaviours.

Not all Chinese companies and their products are bad. That said, the last two decades of China-Latin America engagement is littered with the wreckage of ill-conceived, non transparent, often corruption-filled deals between hungry, unscrupulous Chinese companies lacking local experience, and their opportunistic local counterparts.

The Nicaragua Canal, the Coca Codo Sinclair and Quijos hydroelectric facilities in Ecuador, the TinacoAnaco train line and $1 billion CVG Ferrominera Orinoco project in Venezuela, the Rositas hydroelectric facility and Montero-Bulo Bulo train line in Bolivia, the Panama City-David bullet train and Panama-Colon Container Port are only a few of the most egregious examples. These deals ended badly for both sides. I have spent 20 years following China's advance in Latin America, and it is extremely rare to find a major Chinese infrastructure project that has not been beset by delays, legal challenges, and social unrest tied to accusations of corrupt practices, poor design and implementation, absent or improperly done supporting studies on environmental and/or other impacts, poor labour and community relations, including the minimization of local labour and subcontractors, to mention just a few issues.

Other risks that are arguably much higher when dealing with the Chinese include envelopment in webs of corruption, influence, and digital penetration. U.S. companies doing business in Latin America are subject to the Foreign Corrupt Practices Act, with European companies subject to similar processes. The Odebrecht scandal in Brazil ironically highlights the importance of cooperation across justice systems in the region in going after bad actors at the highest level.

As China-based companies take on an ever increasing role in Latin American infrastructure projects, the adverse impact on the region's fight against corruption is often overlooked. By contrast to Odebrecht, when was the last time that a major China-based company was forced by its own government to divulge the list of foreign leaders it had bribed, and effectively bankrupt itself, for the illegalities it had committed?

In response to a high-profile "open letter" by Mexico's Andres Manuel Lopez Obrador, China's government wasn't even willing to admit that illegal fentanyl flows out of its country to Mexico. China's deepening webs of influence include not only politicians and businesspeople interested in contracts and side deals, but also the thousands of Latin American China-facing consultants and academics, government functionaries, journalists, security officials, and others brought to China each year through the largesse of unnamed "think tanks."

As relations with Beijing deepen and the region's governments need good counsel regarding how to defend and pursue the national interest, those arguably most knowledgeable about China become cautious about speaking out or publicly working against Beijing's interests, so as to not unnecessarily jeopardize their hard earned position as members of the "trusted" China literati, feted regularly by their Chinese hosts. With respect to Chinese digital penetration of the region, the increasingly ubiquitous presence of China-based firms such as Huawei, ZTE, Xiaomi, Oppo and others in Latin America's telecom sector is complemented by the position of Huawei in cloud computing, Hikvision and Dahua in surveillance systems, Alibaba in ecommerce, Nuctec in customs scanners, ZPMG in cranes, and DiDi Chuxing in ride hailing apps.

Since China's 2017 National Intelligence law obliges Chinese companies to turn over information of use to the Chinese state, China's ever-more ubiquitous digital footprint in the region makes it increasingly difficult for companies operating there to protect their core processes and intellectual property, as well as for Latin American government functionaries to protect their personal affairs and official deliberations against compromise. In Latin America, populist rhetoric justifying leaders' ill-conceived but personally profitable actions has become an artform.

Today, some Latin American elites justify turning a blind eye to China's behaviour because the United States hasn't made a better offer, or because other actors have also behaved badly (citing "European colonial-era abuses" or "U.S. military intervention" in the region). For Latin Americans, the obvious response is "Why should the past sins of the Europeans and Gringos, or their inability to come to our rescue today, give our own elites the right to line their pockets while selling out the country to the Chinese?" Washington desperately needs to do more for Latin America and the Caribbean, but more importantly, it must more effectively sell the region on making better choices in its own long term interests, and to be prepared to help the region along that path.

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