Deconstructing the Belt and Road Initiative: China's Use of Connectivity to Advance Its Strategic Economic Position in Latin America

by **R. Evan Ellis** | U.S. Army War College Strategic Studies Institute | Robert.ellis@armywarcollege.edu

The Belt and Road Initiative (BRI) of the People's Republic of China (PRC), officially announced by the Xi Jinping administration in 2013, has been a key part of the PRC's narrative regarding the structure of its global engagement and philosophy behind it. Since the government of Juan Carlos Varela in Panama joined the BRI in 2018, 19 Latin American and Caribbean countries have associated themselves with the initiative. The Peronist government of Alberto and Cristina Fernández in Argentina will likely become the 20th during an expected state visit to the PRC in mid-2021 (Ellis 2021).

Despite numerous individual Chinese projects, loans, and investments linked to the BRI and the Asia Infrastructure Investment Bank (AIIB), the BRI is not, in the common sense, a binding agreement, concrete program, or organization. Rather, it is a concept through which the PRC advances a narrative linking its expanding engagement with the world with a particular representation of its history that makes its currently growing wealth and power seem benevolent, as well as potentially beneficial, to those with whom it engages. BRI arguably leverages amorphous, often unreconcilable expectations of the political leaders and businesspeople with whom China engages to secure their participation, or at least acquiescence, while providing a unifying concept for explaining and organizing (more than directing), a broad array of Chinese global economic activities.

Beyond the BRI discourse, the PRC's pronouncements, its 14th and prior five-year plans, and policy documents such as Made in China 2025 demonstrate its intention in Latin America and elsewhere to secure access to commodities and foodstuffs, markets for its goods and services, and strategic technologies. BRI, and the investments, loans, and deals the PRC has made in its name, highlight that whatever the contradictions in or lack of specificity of the concept, China's economically focused strategy is strongly influenced by its perceived interdependence between building and controlling infrastructure, achieving reliable access to needed factor inputs and markets, and ultimately realizing for itself the greatest portion of value added for the associated transactions.

China's Strategic Focus on Connectivity

As illustrated by increasing Chinese references to the "Digital Silk Road" (Kurlantzik 2020), the reach of BRI in the Chinese conceptualization increasingly goes beyond building highways and railroads or operating ports. Underlying the BRI discourse, there is arguably an evolving orientation by the Chinese government and Chinese companies to strengthen their strategic position across multiple domains of infrastructure underlying the economic functionality of Latin America and the Caribbean. Doing so affords the PRC expanded possibilities to use the leverage arising from the combination of such positions to advance its interest in other sectors of strategic value. China's evolving integrated focus on "connectivity" in Latin America can be seen in five domains: land transport, ports and riverine operations, electricity, telecommunications, and e-commerce and finance.

Land transportation

As in Africa and elsewhere, PRC-based firms have won a significant number of road, bridge, and railroad contracts in the region, particularly among leftist populist governments and smaller Caribbean states. Chinese firms were awarded a quarter of highway contracts in Bolivia during the Evo Morales presidency (*Los Tiempos* 2015). In Argentina, with the return of the Peronist government of Alberto and Christina Fernández, China Harbour was awarded $4.7 billion in additional work to complement that previously done to expand and modernize the Belgrano Cargas rail system.

Chinese firms such as Sinohydro have also won significant work in small Caribbean states such as Jamaica, where they received almost $1 billion in projects under the *Jamaica* Development Infrastructure Programme and Major Infrastructure Development Programme funds. More recently, Chinese companies have begun to win project bids in more strongly institutionalized states such as Colombia and Chile through public-private partnerships. In Colombia, Sinohydro won a fourth-generation highway project to improve the road from Medellin to the Gulf of Urabá. More recently a consortium of China Harbour and Xi'an Metro won a $4.5 billion contract for the Bogota Metro. In Chile, China Railway Road Corporation won a contract to improve a section of Highway 5 from Chillán to Talca. In April 2020, China Harbour's parent company, China Communications Construction Company (CCCC) was part of the consortium receiving a $626 million contract for phase one of the construction of the Maya train project in southern Mexico.

The PRC's ability to win public-private partnerships will likely be further expanded through CCCC's acquisition of a 30 percent stake in the Portuguese firm Mota-Engil, which has significant experience in public-private projects in Latin America and the Caribbean. The move from building land transport infrastructure to operating them for revenue, particularly with public-private partnership projects, creates longer relationships with more opportunities for both influence and conflict than simply building the infrastructure.

Port operations

In the port sector, Hutchison Port Holdings has six operations in Mexico, three in Panama, and three in Freeport, Bahamas, in close proximity to the United States, as well as a small operation in Buenos Aires, Argentina. China Minmetals, in conjunction with other PRC-based firms, has recently won a contract to build a $3 billion 15-dock minerals port in Chancay, Peru. Similarly, China Harbour received a $1 billion contract to expand the Ecuadorian port of Posorja from port operator DP World. Following the Odebrecht scandal in Brazil, PRC-based companies have bought into four port projects in that country, including involvement in a megaport focused on the soy industry in São Luis. China Merchants Port Holdings (CM Port) recently consolidated control over the Port of Kingston. In May 2021, a Chinese consortium made public a proposed $23 billion project (Arroyo y Budasoff 2021) built around the port of La Union, El Salvador.

Riverine operations

Although the matter has received only limited attention in the United States, PRC-based companies are expanding into riverine infrastructure in the region. The most significant such project is for the deepening and operation of a channel at the southern outlet of the strategic Paraguay-Parana River corridor. The project is expected to go to CCCC's Shanghai Dredging, displacing the Belgian firm Jan De Nul. The river corridor is key for the agricultural exports of five South American countries: Argentina, Brazil, Uruguay, Paraguay, and Bolivia (*Mercopress* 2020).

Similarly in Peru, Sinohydro is working on a project to dredge and operate part of the Amazon River near Iquitos enabling transits by larger ships, although progress has been temporarily impeded by resistance by local communities that would be affected by the project.

Electricity generation, transmission, and distribution

Chinese firms have made significant advances, through a combination of acquisitions and successful project bids, in electricity generation, transmission, and distribution in the region, directly touching Latin American homes and businesses. PRC-based firms have been involved in 15 hydroelectric projects, including 6 in Ecuador, 3 in Bolivia, the Chaglla and San Gaban III facilities in Peru, 2 in Honduras (which does not even recognize the PRC), and 2 in Argentina.

PRC-based firms have partnered with Europeans and others in supplying wind turbines, generators, and other technology and construction support for wind energy projects across the region. They also play a key role in multiple solar projects including Cauchari, the largest in the region, and a recently announced 1.1 gigawatt solar megaproject in Açu, Brazil.

In the nuclear sector, the Chinese are building the Hualong-1 reactor in Argentina's Atucha complex and seek to build a new reactor in the Angra complex in Brazil (Dalton 2020).

With respect to transmission, Chinese firms, including State Grid, China Three Gorges, and State Power Investment Corporation, have invested tens of billions of dollars in Brazil over the last decade. Major projects include State Grid's construction of a 2,539-kilometer long line from the Belo Monte Dam to the south of the country, using high-voltage, long-distance transmission technologies developed in the PRC. Indeed, PRC-based companies now operate an estimated 13 percent of Brazil's long-distance power lines.

In Peru, Yangtze power, through its $3.6 billion purchase of Luz del Sur from Sempra Energy, now controls half of the electricity in the greater Lima area. Following Chinese acquisitions of Transelec, Atiaia, Pacific Hydro, Chilquinta, and most recently, CGE, PRC-based companies similarly control 57 percent of energy distribution in Chile (*Infobae* 2021).

Telecommunications and surveillance architectures

In telecommunications, Huawei, and to a lesser extent ZTE, increasingly provide components and services to many commercial and government operators across Latin America. Huawei is particularly well positioned to participate in 5G through its equipment and services, as Latin American countries such as Colombia, Peru, Chile, Brazil, the Dominican Republic, and even El Salvador roll out the 5G networks. Beyond wireless networks, Chinese companies have built important parts of the region's fiber-optic transmission infrastructure, including data cables from Brazil to Cameroon, from Venezuela to Cuba and Jamaica, across the Guyanas from offshore, and connecting Chile to its southernmost extremes.

With respect to surveillance architectures, Huawei, together with Chinese equipment suppliers such as Hikvision, play a key role in multiple national projects including ECU-911 in Ecuador, BOL-110 in Bolivia, plus systems in Colon, Panama; Jujuy, Argentina; and for the control of Uruguay's border.

PRC leverage through its telecommunications and other digital activities includes its potential access to the data of Latin American government personnel, as well as companies operating in countries with Chinese equipment in core parts of their networks. PRC-based companies are obliged, under China's 2017 national security law, to turn over their client's data when the government so asks (Reuters 2017). The PRC has a recognized record of using the state's capabilities to acquire technology and data from Western entities to support its commercial advance (Wray 2021).

E-commerce and finance

The Chinese company Alibaba is actively working to expand in the region, as is the Chinese rideshare company Didi Chuxing, whose app collects data on the movements of its clients and their credit cards. Didi's expanding presence in the region includes operations in Mexico, Brazil, Colombia, Chile, and the Dominican Republic.

The PRC rollout of its digital currency later in 2021 could further bolster its reach in e-commerce, as well as giving the Chinese state data access in the financial transactions of those who use it.

Implications

While Chinese companies do not work together harmoniously all of the time, they often use the position of their co-nationals in complementary sectors to support their advance against non-Chinese ones. Chinese state-owned enterprises often give preferential access to Chinese suppliers, financial partners, and other partners in projects because of preexisting relationships, convenience in project execution, or other motives.

The principal adverse effect for Latin America from China's growing position in the region's connectivity as the latter integrates itself into BRI, is not that the PRC will overtly threaten to shut down economies of governments that do not comply with its wishes. Rather, it is the likelihood that China and its companies will have increasing options to leverage their positions to win contracts, gain market position, and capture value added in other sectors.

China's influence is already increasingly at the heart of Latin America's economic connectivity. Its growing influence, often with a friendly face, will make it increasingly difficult for scholars and businesspeople with interests tied to China to speak out. It will become increasingly complicated for regulators and government leaders to block Chinese investments and proposals on antitrust grounds. Such paralysis before China's advance will reinforce the strengthening cycle of PRC influence, market position and benefit, at the expense of the realization of value added by the country's own businesses and people.

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