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Insulate, Curtail, Compete

Sketching a U.S. Grand Strategy in Latin America and the Caribbean

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Introduction

The United States urgently needs a more effective, evidence-based, feasible, and holistic strategy for countering China in Latin America and the Caribbean (LAC). This is especially true as China doubles down on potent sources of economic and political leverage and coercion in a region still characterized by fragile democratic institutions. In sketching the outline of a U.S. grand strategy in Latin America and the Caribbean, this report provides a framework within which to answer critical questions that remain unanswered in U.S. policymaking circles: which level of Chinese engagement the United States should permit versus what it should seek to curtail, as well as the necessarily circumscribed areas where U.S. competition should be resource-backed, well thought out, and creatively messaged. The report offers three categories for thinking through the terms of engagement with China in Latin America and the Caribbean: insulation, curtailment, and competition.

Standard documents that would normally serve as reference points for the terms of engagement—the **National Security Strategy** and the **National Defense Strategy**—contain scant mention of LAC. While the Biden administration's National Security Strategy hits strong notes on "great power competition" with China and a global competition between democracy and autocracy, LAC occupies only two pages of reflection. Further, the section on LAC mentions China only once, in conjunction with Russia and Iran as examples of dangerous extra-hemispheric actors. The National Defense Strategy, meanwhile, contains a mere paragraph about LAC's important contribution to a stable, peaceful, and prosperous United States.

Yet it is critically important for the United States to develop a policy on the terms of engagement with China in LAC that would begin to **approximate a grand strategy**. This policy should aim to compete with China across multiple domains, in a resource-backed, whole-of-government manner that leverages the strengths of the United States' democratic partners and allies. However, the policy must strike the right balance and avoid overreach—which, in this case, would be asking LAC partners and allies to forgo the occasional benefits of trade and investment with China. One well-known foreign policy analyst **summed up this balance** well: "Trying to do it all, everywhere, will produce exhaustion and undermine U.S. capacity to address what matters most . . . If it wants to succeed, the United States is going to have to pick its battles carefully." This is even truer in LAC, a region that is perennially undervalued and under-resourced by the U.S. government.

LEVERS OF COERCION

China continues to build upon a formidable set of levers that it can use to coerce countries that challenge it or that pursue policies seen as undermining its core interests. China has become the **top trading partner for many countries in South America** and the second-largest trading partner for nearly all of LAC. The Chinese Communist Party's (CCP) signature foreign policy program, its Belt and Road Initiative (BRI), invests in large infrastructure projects in **21 of LAC's 34 countries**, including sensitive infrastructure such as **nuclear power** and **space stations**. More recently, China has commenced a push for its **Global Security Initiative**. And China has become a **key provider** of financing to many countries in LAC—to the tune of hundreds of billions of dollars—through its state-backed policy banks and its commercial banks. This is to say nothing of China's **growing soft power** in LAC through a proliferating number of **Confucius Institutes**, policymaker and military-to-military exchanges, a presence in multilateral forums such as the Community of Latin American and Caribbean States (CELAC), and the International Liaison Department's **close working relationship** with hundreds of political parties in LAC.

As China continues to increase its economic ties with countries around the world, it threatens to overtake the United States' economic partnerships with many countries in LAC. **Academic studies** show that China has strengthened its ties with countries in LAC where U.S. engagement was weakest; in other words, China fills important vacuums when the United States abdicates regional leadership. Perhaps even more concerning, however, is the **idea posited** by the political economist Albert Hirschman that increased trade between countries, and the eventual growth of trade dependence between states, tends to forge bonds that can contribute to foreign policy convergence. China-LAC convergence on critical issues would severely hinder the United States and effectively **neutralize LAC as a strategic asset** in broader "great power competition" with China. Increased trade with China engenders domestic constituencies and lobby groups that allow the People's Republic of China (PRC) further avenues of domestic policy influence. A **recent report** by the International Republican Institute found that the presence of these groups can lead to a "weakening of democratic institutions, a reduced inclination to support democratic norms globally, and/or increased support for the PRC's deeply authoritarian model of governance and global ambitions."

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In China's case, even as it retains a robust toolkit for amassing influence, trade remains the most important and enduring way for it to influence other countries' politics. Often, trade is the entry point or gateway for Chinese influence. As China's economy has grown and other countries have become dependent on it, the CCP has shown a **propensity to leverage** political and economic interdependence in ruthless and capricious ways. From **Norwegian salmon** to **South Korean tourism** and from **Australian barley, coal, and wine** to **Lithuanian furniture**, over the last decade hundreds of examples of Chinese coercion abound, sometimes over even the slightest annoyances to the CCP. The political scientists Henry Farrell and Abraham Newman observe that China, as a result of the last two decades of globalization and global governance mechanisms, has "**weaponized interdependence**." As one author **recently put it**, "Beijing's long-term objective is to force governments and companies to anticipate, respect, and defer to Chinese interests in all future actions." One could be forgiven for thinking the author was offering a definition of the word "fealty" rather than describing China's emerging geopolitical strategy.

Although China's predatory behavior predates the more recent examples, Chinese president Xi Jinping provided a theoretical contribution to the CCP's policy of economic coercion in a set of speeches beginning in 2020, in which he speaks of the "**powerful gravitational field**" exercised by China's market behemoth. A series of textbooks for the People's Liberation Army (PLA) focused on Xi's ideology, uncovered by Ian Easton, contains **further statements** of political coercion as official CCP policy: "We must gain a grip on foreign government leaders and their business elites by encouraging our companies to invest in their local economies."

Through massive subsidies, unfair market access, forced technology transfer, and large state-owned enterprises, China aims to reshape much of the global economy, reorient supply chains through China, and rewire much of the world's commerce in Beijing's favor. Although overtaking the United States in total economic size remains at least a nominal policy priority, the CCP grasps that minimizing dependence on other countries, while maximizing other countries' dependence on China, provides it with the most powerful set of short- to medium-term coercive levers. Indeed, one could read China's recent moves as an acknowledgement that it will not achieve economic supremacy over the United States any time soon, **transitioning instead** to become a producer of high-value goods for its adversaries and thus maintain the ability to "wield its very large economy as a strategic weapon." Studies have **shown** that the most effective way to weaponize economic interdependence is to maintain a dominant position in a hierarchical network structure—akin to what China aims to create with its privileged companies, which enjoy massive state subsidies and protection from competition by foreign firms. Short of constructing an economy capable of driving innovation in the twenty-first century, Xi's China can still maintain important tools of coercion over developed and developing countries alike. In LAC, China has focused on industries it calls "new infrastructure," which includes sensitive areas such as 5G, electricity provision, high-speed rail infrastructure, cloud computing, and artificial intelligence among others.

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The LAC region is incredibly exposed to Chinese political and economic coercion, and China's **willingness to use its levers of influence** has only increased in recent years. Recent examples of coercion encompass pursuing political influence, championing economic interests, reducing Taiwan's diplomatic allies, and following hard security interests. Even LAC's largest economies are not immune. For instance, after initial signs that the Bolsonaro administration in Brazil would shut Huawei out of the auction for its 5G spectrum, China threatened to **halt Covid-19 vaccinations** to Brazil—just as the country was buckling under the weight of a severe pandemic wave. Huawei will now build part of Brazil's 5G infrastructure. In Paraguay, the last country in South America to recognize Taiwan, China demanded it **drop its recognition** of Taiwan before it could buy Covid-19 vaccines. In Ecuador, **nearly $20 billion in debt** taken out by autocratic president Rafael Correa has hamstrung the government for years. Although China recently **renegotiated two deals** after it came under significant pressure to do so, the damage was already done. For years, Ecuador's repayment of its unsustainable debt burden to China remained tethered to the performance of its oil industry, and in particular, its state-owned oil company. A congressional committee found that the inability to sell Ecuador's oil on the spot market had **cost the country** about $5 billion, while recently renegotiated debt deals permitting more oil to be sold on the spot market would **net the country** only an additional $28 million in revenues. Ecuador's debts to China also largely froze the country's development goals for years as it was forced to double down on commodities production and export. Worse yet, Ecuador was forced to **drill for oil in sensitive biozones** in the Amazon—areas in which it had previously promised not to drill, in an international effort to preserve indigenous territories.

In Argentina, **indebtedness and Chinese influence** in the government of then-president Cristina Fernández de Kirchner paved the way for the Espacio Lejano space station in Neuquén Province, the **first Chinese deep space station** built outside of China. The center is run by the China Satellite Launch and Tracking Control General, a sub-entity to the PLA, while Argentina has **no oversight** whatsoever over the site.

Aside from these highly specific examples of targeted political and economic coercion, there are more general concerns about LAC's **unsustainable indebtedness** to China. For instance, according to the IDB, 50 percent of total government-to-government debt is in China's hands. LAC is also willing to accept shoddily constructed or potential **dual-use infrastructure projects** through the BRI. So far, China **has mostly resisted attempts** to force it to write down debt in the developing world, arguing that it, too, is a developing country. Critically, **a 2021 report** by Aid Data shows that, in addition to the hundreds of billions in publicly known debt, the developing world has nearly $400 billion in "hidden debt" to China—knowledge of debt levels that was not publicly available previously because it did not appear on government balance sheets. Much of this debt is held by LAC countries. In general, **Aid Data finds** that "for every dollar of aid to low-income and middle-income countries, China has provided $9 of debt. The opposite is true of the US: For every dollar of debt that it provides to low-income and middle-income countries, it provides at least $9 of aid."

At **a 2021 hearing** of the U.S.-China Economic and Security Review Commission, China's construction of potential "**dual-use**" infrastructure through the BRI was a major topic of concern. The PRC **counts a total of approximately 40** port-building or upgrading projects in LAC, almost all of them handled by **Chinese state-owned enterprises** and with some situated in countries geographically proximate to the United States. Further, the PRC has over **150 planned transportation infrastructure projects** in the Western Hemisphere that contain some type of port or logistics hub. Despite the purported pacific nature of these facility upgrades, China has been credibly accused in the past—in the **United Arab**

Emirates and **Equatorial Guinea**–of surreptitiously building military applications into port facilities, later exploited by the PLA. To punctuate the security concern, **a recent report** by Maritime Executive concludes: “It turns out that one-third of ports in which China made economic investments have hosted and also resupplied military vessels of the People’s Liberation Army Navy.”

It is easy to see how China’s drive for economic and political leverage in pursuit of its wide-ranging interests will have an **impact on LAC’s unconsolidated democracies**, threaten its democratic traditions, and contribute to a breakdown in rule of law and greater corruption. Whether willful or indirect, China’s increasing engagement has coincided with an **uptick in democratic backsliding** and a rise in authoritarian governance throughout the LAC region. Any U.S. strategy for the terms of engagement in LAC needs to account for how China’s pursuit of its geopolitical interests may be **distorting LAC’s democratic development**. The good news is that there are **sound strategies to blunt the effects** of China’s approach to weaponized interdependence and to “deny, deflect, and deter” its predatory economic policies in a region such as LAC.

Strategic Contours, Past and Present

In previous eras, the United States pursued a grand strategy centered on **strategic denial** against rival powers in LAC. As part of this strategy, the United States sought to prevent powerful rivals from establishing a strategic foothold in the region that might impact the United States’ influence and security. Due to the perceived absence of significant extra-hemispheric actors in the region after the Cold War, for several decades the United States neglected LAC and focused its major foreign policy efforts on other regions. Strategic denial as a grand strategy fell out of vogue. However, China’s decade and a half of deep engagement has put the region back on the radar, even as the United States continues to lack broad strategic guidance.

In thinking through the broad contours of a twenty-first century grand strategy for great power competition in LAC, the United States should seek to shape the environment such that it constrains China’s negative behavior–mostly its appetite for political and economic coercion–and encourages constructive activities that could benefit LAC. By no means should the United States seek to interrupt or interfere in every aspect of China’s multifaceted engagement with LAC. Such a strategy is both unrealistic and likely to generate **resentment** and blowback from U.S. partners in the region. With respect to some aspects of China’s engagement that have become routine and even welcome from the regional perspective, the United States cannot reasonably attempt to block such involvement without severely damaging its relationships with partners.

The United States should not stand by idly, either. On the contrary, the United States should pursue an active, muscular, three-pronged **grand strategy in LAC** focused around three major principles: insulation, curtailment, and competition.

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Insulation: Insulation strategies will be the most commonly employed. The United States should work to help fortify and insulate countries in LAC from the most adverse impacts of China's continued engagement and ensure that democracy remains the preferred political system in the region. The United States will not prevail in a dollar-for-dollar competition with China on development projects in LAC. As one scholar rightly points out, there is a "**self-defeating logic**" to transactional diplomacy versus China in LAC. The United States also lacks—for good reason—China's ability to direct capital from its private sector to mobilize in service of state and party goals. Indeed, China's mechanisms of party control over the private sector provide strong reason to believe this is an inefficient use of capital. These realities mean that China will, of course, **continue to play an outsized role** as a partner in LAC's development strategies and economic growth for the foreseeable future.

Thus, insulation implies helping LAC countries operate within a **framework** of transparency, rule of law, and equal opportunity that will ensure that the region remains true to its democratic traditions and **obligations** under the Inter-American Democratic Charter. Proper insulation strategies will take into account the region's own institutional weaknesses and corruption and help LAC fortify institutions and get the most out of its engagement with China, all while protecting it from some of the most corrosive effects of that engagement. In short, insulation strategies aim to blunt elements of the large power asymmetry between LAC countries and China, permitting China fewer opportunities to exploit that asymmetry to its benefit and ensuring a more level playing field and greater policy autonomy for LAC countries. Insulation strategies should also protect LAC democracies from turns toward **populist governments that invite further involvement** by China in problematic ways.

As mentioned already, China is assiduously pursuing advantages in international affairs that will furnish the opportunity to coerce countries economically and politically. **Insulation strategies** should seek to deter Beijing by puncturing its confidence that pursuing coercion will yield positive results against the United States and LAC countries. Maintaining a **favorable balance of dependence** and a strong ability and desire to resist coercion in a wide range of areas may be the decisive factor in any strategy aimed at competing against China in LAC. After all, Vladimir Putin's devastating invasion of Ukraine hinged significantly on his (spurious) belief that Russia had attained enough **European dependence** on its energy exports that the European Union would not come to Kyiv's aid. Avoiding similar calculations by Xi's China will be critical to effective deterrence and grand strategy in all regions of the world, LAC included.

Curtailment: In addition to helping countries strengthen internal mechanisms and compete on a level playing field, it is also important to curtail certain aspects of China's engagement that impact democratic traditions and threaten policy autonomy in LAC, such as the increasing involvement of untrusted vendors in the information and communications technology (ICT) sector. Curtailment involves clearly messaging U.S. redlines and holding firm on these redlines. Because of its potential to ruffle U.S. relationships in LAC, curtailment should be selective and pursued only when China's engagement truly threatens (1) LAC's policy autonomy, (2) LAC's democratic traditions, or (3) key U.S. interests in the region. There should be a set of extremely high standards for asking U.S. partners and allies in LAC to bear the costs of forgoing a relationship with China in a particular area. An unnecessarily expansive pursuit of curtailment could not only result in relationship friction but also provide fodder to China's (debilitating) argument that the United States is interested in LAC only because of China's presence. Ideally, curtailment strategies would be paired with competition strategies, thus marshaling resources to ensure that a U.S. alternative is made available.

Competition: Complementary to efforts insulating the region from adverse impacts of China's engagement and curtailing certain types of engagement, the United States will also need to develop a resource-backed strategy to ensure that viable **democratic alternatives** are on the table in areas where the United States can effectively compete. As one author **recently noted**, "the U.S. is well advised to leverage the enormous size, effectiveness, and agility of private-sector capital against China's substantial but 'clumsy capital.'" In service of these goals, the United States has free trade agreements with a substantial portion of the LAC region. This architecture, built over decades, gives it advantages over the CCP in furnishing private-sector alternatives. As with curtailment strategies, out of both necessity and resource scarcity, the United States should prioritize only a handful of areas in which it can provide a meaningful and competitive alternative to Chinese development and investment in the region. Examples include ICT and digital connectivity, mining and critical minerals, renewable energy, and healthcare systems. To accomplish this, the U.S. government will have to rewrite rules that constrain the agility of agencies like the Development Finance Corporation (DFC) to aid middle-income regions like LAC.

Finally, an important note on messaging is in order. In pursuing this three-pronged strategy, the United States should **project a desire to enhance the hemispheric relationship** and ensure its policy autonomy, rather than present an approach that emphasizes anti-China policies and the dangers of the Chinese Communist Party. The strategy should go beyond China and be aimed at strengthening the region's democratic institutions, fighting its entrenched corruption, and catalyzing its economic development. Notwithstanding China's current impact, countries in LAC often have a different perspective than the United States with respect to China's role in the region. Facing domestic economic challenges, governments in LAC are much more responsive to the immediate benefits of China's engagement and display ostensibly little concern for the second-order impacts of unsustainable debt, vulnerability to coercion, and democratic backsliding that typically occur on a longer time horizon. Due to these differences in perspective and the importance of allies in shaping effective policy, the United States will need to be more intentional with its public diplomacy to ensure that any new policies in the region are seen in the context of a willing partner ready to help, as opposed to a defensive partner seeking to minimize China's influence. U.S. policymakers generally understand that diplomatic statements criticizing China and suggesting that LAC forgo its relationship with China and align with the United States do not play well in the region. As one scholar **observes**: "The U.S. must thus work to refine its communication, within the boundaries of honesty, to credibly emphasize its interest in the well-being of the region to which it is connected by geography, commerce, and family." Particularly, messaging strategy should emphasize preserving the policy autonomy of LAC, as well as a U.S. desire to fortify democratic, market-oriented institutions that will allow the region to engage on a more equal playing field with all countries in the world—not just China. Doubling down on the **importance of market-led growth** and the U.S. private sector will be even more important in light of China's push to expand its statist model and the region's turn to greater state-led policy solutions.

The three-pronged approach championed in this report implies deep U.S. engagement and partnership with LAC to an extent that has not existed in the twenty-first century. Implementing this strategy will require appropriating resources through relevant agencies to insulate LAC more effectively from the most corrosive elements of China's engagement. Policymakers should understand the importance of pursuing this three-pronged grand strategy so that foreign policy resources in LAC are not outsourced to other regions. Due to the global nature of U.S. strategy, resources are often **moved from LAC to other theaters** in times of crisis. Key agencies that can ensure that these resource constraints do not present themselves include the National Security Council (NSC), the Department of State, the U.S. Agency for International Development (USAID), and the DFC, among others. These agencies are critical to high-level diplomatic engagement, messaging, economic development strategy, and commercial engagement. They are the logical place to begin with the implementation of grand strategy in LAC. Multilateral organizations and the **private sector** will also be crucial for the United States' revamped efforts in the region. Beyond highlighting common ground with aspects of the region's agenda, the United States would be best served by returning to the basics and helping governments remember that the private sector is the best engine of economic growth and human initiative.

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The rest of this report proceeds in three broad sections, each corresponding to an element of the three-pronged grand strategy. First, it assesses aspects of China's engagement with LAC, identifying where the United States should help insulate countries from the riskiest and most adverse impacts of that engagement. Second, it offers recommendations for the aspects of China's engagement with the region that the United States should seek to curtail—an unsettled debate among policymakers. Finally, the report concludes with an argument for the priority industries in which the United States should seek to engage in competition, those where a fully resourced policy will allow them to furnish viable alternatives to China.

Insulate

Most aspects of China's engagement with LAC will continue, given the region's need for economic growth and development. Directly interfering with China's engagement could also confirm the suspicion of many countries in LAC that the United States is a **self-interested hegemon**. As such, in these areas, there are ways in which the United States can act to help countries insulate themselves from China's corrosive impact without appearing to pursue anti-China policies. The United States should ensure that the interactions between China and its partners in the region occur in a transparent fashion and on a level playing field. A **recent poll** by the International Republican Institute shows that majorities of citizens in four key LAC countries are unaware of the CCP's influence and China's investment in their countries. By promoting transparency, providing technical assistance, establishing safeguards against corruption, and strengthening institutional support mechanisms, the United States can enable partners to strengthen their internal frameworks for investment and external engagement. This section proceeds with an analysis of China's commercial and development engagement followed by its institutional engagement and provides mechanisms for insulating countries from adverse impacts.

COMMERCIAL AND DEVELOPMENT ENGAGEMENT

China's approach toward strengthening its own economy has led it to engage with LAC in many critical sectors. As leftist populist governments emerge throughout the region, leaders are arguably **more receptive to increased Chinese engagement** as well as to internal policies that may lead to democratic deficits (albeit China's presence is now hemisphere-wide). Venezuela serves as an illustrative example of ever-closer engagement with China that has coincided with dramatic democratic backsliding. Chinese economic assistance under both Hugo Chávez and Nicolás Maduro allowed Venezuela to maintain authoritarian governance mechanisms that have pulled it away from the democratic traditions and regional institutions of the hemisphere. Backsliding has spread to other countries like Brazil, Colombia, and Peru, which are all increasingly turning to China for economic assistance. Without strong institutions and insulation mechanisms to protect democracy, these countries could witness varying levels of democratic backsliding, given the nature of China's engagement. Long-term impacts on democracy have been demonstrated to be most prominent in China's infrastructure investment and within the region's extractive industry, as well as within its lending practices, violations of labor standards, and laws protecting the environment.

Regarding infrastructure, President Xi Jinping has established ambitious trade and investment goals with the region, embodied by the fact that 21 LAC countries have **signed** onto China's Belt and Road Initiative (BRI) in just the past three and a half years—with more expected in the coming years. From a U.S. perspective, focusing messaging on the BRI as "**debt-trap diplomacy**"—irrespective of its veracity—does not find a receptive audience in LAC because investment is urgently needed in the region. Without an alternative, the Chinese offer is the best offer because it is often the only offer.

While the United States cannot and should not attempt to block BRI investment in the region, it can ensure that BRI investments are made in a transparent framework that protects countries from unsustainable debt. While the G7's Partnership for Global Infrastructure and Investment (PGII) is the United States' recently announced alternative to the BRI, it will take years before it potentially competes with China's infrastructure investment—if ever. Nonetheless, the United States should fuel investment from PGII to LAC as an alternative to the BRI. Given the level of investment needed, the United States will need to insulate the region from the corrosive impacts that these large infrastructure investment deals can have. For instance, China's presence in the energy sectors of various countries should be cause for alarm. In Brazil, Chinese companies **own or partially own** over 300 power plants, accounting for 10 percent of Brazil's national energy generation capacity. Additionally, Chinese companies own 12 percent of Brazil's energy transmission infrastructure. Both pose significant points of potential leverage for the CCP.

In addition to infrastructure, China has also made large investments in the **region's extractive industries**, especially in the critical mineral supply chain. Large investments in this space have allowed China to establish **strategic footholds** in various countries throughout the region. Just as with infrastructure, however, how corrosive these investments' impacts on democracy are depends on the stability and strength of a country's institutions. Chile's **copper and lithium industries**, for instance, have been regulated at the national level for several decades, and the strength of its framework for foreign investment has insulated it better than other countries from the negative impacts that could emerge from growing Chinese investment. Argentina, on the other hand, **does not have the same institutional frameworks**, being governed at the local and provincial level with little accountability; amid economic turmoil and growing commercial engagement with China, the country could witness backsliding from unregulated economic involvement.

Sri Lanka's current political and economic crisis demonstrates several key lessons on how the United States can help countries in LAC avoid the most democracy-eroding impacts of increased Chinese commercial and development engagement. While Sri Lanka carries much of the blame for its ongoing debt crisis, China's **lending practices** have played an outsized role. Sri Lanka's experience provides a crucial lesson for the Western Hemisphere: avoid investment deals for both infrastructure and extractive industries that might lead to unsustainable debt burdens and provide countries with the necessary tools for evaluating future deals. Furthermore, it also shows that the United States should work to protect countries from incurring subsequent debt and restructuring existing debt that will not further deteriorate into economic crises. **Recent studies** on this topic demonstrate that China is likely to respond to overindebted countries either with new lines of credit or, concerningly, currency swap deals that open new avenues of potential political leverage.

In this context of increasing Chinese economic engagement, there are several ways in which the United States could move to insulate the region from China's corrosive influence. Effective solutions include promoting investment principles, providing technical assistance for debt restructuring, offering support for transparency, and strengthening partners' institutions and transaction processes.

1. **Promote quality infrastructure investment (QII) principles.**

One crucial mechanism through which the United States should insulate the region from China's BRI investments is by promoting quality infrastructure investment principles. Fortunately, the United States, Japan, and Australia have cofounded a certification mechanism for infrastructure projects that meet robust international quality infrastructure investment principles. This initiative, the **Blue Dot Network**, should continue to be pursued on a global scale so that the United States can help create more transparency and quality data for development projects in LAC.

The Department of State should aim to make Blue Dot principles a standard for any new infrastructure projects in the region, including those through the BRI and PGII. As an already under-resourced region, LAC should be made a key priority for the United States when pursuing infrastructure investment principles. This will help countries in the region have access to more information on the track record of certain companies when pursuing large infrastructure deals that have the potential to increase their debt burden. In this capacity, the Blue Dot Network serves as an international institutional mechanism that can strengthen commercial and development engagement in the region, thereby insulating countries from the potential adverse impacts of infrastructure investment deals. (The Blue Dot Network is certainly not the only workable framework; there are others that could serve as strong frameworks for insulation mechanisms, such as the United Kingdom's **New Engineering Contracts**, which have been used successfully in Peru.)

In this same workstream, the United States should also work with cofounders Japan and Australia, as well as other allies like **South Korea** and Taiwan, to contribute to the development of democratic principles in LAC. Bringing allies into the conversation about infrastructure principles in the region may catalyze a larger conversation on how extra-hemispheric actors can provide resources for further democratic development. For instance, both Japan and South Korea have a **vested interest** in the lithium industry, with companies like Japanese Toyota Tsusho and South Korean steelmaker Posco having large investments in lithium extraction sites in Argentina. It is in the interest of both Japan and South Korea as well as the United States for governments to cooperate to establish stronger investment principles within the lithium industry, for the benefit of both the region and their own companies. As a broader line of work, the United States should engage with allies that already have an economic interest in strengthening democratic principles for commercial and development engagement.

2. **Provide technical assistance and establish safeguards for debt-vulnerable countries.**

Another mechanism to help insulate the region from China's adverse impacts is to help countries restructure debt resulting from Chinese sovereign lending and to protect these debt-vulnerable countries from incurring subsequent Chinese debt by increasing technical assistance and establishing safeguards. The Department of the Treasury's Office of Technical Assistance (OTA) should increase its engagement with regional partners to ensure that countries do not incur large **amounts of subsequent debt** on deals that could further disrupt their economies. As a lesson from Sri Lanka's current debt crisis, the United States should **encourage countries to work through the Paris Club and the International Monetary Fund (IMF)** to restructure their debt and establish this as a safeguard to ensure that countries in the region do not incur further debt. Through the Paris Club, both Argentina and Suriname have been able to restructure their debt in ways that may allow them to address current economic challenges at the same time.

In addition, the United States should also **provide a capital increase** for the Inter-American Development Bank (IDB) to strengthen its ability to help countries in LAC achieve sustainable and serviceable debt structures. The State Department should advance diplomatic engagement with members of the IDB to work on increasing capital for the explicit purpose of providing safeguards to protect debt-vulnerable countries. By increasing the strength and abilities of the Paris Club, the IMF, and the IDB, the United States can help countries in the region avoid situations like what occurred in Ecuador under President Rafael Correa, when the country had to pay off its **Chinese debt** with oil. Two presidents later, Ecuador still struggles to pay down its Chinese debt, and direct negotiations with Beijing on debt relief have yielded **little in savings** on the outstanding debt.

3. **Support transparency measures in infrastructure and extractive industries.**

After its **withdrawal** from the Extractive Industries Transparency Initiative (EITI) in 2017, the United States should reconsider becoming an implementing member once again. The EITI **aims to improve** transparency standards, strengthen the governance of critical minerals, mitigate corruption risks across the value chain, and increase contract and data disclosure requirements. Only 11 countries in LAC are currently implementing members of EITI: Argentina, Colombia, the Dominican Republic, Ecuador, Guatemala, Guyana, Honduras, Mexico, Peru, Suriname, and Trinidad and Tobago. If the United States joined, this could catalyze other countries in the region to strengthen their own extractive sectors. Moreover, while the United States provides support for EITI implementation through USAID, as exemplified by its **bilateral assistance** to members like Colombia and Guyana, as an implementing member the United States could further demonstrate its work as a partner to countries in the region working to embed transparency in their extractive industries. Increasing the United States' focus on these standards would help insulate LAC from corrosive impacts to democracy by further protecting industries that will be critical for the future. In this context, the United States should both seek to join EITI and increase USAID funding through EITI explicitly for bilateral assistance to countries in the region as a step for safeguarding institutions.

The region's vibrant civil societies should be seen as allies in this effort, since one of the most effective ways to expose China's practices is through public scrutiny. When evidence of corruption, poor labor standards, and environmental abuses have come to light, several Chinese investment projects in the region have been canceled. Basic research and data collection, funneled to watchdog organizations, journalists, media outlets, and academics can help to amplify the denouncement of bad practices. Additionally, such information sharing would have the benefit of making these denouncements take on local character, as opposed to coming from the United States.

Another idea worthy of further exploration is the use of state-regulated trust funds for public investments. Trust funds for public infrastructure projects should be managed by private financial entities; in LAC, prudential regulation is strong and one of the best in the developing world. For instance, Colombia has positive experiences with the use of trust funds for public investment to execute projects faster, with higher quality, and largely corruption-free. High transparency standards mean corrosive Chinese investment could be curtailed while simultaneously attracting more Western investors.

4. **Strengthen institutional and transactional support.**

China's reputation for deploying resources without imposing the slightest **conditions** can be dangerous for countries in the region. Lax institutions and processes are prone to **elite capture, corruption, breakdown of rule of law, and other types of corrosive impacts** on large commercial and development deals. Given that China's engagement with the region is more recent compared to its engagement elsewhere, many governments also lack a depth of skills and knowledge on engaging with Chinese partners. To strengthen institutions and processes, the Department of State could lead programs that would help countries with contract evaluation and broad project planning support. Furthermore, the Committee on Foreign Investment in the United States (CFIUS) should increase its partnerships with countries in LAC to strengthen their own foreign investment review mechanisms. Indeed, the State Department, in combination with regional embassies, could conduct a "**CFIUS roadshow**" to share best practices with the region's governments and work with those countries that do not have investment review platforms to create ones that are in line with the national security interests of their countries.

There are strong incentives to reform procurement systems across the region to help build more quickly and protect bureaucrats from legal prosecution. Red tape, the lowest-price criteria to select winners in infrastructure projects, a paucity of bidders in each tender process, and a dearth of human capital in procurement agencies are some of the region's greatest challenges today. Lowest-price criteria mean that Chinese bids face little competition—often they are the only bids—because the lowest price is established too low.

INSTITUTIONAL ENGAGEMENT

In its institutional engagement, China has aggressively sought to broaden its influence in multilateral institutions across the region. China has forged ties with several regional organizations, including the Community of Latin American and Caribbean States (CELAC), the Economic Commission for Latin America and the Caribbean (ECLAC), the Union of South American Nations (UNASUR), and the Bolivarian Alliance for the People of our Americas (ALBA). It has also gained access to development funds from the Inter-American Development Bank (IDB), despite not being part of the Western Hemisphere.

From the U.S. perspective, China's engagement with CELAC is the most concerning of all institutions, as CELAC excludes both the United States and Canada and therefore gives China more leeway in working with countries in the region. Moreover, countries such as Mexico and Argentina have demonstrated a desire to conduct regional matters through CELAC—as opposed to through the long-standing traditional forum, the Organization of American States (OAS), which is committed to defending democracy in the region.

China's agenda within institutions like CELAC and the IDB may not necessarily lead to corrosive impacts on democracy, but its ability to frame a more favorable view of Chinese commercial and development engagement could lead to long-term spillover effects for the region's democracies if they are not insulated prior to increased engagement. While larger countries in the region have led the charge away from the OAS, Central American countries like El Salvador, Guatemala, and Honduras are backsliding, and a lack of U.S. involvement in the region's institutions could allow **democratic weaknesses** to continue festering in these countries. The United States' current approach of remaining silent and using **discreet diplomatic efforts** to work with its partners is allowing allies like Mexico to push further against policies that support the region's democracies.

Accordingly, to the extent possible, the United States should work to insulate LAC from the potential long-term effects of increased Chinese engagement in the region's institutions. In this regard, helpful solutions might include incentives for conducting regional business through the OAS and shaping the United States' participation in regional forums as a partner.

1. **Provide incentives to countries to conduct their most important matters through the OAS.**

To ensure that the United States remains an active leader in the region's commercial and development engagement, it needs to continue to be a key member of the region's institutions. If countries turn fully to CELAC to solve regional challenges, the United States will not be able to provide its assistance for ensuring that the region's commercial and development deals are transparent and democratic. As such, to incentivize countries to commit to the OAS, the United States could offer a reorganization of the institution. For instance, it could create a new council that puts the United States on an equal membership status with large regional players like Argentina, Brazil, Canada, Chile, and Mexico, some of which have been leaning toward CELAC. Additionally, it could offer more U.S. support as it pertains to security cooperation in the region by allocating more resources to the United States Southern Command.

2. **Shape the U.S. government's participation in regional forums as a partner.**

After the 2022 Summit of the Americas, countries in the region were disappointed with the lack of resources and new initiatives from the United States. Additionally, several countries **boycotted** the summit—including Mexico, El Salvador, Honduras, and Guatemala—due to the United States' decision to not invite Venezuela, Nicaragua, and Cuba. President Alberto Fernández of Argentina delivered a critical speech of the United States' past policy decisions. The United States will not be able to insulate LAC if the region is not willing to accept its assistance. In this context, the United States needs to be a **more active participant** in regional forums and needs to deliver on its promises. While the Summit of the Americas **may have been a good opportunity** for it, the United States should still act to address the concerns of its regional partners. It can do so by increasing resources and acting as a partner for the region's development. This may include a restructuring of the IDB and the OAS, but the changes that are made must be in conversation with partners in the region if they are to be successful in shifting the institutional climate. The driving question must remain what the United States can do with the region–not for the region.

Curtail

Given its direct impact on democracy, there are areas where China's involvement should be curtailed. Many countries in the region face political instability, social unrest, and weakening democracy. In consolidated authoritarian regimes, like Venezuela, China has provided **surveillance technologies** and other financial support to uphold the Maduro regime. This type of support has also spread to other countries experiencing authoritarian tendencies, such as El Salvador and Guatemala. Further, through its Digital Silk Road, China provided Ecuador with 4,000 Chinese-made cameras for a "smart cities" program aimed at reducing crime–but at the same time **shared** the video footage with the feared domestic intelligence agency under President Rafael Correa.

It is in this context that some of China's engagement needs to not only be insulated but fully kept out in order to avoid a permanent turn away from democracy. This corresponds to the United States' "redlines" for Chinese engagement in the region. As the United States shapes these policies, it will be important to take into consideration which of its concerns are shared with LAC countries, because curtailing aspects of China's engagement will require partnership with U.S. allies in the region. From the United States' perspective, the most pressing aspect of engagement to curtail falls in the ICT sector. Due to the potentially destructive impacts that untrusted Chinese 5G vendors and the use of surveillance technologies could have on governance and democracy, the United States should continue its efforts to curtail them. The most challenging aspect of this part of the strategy is that most countries in the region do not see the negative impacts on democratic governments of China's ICT engagement the same way the United States does. However, by the time LAC sees these negative impacts, it may be too late.

ICT: 5G NETWORKS AND SURVEILLANCE TECHNOLOGIES

One of the primary areas of China's engagement that the United States should seek to curtail is the ICT industry, from untrusted 5G vendors to Chinese-provided surveillance technologies. In established autocracies like Venezuela and Cuba, China has intentionally undermined democracy by providing **surveillance technologies** to the Maduro Regime and **restricting internet service** during Cuba's protests in July of 2021. State-owned enterprises, like China's National Electronics Import and Export Corporation (CEIEC), and Chinese technology companies, like Huawei and ZTE, are equally as dangerous when it comes to challenging democratic institutions in the region. As it pertains to private investment and corporate relations, China's state-driven capitalist model has made it **difficult to ascertain** when and where companies are acting of their own accord or in the furtherance of Chinese state policy. Continued controversy over China's untrusted 5G vendors illustrates this challenge.

This is a difficult conversation to have with partners in LAC, as they receive digital services and technologies from China that the United States cannot yet offer. The Clean Network **initiative** advanced during the Trump administration demonstrates the region's different viewpoint on this matter clearly. Nearly 60 countries around the world joined the Clean Network. However, only three of those were in LAC: Brazil, the Dominican Republic, and Ecuador. Even though the Biden administration has chosen not to pursue the Clean Network initiative, countries in the region were not very receptive to the original plan. For example, despite Brazil having **joined** the Clean Network in November 2020, in early

2021 it **backed out of its commitment** when it allowed Huawei to participate in its 5G auction—in large part because China was withholding vaccines from Brazil during the depths of the pandemic as a bargaining chip. Moreover, Ecuador **joined** the initiative as part of a deal with the DFC in which it would receive nearly $2.8 billion to pay off Chinese loans (similarly to the Clean Networks initiative, the Biden administration has since abandoned this deal). This context demonstrates that the argument for greater transparency in telecommunications has not worked in the region, as countries merely seek the most effective and cost-efficient option—which in many cases has been Huawei. As countries in the region struggle economically, limiting telecommunications options can be damaging to the United States' foreign policy if there are no other options that are comparatively similar from a cost standpoint. For this reason, the ICT sector is an area in which the United States should seek to curtail Chinese involvement, but it must also find ways to provide a competitive alternative.

1. **Reduce the gap between Huawei and other 5G competitors.**

Huawei leads the 5G industry in LAC with at least 30 percent of the **market share**, in large part because of Chinese subsidies that make the cost of infrastructure and network service lower than what unsubsidized competitors can provide. Directly banning Chinese vendors from the region has proven to be an ineffective strategy, and as such, the United States and its allies should work to provide a feasible alternative that would curtail increased Chinese market participation. The United States should consider heavier use of industrial policy in conjunction with the European Union, Japan, Australia, and Korea, among other allies, to help 5G competitors—like Eriksson and Nokia—to reduce the **financial burden** on countries in LAC if they choose to go with an alternative that is not Huawei. Through reforms to Export-Import Bank (EXIM) rules, such as lowering American content requirements for export credits, the United States would be able to support the development of Eriksson, Nokia, and other trusted vendors in the region, despite them not being U.S. companies. Additionally, through PGII, the United States should prioritize its digital pillar to mobilize investment in the ICT sector with trusted vendors. As part of this effort, DFC funding could be used to bring in trusted vendors into countries like Ecuador, a country with which the DFC already has an agreement.

2. **Prevent the expansion of surveillance technology systems.**

Governments in LAC have accepted the use of surveillance technologies at an increasing rate, with many countries **citing** them as a solution to reducing crime and increasing public safety. In a region where military dictatorships governed in the not-too-distant past, the use of surveillance technologies feeds into a worrying trend of democratic backsliding. Growing use of surveillance presents a dilemma for democratic governments as they seek to make their countries safer at the expense of the privacy of their citizens. The Department of State should convey the adverse effects of surveillance technologies to regional partners and work with them to increase accountability and transparency in deals that countries sign with companies providing these new technologies. In the worst cases, the U.S. government should consider the Treasury Department's ability to use sanctions—**as it has elsewhere**—against companies providing surveillance technologies to U.S. allies. However, as long as the region's homicides continue to represent such an outsized percentage of global homicides—usually around one-third of the global total, despite the region representing just 8 percent of the global population—the temptation for surveillance technology will be strong.

Parallel efforts should be made in the space of data protection. The United States could promote the adherence of LAC governments to the Data Protection Law International Treaty. The treaty, formally known as the Convention 108 and born in the European Union has 55 signatories, three of them in LAC (Argentina, Mexico, and Uruguay). Convention 108 imposes minimum standards for personal data protection to prevent abuses from national and foreign governments. Treaty signatories are required to create an autonomous agency to adhere to its principles. The Treaty is important because China does not recognize personal data protection as a right, and Chinese law states that if a country imposes limits on China's access to personal data, corrective measures can be taken.

3. **Strengthen regional ICT and cybersecurity cooperation.**

Another mechanism to prevent untrusted vendors from further disseminating throughout the region is to **strengthen regional ICT and cybersecurity cooperation**. As one of the least developed regions in terms of its digital environment, LAC is struggling to cultivate **human capital for cybersecurity**. While the OAS's Inter-American Committee Against Terrorism (**CICTE**) has experience in developing national cybersecurity strategies, there is no targeted effort at cybersecurity for telecommunications. Through **CISA Global** within the Department of Homeland Security, the United States could seek to increase capacity building with regional partners as a method for improving the overall digital environment as it pertains to telecommunications. As the ICT sector continues to grow in the region, **capacity-building** efforts can help protect countries as broadband investment expands. To prevent the further expansion of untrusted vendors, the United States should work with the IDB to establish policies that would eliminate ICT projects with untrusted vendors in the region and help countries institutionalize processes that increase their capacity to screen potential ICT infrastructure suppliers for transparency and privacy.

Compete

Since its arrival in the region, China has invested large amounts of funding in both commercial engagement and development assistance with countries in LAC. Through its investments, China has changed the regional status quo and attempted to "**rewire**" the region's commerce through Beijing, to the point that it is becoming a more influential geopolitical player than the United States in many respects. For instance, China is the region's **second-largest trading partner** after the United States and the number one trading partner when accounting only for South America. These trade relationships are the basis for partnerships in the region, as many other critical policy decisions are made based on their impact on trade with other countries. While some of China's commercial and development engagement benefits LAC, U.S.-based alternatives that establish democratic safeguards and transparency can help increase the options available to countries in the region as they pursue economic development initiatives.

For this reason, another crucial component of a revamped U.S. strategy in LAC needs to involve channeling resources into industries where the United States can provide viable alternatives to China. While the United States cannot be competitive in every industry, it should reform its strategy to focus on areas in which competing can create a level playing field and strengthen U.S. participation in the region to showcase the importance of democratic traditions. As the United States seeks to ally-shore and nearshore supply chains, it should do so in the critical industries of the future that will help both the United States and LAC.

In a region that is unlikely to see a substantial boost in federal funds and policy attention from U.S.

policymakers, the United States will be most effective if it chooses a few key priority areas in which to compete with China so that it can make the best use of its limited resources. It is better to understand the domestic and institutional constraints rather than failing to deliver on promises to partners. For instance, the United States has found it challenging to implement new free trade agreements (FTAs) in the region due to domestic constraints. While China is negotiating FTAs with countries like Ecuador and Uruguay, the United States should focus on what it can do in the region, as opposed to promising FTAs that it cannot achieve because of fractious trade politics. In this context, some of the industries in which the United States can and should be competing with China in LAC include ICT and digital connectivity, mining and critical minerals, renewable energy, and healthcare systems. Fortunately, these are also areas in which LAC governments have a strong interest in cooperating.

A large part of the U.S. strategy will rely on multilateral engagement and private sector-led growth, which could necessitate a heavier use of industrial policy and the development of attractive investment frameworks to further incentivize the private sector to engage with LAC countries. Increasing ties in these industries will require a whole-of-government approach to allocate additional resources to the region. It will require the DFC, USAID, and other relevant agencies to engage in creating a better investment climate in countries across the area. It will also require leveraging U.S. influence at the IDB and the IMF to bring in resources. Given the aforementioned shortage of federal funds for LAC, to be a competitive player in the region the United States will need a strong policy revamp, with many government agencies, multilateral institutions, and private sector companies playing a role.

1. **Scale up ICT and digital connectivity efforts.**

Broadband connectivity and digital technologies will increase at a rapid rate in LAC over the next several years, with the 5G market alone projected to **generate** over $28 billion in revenue by 2030. As the region begins to scale up 5G infrastructure, however, Huawei and ZTE are better positioned than competitors like Eriksson and Nokia due to lower costs and existing infrastructure. Huawei, already predominant, possesses a unique opportunity to further consolidate the market if policies are not established to limit the ability of untrusted vendors to operate in the region. Digital and technological communications need to be at the top of the United States' national security agenda, especially given the large market opening in LAC to increase broadband connectivity and advance digitalization efforts.

While the United States may not be able to compete outright with 5G infrastructure (given the absence of a U.S. company in this arena), it can leverage multilateral engagement and infrastructure investment through PGII in digital connectivity to provide alternative ICT development funding. Through a capital increase at the IDB, the United States can work with other countries to emphasize digital transformation and ICT development throughout the region and increase the institution's focus on ICT. Moreover, the United States has **pledged** significant funding through PGII to develop, expand, and deploy secure ICT networks and infrastructure, which includes working with trusted vendors to provide 5G and even 6G technologies. Providing funding for digital infrastructure development in the region will be crucial as an alternative to allowing Huawei to continue to expand its market share. A larger U.S. presence in the ICT sector within LAC can help shape one of the critical industries of the future in line with transparent and democratic traditions that allow for a level playing field.

2. **Leverage partnerships on mining and critical minerals.**

Critical minerals are essential to **meeting the demands** of the clean energy transition, as they will play a large role in decarbonization efforts, including the electrification of vehicles and energy storage technologies. As a region, LAC will be a crucial player in this industry as large reserves of lithium, copper, and nickel—among other critical minerals—are found in large quantities in several countries in the region. Argentina, Bolivia, Chile, and the rest of the Americas possess over 70 percent of the globe's **lithium** reserves. Moreover, Chile, Peru, and Mexico hold approximately 40 percent of the globe's **copper** reserves. On its own, Brazil also hosts 17 percent of the world's **nickel** reserves. Critical minerals will be one of the economically impactful industries of the future as the world decarbonizes, and given Latin America's natural resource endowment, it will be at the center of this industry. While China has approached this industry strategically for the last decade, it by no means has a chokehold over the entire mining space. As it stands, the **demand for critical minerals will outpace supply**, which gives the United States ample opportunity to increase its competitiveness in this sector through partnerships with countries in the region.

To be **more competitive** in the critical mineral industry, the U.S. private sector needs to be involved in the early stages of mining and extraction as well as the processing of critical minerals for their downstream end uses. The U.S. government can help to create enabling conditions and de-risking investments so that the private sector can become more involved. This might include financial policies, such as federal grants from the Department of Energy for critical mineral projects in LAC, tax credits for new technologies to increase the productivity of mining processes, and increased loan guarantees and project finance opportunities. The United States can also support greater competitiveness in the critical mineral industry through diplomatic policies, such as by leveraging the Department of State's Energy Resource Governance Initiative (ERGI) to create regional critical mineral partnerships, expand geological partnerships, improve knowledge-sharing with the private sector on projects in the region, and negotiate trade provisions with regional partners that might increase critical minerals trade. Greater U.S. participation—both in the private sector and from the U.S. government—will help shape the critical mineral industry in LAC to ensure that transparency and standards are in place across the region.

3. **Accelerate renewable energy potential.**

LAC and the United States also share a strong policy priority in increasing renewable energy investment. The United States' commitment to renewable energy, stronger than China's, presents an opportunity for increasing collaboration and economic ties with LAC. As recently as 2019, the region launched the Renewable Energy for Latin America and the Caribbean Initiative (RELAC), with the **objective** of achieving 70 percent renewable energy participation in the region's electricity matrix by 2030. RELAC brings the IDB and the International Renewable Energy Agency (IRENA) together to support the region's renewable energy transition. Renewable energy will be a crucial **sector** for LAC as countries seek to bolster their economic development, increase climate resilience, and further their decarbonization efforts. In addition to opportunities in wind, solar, hydro, and geothermal sources of energy, LAC also has the potential to be a **large player in green hydrogen**. Chile is set to be one of the world's **largest exporters** of the green hydrogen that will drive much of the clean energy transition in the years to come. By tying the energy transition to climate priorities, the United States has an opportunity to partner with countries in the region to provide necessary funding and support for increasing economic development and creating a more sustainable future.

As one of the most promising regions for economic development, the United States should prioritize renewable energy projects in LAC. This will include bringing in resources from the public sector, multilateral organizations, and the private sector, as well as using the influence of the U.S. government to mobilize additional capital and resources into the region. At a high level, the NSC should ensure that LAC becomes a priority under PGII so that funding for climate and energy infrastructure is secured for the region. From the public sector, this will require the DFC to increase **financing projects** in LAC—such as the $100 million it announced at the Summit of the Americas—that serve to address climate and renewable priorities. Initiatives like the U.S. Caribbean Partnership to Address the Climate Crisis 2030 (**PACC 2030**) are a crucial step in allocating additional resources to energy security in the region. The United States could consider becoming more involved in RELAC to further support renewable energy efforts. In addition to increasing public sector resources, the State and Treasury Departments should work together to increase access to financing from the IDB and provide incentives for U.S. businesses to make crucial investments in renewable energy. Wherever possible, the United States should tie energy investment to the modernization of regulatory structures.

4. **Strengthen healthcare systems in the post-Covid-19 environment.**

With over 2.7 million deaths since the beginning of the pandemic, the LAC region has **accounted** for over 40 percent of global deaths related to Covid-19. Given the extent of the Covid-19 crisis and China's increasing use of "**vaccine diplomacy**" as a method for expanding its influence in the region, healthcare and vaccine development represent another area in which the United States could offer an alternative so that China cannot use vaccines as a bargaining chip, as it did in Brazil, to **extract strategic concessions**. As such, the United States should provide increased resources and partner with countries in LAC to help develop better healthcare systems to aid in the region's recovery from Covid-19 and prepare for future pandemics.

The Biden administration **announced** action in healthcare for LAC in June 2022, which included initiatives like the Americas Health Corps to provide training to over 500,000 public health professionals across the region as well as expanding USAID's global health security programs to more countries. These announcements are critical steps to providing increased support to regional partners, and the United States should deliver on these promises—both to increase resilience and, more importantly in the long term, to strengthen LAC's trust in its ally to the north. Increasing collaboration on healthcare systems and strengthening the region's preparation for future pandemics will help shape a stronger partnership between the United States and its partners.

Within this bucket, greater partnership must include vaccine development. Production and continuous research on vaccines is a national priority in many countries throughout LAC, as well as a regional priority. Vaccine development can create jobs, promote the sharing of technology, and improve healthcare services. Most importantly, the region is full of strong potential partner institutions owing to its years of research in tropical medicine and emerging diseases.

Toward a Grand Strategy

The Western Hemisphere **will be crucial** to U.S. grand strategy in an era of great power competition. It is imperative for U.S. policymakers to have a better understanding of the adverse impacts of Chinese engagement in LAC so that U.S. efforts to safeguard democracy can be incisive and effective. Taking steps to work with regional partners on insulation mechanisms that increase transparency and strengthen democratic institutions will be critical to protecting the democratic traditions of the region in the long term. These actions will further reduce the asymmetries of the China-LAC relationship and allow countries in the region to engage on more equal terms. While most of China's engagement will likely continue, it will become less and less corrosive to democracy over time. The U.S. government will also need to increase its ability to curtail certain aspects of that engagement, such as the expansion of untrusted ICT vendors in the region. Finally, a critical part of a new U.S. grand strategy will be better prioritizing existing federal funds toward economic, diplomatic, and **security** initiatives to compete with China and offer credible alternatives that are democracy-preserving in key industries of the future.

Ultimately, the strategy of "insulate, curtail, compete" is about helping LAC to assert greater policy autonomy, reduce dependency and foreign influence, and **to make better choices** about the region's long-term strategic interests. Effectively selling the region on those choices will be a key challenge and require diplomatic finesse to understand that various subregions of LAC may desire different combinations of insulation, curtailment, and competition.

The United States has long been a partner and ally for countries in LAC. Communication and partnership will be of the utmost importance for a grand strategy built for an **era of renewed geopolitical competition**, and aiming to protect LAC's democratic traditions should be a top U.S. priority. Moving beyond the United States' national security interests to show allies that the United States has an interest in LAC's economic development can demonstrate to the region that its long-standing partner will continue to be a pillar and source of democratic stability for decades to come. ■

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