

MAY: Well, good afternoon, everyone. It's Monday, December 11. Welcome and thank you so much for joining us today at the Foundation for Defense of Democracies for a panel discussion in partnership with the House Permanent Select Committee on Intelligence.

As part of their discussion series, Beyond the SCIF, today's conversation will focus on the expanding influence of the Chinese Communist Party in Latin America. And by the way, for those who may not be fluent in bureaucratese, SCIF is an acronym for Sensitive Compartmented Information Facility. I get that right? Yeah, OK. All right.

I'm Cliff May. I'm the founder and president of FDD. We're happy to welcome both those in the room, as well as those tuning in virtually and on podcast platforms. I'm pleased to introduce our panel for today's discussion.

But first, a note that Chairman Mike Turner, who planned to deliver remarks before the discussion, has been asked to testify before the House Rules Committee on H.R. 6611, FISA Reform and Reauthorization Act of 2023, as well as to present to the House GOP Conference on the bill. It's an important topic, one in which I actually have strong opinions, but I won't subject you to them at this time, but I'm with you on this one.

Moderating today's conversation is going to be Congressman Rick Crawford. Representative Crawford has served Arkansas's 1st District through six terms in Congress. He's served on the House Permanent Select Committee on Intelligence since 2017. He's currently Chairman of the Subcommittee on the CIA, and he sits on the Subcommittee on Defense Intelligence and Overhead Architecture.

Our first panelist, Dr. Zoe Liu, is the Maurice R. Greenberg Fellow for China Studies at the Council on Foreign Relations. Her work focuses on international political economy, global financial markets, sovereign wealth funds, and supply chains of critical minerals. Dr. Liu is an expert on East Asia, specifically China and Japan, and the Middle East, specifically Gulf Cooperation Council countries.

Next is Dr. Paul Angelo, and he serves as the director of the William J. Perry Center for Hemispheric Defense Studies. He previously worked at the Council on Foreign Relations, including roles as the fellow for Latin American Studies and as international affairs fellow. His previous service in the Navy, including – included tours in United Kingdom-based NATO position, on board a destroyer deployed in the Indo-Pacific, and as an instructor at the U.S. Naval Academy.

Finally, our own Craig Singleton, FDD senior fellow with over a decade of experience serving in a series of sensitive national security roles with the U.S. government, primarily focused on East Asia.

Before we dive in, just one little bit about FDD, just so you know. For more than 20 years, FDD has operated as a fiercely independent and nonpartisan research institute, exclusively focused on national security and foreign policy. As a point of pride and a point of principle, we don't accept foreign government funding. We never have. We never will.

For more on our work, visit our website, [FDD.org](https://www.fdd.org), and follow us on Twitter @FDD. That's enough from me. Congressman Crawford, it's my pleasure to hand it over to you.

CRAWFORD: Thank you, sir. Appreciate it. Thank you, Cliff. I appreciate the opportunity to be with you here today. Good afternoon, everybody. Very glad to be here to discuss a pivotal issue to our hemisphere, the growing threat and influence that Chinese Communist Party has exerted on Central and South America.

I'm especially eager to talk about some specific areas of concern, and thank our panelists and the Foundation for Defense of Democracies for assisting us to bring these issues to the forefront here in Washington, and more importantly, nationwide.

We at the House Permit Select Committee on Intelligence, or HPSCI, as we call it, have worked for years on highlighting the increase in CCP [Chinese Communist Party] influence, both domestically and abroad. As Chairman of the CIA Subcommittee on HPSCI, I've traveled across Latin America to learn of the challenges we will discuss today.

The CCP's activities affect not only our national security, but the security and autonomy of our neighbors and partners in the hemisphere. This includes negative impacts to agricultural trade, relations throughout the hemisphere, including in Arkansas, an area I'm pretty familiar with.

My hope today is to further expose China's activities in the Western Hemisphere and why that's a risk to our country and to our neighbors. From agriculture to technology development, manufacturing, natural resource development, the CCP has slowly exploited us and our neighbors to gain a competitive advantage. Their growing influence is a threat to the hemisphere that we must take on with our neighbors and partners.

Today, we'll discuss distinct areas of influence that are concerning to me as a member of HPSCI and get our panelists' perspective on them. Specifically, I'd like to cover pressure around critical waterways and desperate need of infrastructure, specifically ports in Central and South America and the Caribbean, where the CCP would like to establish a maritime and potentially military presence, natural resource exploitation and the CCP's strategy to control resources in the hemisphere, the CCP's concept of civil-military fusion, and how it is seen in our hemisphere, countries of particular interest to the CCP, such as Colombia, Honduras, and now Guyana, and as time permits, we should not lose sight of the problem of fentanyl and its Chinese precursor chemicals, which directly result in the deaths of tens of thousands of our fellow countrymen every year.

Each of these areas is of strategic importance to the CCP and must equally be of strategic importance to us as Americans as we work together with our neighbors to maintain regional sovereignty from the cancerous CCP influence. We could probably discuss any of these issues all evening, so let's go ahead and get started.

Thanks for introducing the panelists, Cliff, so I don't have to – I don't have to do that again. I – we have really a great, world class panel here, and I'll just go ahead and get started with my first question.

I want to start with Dr. Angelo. Considering your military and academic experience in Latin America and the Caribbean, including time in Colombia and Honduras, what do you consider as the critical emerging security threats in the region that the US should prioritize in its foreign policy agenda?

ANGELO: Thank you, Congressman, and thank you to the FDD for the invitation. I should also just preface my comments with – because I am a Department of Defense employee, that my views do not reflect those of the institution or the U.S. government.

But when looking at Latin America and the Caribbean, I think from a purely military perspective, there are two primary interests that the United States government has.

Firstly, the defense of the southern approaches to the United States, both territorial and maritime, and secondarily, the protection of the Panama Canal, which is one of the world's great choke points, waterway through which six percent of global trade passes. And it's critical to resiliency of our own supply chains here in the United States.

But we can't look at the threat – the threat vectors that we see in Latin America specifically or exclusively through a military lens because, as we all know, security is multi-dimensional. And our adversaries in China and Moscow understand it to be such.

And so we need to be focused as well on the economic security, the political security, and the human security of the countries in this hemisphere, because if we're not paying attention to the multi-dimensional and multi-domain aspects of security, then we are at risk of sowing the seeds for cycles of discontent that will create instability and create, thereafter, problems for us here in the United States.

And in this context to which the region is emerging from the COVID-19 pandemic, Latin America and the Caribbean was the most adversely affected region of the world in absolute terms – in terms of deaths due to COVID or reported deaths due to COVID. Economic terms, the economic recession associated with the pandemic was the deepest in Latin America by comparison to other regions of the world.

We're – we've noticed – or it – it's evident that there is a cycle of discontent amongst populations in the hemisphere. The economic prospects for people have soured. Their commitment to democracy is on the decline. And unemployment has soared in recent years, which is helping foment the cycle of instability that drives immigration to our own southern border. And these are all conditions that play to the advantage of our near peer competitors, Russia and China.

CRAWFORD: Let me sort of drive this over into Dr. Liu's lane a little bit. From the economic perspective, I think we could look back at the Cold War history with the Soviet Union and think, well, we've got the potential. Because of their flawed economic system, we can wait this out. And I would say that probably we can't wait this out because that whole era of the Cold War, I think, the Chinese Communist Party were learning as they were growing, and we've sort of facilitated their economy.

And so, I think they've learned, I kind of would call it faux capitalism maybe as well, or better than we have learned capitalism, to use it to their ends, even though they're a totalitarian regime. And so number one, I want you to kind of unpack that a little bit.

And how does that apply to say, for example, as Dr. Angelo mentioned, Panama Canal, critical infrastructure, how important that is economically, and China's presence there? And then on the diplomatic front, using what they called, "COVID diplomacy," to gain a foothold in those nations that were hardest hit on COVID. And I'll stop there and let you comment on those thoughts.

LIU: Thank you very much, Congressman, for your thoughtful questions. And before I start my answer, I also wanted to thank FDD, thank Craig, as well as the president here, for the invitation to have me here.

So, you know, Congressman, to go to directly answer your question, the first part of your question, you know, to what extent China utilized or learned from the U.S. market-based economy, trying to use capitalism without actually taking the freedom aspect of it, without transitioning or from Americans' missionary perspective, we are thinking that at one day, with the rising economic growth, perhaps one day politically, China would move towards that direction.

For a period of time, that seems that that was sort of moving at least to the right direction. Even today, you know, when we are in an era featuring, for a lack of better word, decoupling or de-risking. Even American companies for a long period of time, they never – nobody ever said the Chinese system was perfect.

But the problem – previously, the appeal of the Chinese model has been that at least the trajectory was right, the trajectory was moving towards the expectation – towards our expectation, or, for that matter, there has been a lack of huge, major policy swings. In other words, what – wherever capital prefers certainty, prefers lack of policy, misdirection. Chinese model was there up until, perhaps, the recent five to ten years.

So, from that perspective, you know, the success of the Chinese business — the success of the Chinese economic model has been featuring the state-centered growth model, where the party, in particular the Communist Party of China, has been at the center of resource allocations from capital, from loans or credit to land purchase.

But the flip side of this economic growth model has been at the cost or at the expense of the Chinese people. To a very large extent, the story – you know, economists or financial – or academics would like to call China's system as financial repression. The idea that using below market rate, interest rate, or capital controls, so that all the capital resources can be channeled within the – not just within the border, but also at the dispense of the state-owned banking system.

So, from that perspective, the cost has been the Chinese people. Hence, what we have – observing as a window through the COVID times, we stick – you know, it's hard to gauge the scale of the COVID era protests but at least it's a scattered window, gives us an opportunity to take a look at the growing discontent among the Chinese populace, at least to the economic model, where their hard-earned money may not necessarily be allocated to their benefit.

Now, go to your second question, in terms of the – China's COVID diplomacy, as well as China's growing influence in Latin America through critical infrastructures. I would say that actually, if you look at China's – the first time when China issued its first strategy paper towards Latin America and the Caribbeans, if I remember correctly, it was around 2006 when China issued the first strategic paper towards the region. And in that paper, actually, the Chinese government had laid it out quite straightforwardly. They prioritized trade, they prioritized natural resources, they prioritized investment in infrastructure, telecom.

And then a few years – fast forward a few years later, around 2016, when they updated their policy paper, you see these policy – these strategic areas where we consider as important, remain the same. So, it's actually not surprising. It's not that just since BRI that the – China started to recognize, 'oh, actually Latin American and Caribbean countries are very important for China, in terms of raw materials, in terms of sustaining Chinese companies' dominance in the making of, let's say, electric vehicle and the batteries.' They started long before that.

And when you talk – you mentioned the Panama Canal. Yes, Chinese companies and state-owned construction firms, indeed have – they do have ownership in the Panama Canal in – for the terminal, but they also have presence in the air – in countries like Brazil or Peru or Chile.

One example just on top of mind is the China Merchant Holding Group. It's one – it's a leading infrastructure holding company, and they acquired more than 60 percent of Brazil's most profitable port. And that port happens also to be very important for Brazil's export of soybeans and other critical raw mineral – materials.

So from that perspective, you know, China's influence – China says – now it's probably about a decade ago, saying that it aims to expand in these areas. And now, if we look at China's portfolio today, actually, they have been doing what they say they would want to do.

CRAWFORD: It's interesting you brought up Brazil, and I think sometimes the United States, we sort of shoot ourselves in the foot occasionally. For example, in the early 2000s, we saw a number of U.S. farmers that were investing in Brazil. There was an opportunity to invest in land ownership and take technology to an area that was, you know, rife with potential for agricultural production. And so that's what happened.

And in the process, I think China availed themselves and has since leveraged ownership, much like they try to do in, say, Sub-Saharan Africa and things like this. But I think that is – manifest largely because they don't have the ability to feed and clothe themselves. So 20 percent of their arable land mass is – is what they have to be able to feed, what, 1.3, 1.4 billion people?

So Craig, how do you see that as a –national security challenge for them, and how it manifests itself in an economic belligerence in our hemisphere? Because the bottom line is they've got to feed themselves. So, they're looking for land assets. But while they're at it, they're employing, you know, what I would call, you know, economic bullying in some cases.

And then again, I mentioned that the – that we have a habit of sort of shooting ourselves in the foot. I think we've done that, for example, by not offering alternatives in telecom, which has been one of their biggest selling points over the last, probably, 10 years. So, what are your thoughts on that?

SINGLETON: No, no, absolutely. And it's great to be here with you all today. And I'm so happy, having served several tours in Latin America that the region is getting, I think, sort of the do that it's owed.

You know, I think here in the United States, we've often talked about food security as being paramount to national security. But actually, as Dr. Liu mentioned, China has had that same sort of strategic framing for two decades now.

It's not simply because you can extrapolate from, you know, population timetables and the decreasing amount of arable land in China, and their strong inflows of trade and key sectors – soybeans being chief among them – that the Chinese recognize that they did have – or what – I should say Western countries, particularly the United States, did have some structural leverage over some of these key pillars of their economy and perhaps their future security.

And so, as they started to expand in Latin America, I think one of the things that I found so fascinating was some of the strategic framing. It was not just that the US had not invested and had sort of taken for granted the region, it wasn't also that leaders in the region were – sort of found common ideological cause with the framing – the great power of framing that the Chinese were presenting as an alternative to us, it's that we actually offered no alternatives to most of these partner countries at all.

And so, in the ab- in almost every case that I can remember – partner countries would come to Washington and say, 'hey, we have a competing offer over here' from the, from the Chinese, whether it was in the agricultural space, whether it was in the port development space, whether it was in the information and communications technology or ICT space.

And because we weren't willing to step up for a variety of reasons, or perhaps some of these projects, upon, like, sort of reflection, were maybe not as marketable or perhaps likely to be as profitable. And the Chinese were willing, through their evolving model of state capitalism, to take a haircut, to undercut for long-term strategic gain.

You do see this very clear positioning along all of the key sectors that Dr. Liu mentioned – ICT is chief among them simply because we've talked a lot about Huawei and the threat posed by Huawei, for example. Huawei is the largest 5G provider from Costa Rica to Argentina. They dominate the ICT space, particularly now in the cloud domain.

And you start to see Alibaba and increasingly Huawei also getting involved in this next generation of technologies, where most of the cloud infrastructure being built in the region has connectivity to Chinese companies and some of the data storage is being housed back in China. So, the Chinese are establishing control over data flows.

All of this is happening, argued primarily because the United States hasn't actually offered a compelling alternative. And I think that's sort of the debate today, is how much U.S. taxpayer dollars should be devoted and invested towards a compelling alternative, or are there some of these core areas where, unfortunately, we're going to continue – to consistently be undercut and therefore they're not viable for U.S. companies?

Industrial policy's a little bit of a four-letter word in the city sometimes, but I think if employed smartly, in our own hemisphere, we do actually have the ability to compete and to compete effectively with countries that want to partner with us.

CRAWFORD: So, you teed up my next question to Dr. Angelo, and that is how does this complicate our relationship militarily with countries – for example, I'll use Costa Rica, who suffered a really serious cyber-attack attributed to China, and then they turned around and ask for the United States to come and train and provide some degree of cybersecurity.

And Costa Rica is unique among most of those countries in Central America, in that it doesn't have a military, per se, and yet, our DOD assets were being asked to go and help provide some measure of support and training for cybersecurity.

Address that, because it's not just Costa Rica, but that's a really good example.

ANGELO: Absolutely.

CRAWFORD: And then other countries where they're – you know, maybe they want an expanded military presence from the United States, but that's compromised, in my mind, due to their dependence on Huawei.

ANGELO: Yeah. So, I think this gets to a couple of issues. First and foremost, as China entered the 21st century and sought to disrupt the United States global hegemony, it did so seeking to fill vacuums where the United States wasn't present, in terms of its own foreign policy. And one of the ways it did that was by creating basically a dependency of many of the nations of the Global South, on Beijing, economically, and diplomatically, and increasingly, militarily.

But at the same time, you have this scenario in which partner nations in this hemisphere – most of the nations of the hemisphere prefer the United States as the partner of choice. And in terms of our defense and security posture and the alignment of our values and interests in those realms, you have – I think it gets to a second point, which is, frankly, that we can't look at defense issues in solidly defense lanes anymore.

I mean, typically – you brought up a great example, Congressman, of Costa Rica, which does not have a military, but our Department of Defense has a robust relationship with the security services in Costa Rica, because at the end of the day, cybersecurity is a multi-domain threat that – for which you must bring to bear all of the expertise and the best practices, and not just of ministries of security, but also of ministries of defense, also of the private sector, also of civil society.

And this gets to the broader point, which is a concept that is advanced in our National Defense Strategy of integrated deterrence, and which brings to bear not just all of the aspects or elements or instruments of government to bear on sort of trans-boundary challenges, as cyber-attacks have proven to be, but also to bring to bear the whole of society in addressing these challenges.

And particularly in cyber, you'll see that most of what the United States does in terms of its own cyber resiliency, are best practices that we've adopted thanks to the good work and the resources that were put in by our own private sector here in the United States.

And so, it's that level – that expertise that our partners seek to leverage, and at the Perry Center, we have a whole program that we've built out focused on cybersecurity policy and strategy.

And believe it or not, the most digitally advanced or connected countries in Latin America are probably the ones that have the most lax legal architecture or infrastructure to deal with things like cyber-attacks or cyber-crimes. And so, we work with partners to help them build out the – sort of the legal or the strategic architecture that they need in order to adequately respond to these threats.

CRAWFORD: I have made an effort over the last year and a half or so to meet with every ambassador in the hemisphere, here in Washington. And almost all of them say they want a trade deal. So our cumbersome mechanism for, you know, striking a trade deal is very, very difficult.

We have, you know, a trade negotiating cadre, USTR [Office of the United States Trade Representative], and her team will go and negotiate and it can be difficult, it can be lengthy. And then it's got to come back to Washington, where 535 trade experts weigh in on their opinion on whether or not we can execute this trade deal or not. That's been one of the biggest impediments, I think, in our hemisphere from a – from an economic standpoint. All of them saying the same thing. And to Dr. Angelo's point, they use this term, “your partner of choice,” but that should not imply any degree of allegiance or anything along those lines.

So trade being one of the most sought-after relationships, and the impediments that we put on ourselves to engage in trade relationships, how do we do better? What policy recommendations would you make for us to be able to offer something in the alternative while we're waiting for a trade deal to materialize? Because I've got some ideas about that, too, but I'd like to hear what you have to say about that.

LIU: You know, a trade – in trading, the part of that puzzles me as a – as economist for a long time, because it seems that if you think about all the models, based upon distance, and gravity model, for instance, it seems that countries closer to each other with bigger size, it seems that they should trade more and more with each other.

Hence, with better predictions, the United States should be the number one trading partner of Latin America and Caribbean countries, and perhaps China for the lag behind because it's just so far away. Logistically, it's challenging.

But actually, China has becoming the second largest trading partner of Latin America and Caribbean countries over recent – in recent years. And if you think about it, at the turn of the century, in 2020, China's trade with Latin America was barely \$12 billion. But as of last year, China's trade with Latin American country was second only to the United States reached to about more than \$480 billion, that basically marked about almost a 40-times increase.

So, part of the puzzle here, as I would think about – as thinking through the economic lens, I would think, obviously free trade agreement, with – as you mentioned, Congressperson, actually contributed it to it.

For instance, China now has free trade agreement with the – Chile, with – and also in conversation with Uruguay. So, by – which basically means by next year, China probably will have at least four or five free trade agreement, whereas I do not think we are – we as a country, we are – we are happy to do free trade agreement with other countries.

For – just for another example, the fact that – just another example, how frustrated I am in terms of what – how difficult or how slow we are, in terms of negotiating free trade agreement. We don't even have a free trade agreement with our best ally in the – in Asia, Japan.

So, from that perspective, I do think free trade agreement could potentially be a way to go. But perhaps that is, as you mentioned correctly, is a – lengthy and involves way too many different parts.

But perhaps one way that we can sort of navigate through this is rather than through a free trade negotiate – free trade agreement at a state level, perhaps at the federal level, perhaps at a state level, there are a lot of leeways that local governors and local legislators perhaps has more leeway to go. And on top of that, really in terms of natural resources, in particular, resource sectors that are closely tied to food security, closely tied to items that are both conducive to America's renewable revolution — renewable transformation, which is also an area where countries like Brazil, like Argentina, like Chile are heavily, heavily interested in.

So perhaps even those – especially for the sectors, our local legislators could have better leeway or more leeway than the federal government's level.

CRAWFORD: Craig, I want to talk about something that's been in the headlines here lately, and that is involving Guyana and Venezuela. Now, a few months ago, I had the opportunity to travel to Guyana. And people were saying, "oh, I didn't know you were going to Africa." That's how little people knew about this country and how important it has become. You – we mentioned trade agreements and so on, the CARICOM, that trading partnership that exists in the Caribbean Basin, for example, and they are a driving force now because of this huge oil play, maybe one of the largest in recent history.

ExxonMobil, primary investor, but they have the technology that nobody else has to be able to access this particular oil play. But it's a consortium of investors. And at least 10 percent of that investment is from China.

And so now we have a border dispute, a border that has really been established since 1899, I believe, and then sort of reestablished in 1966, as the British gave up Guyana, and it became a sovereign nation. So the Esequiba region accounts for about 70 percent of Guyana, and Venezuela says we'd like to move in there.

What's next here? I'm hearing different things in different reports. But this one is a very sensitive issue because Guyana is poised to – I think they had over \$1 billion in oil revenue in the first six months of 2023. They are a significant player, and I don't think they're going to go easy on this.

SINGLETON: You know, it's a one-sided border dispute, right? Because it's simply the Venezuelans who are sort of contesting that. I think, as we watch increasing crises driven by authoritarian regimes around the world, it shouldn't surprise us that something would flare up in our own hemisphere, at a time when authoritarian countries believe we are overstrained, that we are incapable of directly influencing the events on the ground. And we have to remember that this is also occurring within the context of a U.S.-brokered agreement with Caracas for political change.

And the — and large holds on sanctions against Venezuelan entities that even after those red lines were crossed this administration, the Biden administration elected to not snapback those sanctions in place and show a strong deterrent.

So, in that context, of course, it's not occurring in a vacuum, I would assess and having served in Venezuela, the regime sees an opportunity, a small country that as you mentioned, most people can't place on a map. They can't articulate the important national interest, particularly as it relates to energy flows, that this region of the world represents the United States. And so, they assess, perhaps strongly and rightly that U.S. policymakers will be less willing to intervene, particularly as they're facing these sorts of competing crises in Ukraine, Israel, and the situation in Taiwan.

And so, I think, at least from the Chinese perspective, is they're watching this, we see the same movie sort of repeating itself. You know, remember, China and Venezuela maintain very strong ties. There are several thousand Chinese nationals who live and work in Venezuela. But the same is also true in Guyana. And so, we've seen in the last few days, the Chinese putting out consistent messaging that we would expect, but that I don't suspect anyone's actually listening to but a real stroke of focus on respecting sovereignty and meeting – mediating this out, the Chinese see a potential another moment of upheaval and risk, particularly as it relates to potentially global energy flows in the Chinese. Even though projections are that they will be importing less natural resources and less energy to meet, sort of declining demand.

The potential for there to be a flare up in oil markets is something that Beijing is going to watch closely, the potential for infrastructure risk in places where the Chinese and Chinese companies have invested is going to get the attention of Beijing. What I suspect we'll see, though, unfortunately, is that one more instance, I'd argue that China is not actually a great power, they're actually not capable of successfully mediating this conflict or playing any sort of a meaningful role.

And a lot of the onus to do so I suspect will fall in the United States, if we're willing to sort of once again, jump in the void and recognize that we do have a core national interest here at stake, and that the potential for an authoritarian regime in our hemisphere to redraw borders on demand could very quickly I think, escalate to scenarios where other authoritarian regimes in the region start to think maybe we should sort of test Washington's boundaries as well.

CRAWFORD: Let me see, Dr. Angelo, how you feel about how this impacts us militarily, because I have some concerns about the CCP exploiting economic vulnerabilities. And that's certainly true, it's pervasive in our hemisphere – Central and South America, Dominican Republic is an example, and their neighbor, Haiti, and how they may exploit that.

Number one, one specific issue – a port on – on the northern coast of Dominican Republic, Port Manzanillo – you know, my concern is, we could have had another Djibouti right off our shore had they been successful?

And I'm not sure that's over, by the way. That – the bidding process was – I think, initially, the bid was awarded to an American company and it was rescinded. So, there's still some controversy surrounding about who's going to upgrade that port and build out that LNG [Liquified Natural Gas] platform, and what will be the long-term effects if China gets a foothold that later becomes a stronghold militarily? So that's very close to us.

The other is Cuba, where they're talking about a spy base that has been in the news. And I'm concerned that everything that they do, from an economic perspective, is the first foray into a military presence that is manifest in what we see in places like Djibouti.

So your thoughts on that as it applies to the Dominican Republic, Cuba, potentially Guyana, and other places where they can make significant infrastructure investment, and when an economically depressed country can't pay the bill, then they take it out in kind, if you will.

ANGELO: Yeah, I'd say China has sort of a couple of discrete things that it can gain from this kind of investment. First and foremost is there's an economic benefit, as you just mentioned, Congressman about the dependency that this might create, in the event that countries that are beneficiaries of this infrastructure can – cannot fulfill the terms of the agreement. And it's something that we've seen in countries in Southeast Asia, in places in Africa, Sub-Saharan Africa. But secondarily, as you rightly note, that – this purportedly civilian infrastructure could be ultimately used for defense or security purposes.

And so this is the real risk about the network of ports that are Chinese-built, Chinese-operated, and Chinese-leased, in some cases, for 99 years around the hemisphere. That creates a capability or a potentiality in which Chinese vessels, which currently aren't deploying, for instance – Chinese naval vessels aren't currently deploying to our hemisphere in any routine way.

But in the ultimate event that they do choose to, it gives them the opportunity for – for – for sea basing, which is precisely what the United States has built over the last 70 years in East Asia, where we have a series of cooperative agreements with partner nations and allies in Asia that have allowed us to base our assets and our troops there as a deterrent for Chinese action in places like the Taiwan Straits.

And so, you know, I think that there is a real risk. And Congressman, in reference to your specific mention of the spy facility that has been constructed in Cuba, it shouldn't be lost on any of us that this is located about 90 miles from Florida, where three of the U.S.'s U.S. Department of Defense combatant commands are located. And so, you know, I think we have to be very conscious of the fact that China is looking for opportunities to erode U.S. influence in its own shared neighborhood, firstly. But secondarily is looking to create problems for us in the long term in our own – shared neighborhood, which would thereafter distract us from our – the power projection that we currently enjoy in China's supposed neighborhood.

And so, you know, I think the calculation that Beijing has made in the long run is that in order to become a regional power, which is the aspiration that Beijing has, for at least, the medium and long term, that it's going to have to disrupt U.S. influence and hegemony in East Asia. And the only way to do that disrupt U.S. hegemony globally, and to create really the multipolarity that so, so often we hear mentioned in foreign policy analyses today.

And a way to do that is to distract us or to create thorns in the side of the United States, in our own shared neighborhood in the Caribbean Basin. And this is exactly what the Venezuela-Guyana border dispute, seeks — may create in the long run. A problem or a crisis in the Caribbean Basin that distracts U.S. attention resources away from other areas of the world that are equally deserving of our attention.

CRAWFORD: Dr. Liu, let me ask you this – the Chinese Communist Party offers a \$30 million no interest loan to a country that cannot repay that loan. Is debt trap diplomacy a thing? And should we be more aggressive in addressing it? How do we do it? What policy recommendations would you make for the United States to address an aggressive CCP, with regard to their debt trap diplomacy and leveraging state-owned entities to be able to engage in commercial activities that threaten countries in our hemisphere?

LIU: Yeah, thank you, Congressman, for the question. You know, if I remember correctly, the first time that I encountered debt trap diplomacy was the Secretary Mike Pompeo described the phenomenon where China's State led or state-owned creditors, lending money to emerging market economies, as well as developing countries and then eventually these countries, they lose their ability to pay.

I – you know, me myself, and many of my colleagues who do – who sort of started from empirical data tend to take a different perspective. We tend to think that a lot of – a lot of these, China's state-owned, state-extended loans, speaks to a lot of China's own lack of capacity to do due diligence, they tend to think that whatever model that they were able to do at China – inside of China, they were able to do it elsewhere. And without any problem. And then eventually they realize that regime change could lead to a infrastructure problem to be derailed, and the local protester could be, and the environmental problem could be.

So a lot of these issues that they did not previously encounter inside China have now become a problem for them.

CRAWFORD: That sort of demonstrates an uncharacteristically short-sighted view from a nation that has a history of being very long-term strategic thinker.

LIU: Absolutely. I think that's actually one of my own complaint about China's overseas lending for – both in terms of zero interest rate loans or for that matter, the undefined characteristics of what constitutes or does not constitute as a Chinese government aid, right?

So, from that perspective, you know, yes, China has, as a country – when China was established back in 1949, the country is – has been– the history of Chinese growth has been featured around five years plans, and when people now talk about oh, China has been diversifying its foreign exchange reserves – no, but actually they have been starting doing that like in the early 2000s.

So, you're absolutely right, Congressman, in terms of Chinese planners, they think in the long run, but if we think about it – when did the – China started to become a net creditor to the world, that's fairly new. In other word, they did not have much experience compared with the traditional donors, unlike the United States, like UK or France or Germany from that perspective – or for that matter, Japan.

So, a lot – the experience that they had in China, specifically they know that they understand how to build infrastructure, that's why you started to realize BRI features infrastructure investment and – for the purpose of addressing China's domestic overcapacity problem. And then they – realizing a totally different environment, they run into problems. That actually speaks a lot to China's own lack of capacity to invest overseas.

So, from that perspective, I think lessons learned for us here is that on the one hand, we should be cautious in terms of overextending our financial capacity in areas that it seems to be non-bankable.

China's lesson actually provide a huge valuable lesson to ourselves, and in the environment where the interest rate hikes makes borrowing very much expensive, I do not think any prudent investors, at least market based investors have expanded appetite to invest in higher risk or frontier market.

However, I think that the – this is what we should be leveraging. Our alliance, our partners should be something that we can leverage. For instance, we do have – we do sort of enhance the capacity of the Development Finance Corporation, the DFC. I think you and many Congress people deserves bravo, but – but it – there are a lot of remaining concentrations for the DFC.

So, like, for example, DFC still cannot work with state owned enterprises, whereas in countries like Vietnam, you know, a lot of these African economies, state-owned enterprises are probably your only choice.

So, from that perspective, we should leverage our partnership with countries like Japan and Korea when they can't do the job.

CRAWFORD: So, I mentioned the Port at Manzanillo in Dominican Republic, earlier, Craig, and – and really, one of the things I think that we can point to as something that we did here that was, I think, orchestrated for – by the embassy there in Dominican Republic was to get the Corps of Engineers involved in spec'ing out that bid.

What that did was it created a transparent model and it smoked out some shell companies. And so, to Dr. Liu's point, so these state owned entities, they're not constrained by regulatory regime that we have here in the United States, and so, they can function in ways that make it difficult for us to compete.

I think this is a great opportunity though, and looking back at that, what they've done by using the Corps of Engineers for technical consult to create the specifications for that bidding process, accomplished an awful lot.

So, we're – here's what I'm getting at, is soft power projection. So, we can't – the difference between the United States and our whole of government approach, which is wholly inadequate to match China and it's because our whole of government is just our government, whereas China's whole of government is their entire economy.

But we can't compel our economy – our private sector – to do anything, but what we could do is that soft power projection, which was demonstrated at the – it's a simple thing like spec'ing out that bidding process in the Dominican Republic to help create a more transparent model.

Talk about that a little bit, about some of the things we might be able to do, low-cost high-yield soft power projection?

SINGLETON: No, absolutely. I – so much of our discourse about competing with China in the hemisphere or around the world is about mirroring Chinese behavior. The Chinese have offered an \$80 billion project. The United States needs to somehow compete at that same number or meet this objective.

And so, we start to get into a debate about whether we need to out-China China in some of these regions. And I think you bring up a great point with the Army Corps of Engineers because we sometimes forget that there are these very low-cost options that have tremendous return on investment.

I'm reminded of another project that I was involved in. it was a Belt and Road project in South Asia, where the country in question approached the U.S. government and said we're really nervous about this port agreement – you know, the port agreement document, it's like 500 pages long, it's very legalese, there are all of these phrases and clauses that we don't quite understand what they mean.

We don't have the internal legal capacity to actually, effectively analyze this document and determine whether we should proceed. And we were hearing this message at the embassy in that country, and the reality has been that the Chinese had placed huge bets in terms of elite capture in this country and other countries through greed and pressure and economic incentives and economic promises of investment.

So, there was a lot of momentum behind finalizing deals like this. But it actually came down to the US and a partner country sending a team of lawyers – you know, on a temporary duty assignment, a TDY, as we call them in government, I think it cost the – you know, a few premium economy tickets on United, and they were able to sit down with the host country legal officials and go line by line through this thing.

And what they were able to actually do is put line edits into the contract, and in that case, there was deep concern about Chinese militarization of a port project. But through that partnership with another country, we were able to insert specific language that prevented militarization of that port.

And so, the contract is signed, the agreement received tremendous fair – fair in the – fanfare in the news, but it wasn't until later actually, that the Chinese understood that they couldn't send military ships to those types of ports. They had not actually read the revised contract.

And so, the small country in question, a third world nation in South Asia, was able to go back to the Chinese and say well, actually, you know, subsection 4, paragraph 3, comma four, you know, it says you can't send that military ship here.

And we look back and we say wow, we could have spent tens of millions or hundreds of millions of dollars on a competing port project or a – attempting to coerce or strong-arm U.S. or allied partner entities to invest or offer competing alternative, but it was maybe something like a \$25,000 TDY, right, the cost of a Honda Accord, right to derail China's ability to militarize that port, at the same time, U.S. ships continue to dock there and offload U.S. products and to take onboard and strengthen domestic trade ties with that nation.

I think those out of the box ideas are exactly what we need to be thinking about doing. And if we do so in concert with our allies, I think we sort of touched on it here, there are things that the United States can do and there's things that we just simply can't, because of regulatory and legal frameworks prevent it.

If we can't do it, can the Australians do it? Can the Japanese do it? Can the Koreans do it? All of these countries want to get in the game in a way that's cost effective. I think it's incumbent upon the United States though, to lead in identifying the opportunity space and to really engage and understand host governments to understand their needs and as – I think we've mentioned, particularly in Latin America –their desire to partner with the United States.

That pressure is really incumbent upon us. It's sort of, we have to seize the opportunity.

CRAWFORD: So, I would – let me ask you this, you mentioned contracting and how we can help sort of write those contracts in ways that save us a lot on the backend with just a little bit more due diligence on the frontend, but my concern is about how we go about enforcing those contracts, whereas China has a different view, particularly something written in the Chinese language versus the contract we might have with a country here in our hemisphere.

Dr. Angelo, you see that as a problem? Is that enforcement of those contracts difficult? Is there a different consideration for Chinese language contracts versus one in our language that we understand that we've signed off on?

ANGELO: I think the real challenge here isn't necessarily one of contracting, but rather one of corruption. And what we've seen in Latin America and frankly, all over the world is that China's willing to meet X country wherever it sits on the scale of corruption.

It will abide by the rule of law if it's a country that abides by the rule of law. It will engage in systematic corruption in a country where the system is an operating context of corruption.

And so, I think that is one of the biggest challenges we confront in Latin America, because when you poll citizens of the countries of Latin America, their number one and two frustrations annually, for the last 15 years, have been corruption and insecurity.

And so, I would get – go back – going back to Craig's response, I would say that one of the things that we could and should to is look to those areas where we already have a strategic advantage over China in this hemisphere.

I think it – easy sort of low hanging fruit are the social and cultural ties that we have, that we share demographics with many of the countries of this hemisphere. If you look, there are – across the U.S. population there are 50 million Spanish speakers in this hemisphere. That's – that – we can engage with our partners in Latin America and the Caribbean in the language that they speak in a way that China cannot.

In fact, if you look at Chinese professional military education programs that are tailored for Latin American and Caribbean audiences – Caribbean, it's different because they speak English, but their offerings are all in English. So, China's teaching professional military education in English to people who are native born Spanish speakers or Portuguese speakers.

And so, I think that that's one area where we should be really doubling down on our engagement, and instead of looking where we can cut a couple \$100,000 or a couple of million dollars here and there in terms of our social, cultural and educational exchanges, we should be doubling, if not tripling those budgets.

But secondarily, we should look to our security cooperation enterprise. The United States has long and established security assistance and security cooperation relationships with nearly every country in this hemisphere.

And the United States and allied nations in NATO are producing a product and have technologies that are of greatest desire for our partners. It's not that our partners necessarily want to purchase Chinese military technology, but sometimes that's the only thing that's available. Or China – China's offering them technologies or equipment with no strings attached, so to speak, at least not in the immediate term.

And so, if we look to – as I mentioned before, we are in military and security terms, the partner of choice for most countries in this hemisphere and one way that we can build on that is to actually expand our security cooperation ties by offering more – greater – access to United States made equipment.

And – but I think one – if you look at historically, across Latin America, part of the limitations that we've confronted in terms of our success in the administration of security cooperation is that we haven't paid as much attention to developing the absorptive capacity of our partner governments to absorb our – the technology to absorb the capacity and then to provide the sustainability of that technology.

And this gets to a lot of what we do at the Perry Center is known in the DOD as defense institution building, but helping build up the civilian bureaucracy that can be the historical memory that can ensure that maintenance and systematically of the technologies or the armament that we've transferred to partner nations is actually being utilized and well maintained so that when time – when push comes to shove, and – and we need to leverage that capability of a partner nation, that we're able to do so.

CRAWFORD: OK, last question, we got about three minutes left, so I'm going to pose this question to all three of you, kind of lightning round style. Fentanyl, I mentioned it in my opening comments. How do we address it? How do we stem the flow? And how will that impact our relationship with Mexico? Dr. Liu, we'll start with you. Just give me a one minute answer?

LIU: I think the fentanyl issue – they are two part of it, one is the supply side and one the demand side. The supply side, we really need – on the supply side, which is what President Biden and President Xi agreed to do, we need more information from China, who are the different varieties of suppliers and manufacturers of all these different precursors. It's not just the pharmaceutical companies, there might be other food ingredient and processors and things like that. Need more information.

ANGELO: Yes, on the fentanyl front, I mean if we look, fentanyl is the number one killer of Americans between the ages of 18 and 45, and so, it is a major priority for the United States government to address that and China's the number one distributor or supplier of precursor chemicals that end up in Mexico and then get converted into what amounts to be a – about a 20 cent tablet in Mexico that is sold here on the street in Washington, DC for about \$20.

So, fentanyl is a drug like none other, in that regard, in terms of it – I mean it has a – a transformative monetary capacity of about 100 times whereas I think cocaine is somewhere between 15 and 20 times the value in Colombia. So, you know, I think what we really need to do is leverage our relationship with Mexico and the Mexican security sector to get after fentanyl.

Unfortunately, the Mexican security sector, right now, is distracted with a plethora of other issues that are keeping it from actually performing its primary goals of territorial defense and citizen security caused by cartel wars.

And so, you know, I think helping refocus the debate on one of supporting our Mexican partners in particularly the Mexican Navy, which has proven so faithful and good at performing anti transnational organized crime operations is one way to get after this problem.

CRAWFORD: Excellent. Craig, I'll give you the last word.

SINGLETON: I would just say I have very little confidence in the deal or the agreement to resume fentanyl talks between the United States and China, and I think we've sort of seen this movie before.

But I think Paul brings up a great point, and that is our ability to build capacity and to share information with partners and trusted and vetted units, particularly in places like Mexico – that are facing numerous resource demands, particularly because of rising cartel violence in lots of parts of Mexico.

I think we actually haven't fully mapped out what these cartel networks look like and the infrastructure on the ground in Mexico ourselves. We understand where the precursor materials come from, but when all the materials and the trans-shipment points reach Mexico, we actually don't have a very good sense of where that's going.

Counter narcotics has been tremendously under resourced as a national security objective by the intelligence community. I think this should be one of those areas where we increase our investment, are able to map out and share that information with trusted partners, and then test, in a confidence-building mechanism, whether the Chinese partners are willing, able and capable of taking action against specific supply chain trans-shipment points in Mexico. And if they're able to do that, and we're able to build up that confidence, then we can share more.

I think that if we see unfortunately that they aren't able to do that, then we sort of have to do – back to the drawing board and assess whether we can effectively work with the Mexican government – the current Mexican government in the fight against drugs.

CRAWFORD: Well, thank you all very much. If you would give our panelists a big round of applause, appreciate it.

(APPLAUSE)

Do we have time for a few quick questions before we – before we wrap?

WEEKES: Good afternoon, everyone. I want to say thank you very much for very enlightened exchanges.

I want to challenge us a little. Many of these things that were said seem to focus and – this is a phenomenon I recognized – we often say “Latin America and the Caribbean,” right? And it's almost as if we treat it with one broad brush. And I want to challenge us – those are two very disparate regions with very disparate issues. And if we attempt to look at it as one, then we would probably come up with a solution that is not tailored and therefore not as effective as it could be – one.

Two, hasn't the US lost a step a little in not leveraging diplomatic relationships along the continuum? Because we – you can't look at it solely in terms of the gunboat diplomacy approach. That – that time has gone.

You know, now, we need to get into more wisdom, more of this soft power approaches towards it, where I think there would be leveraging of various things that could influence appropriately and not just look at oh, trying to catch up to China or trying to counterbalance.

No, it's a long-term, in the very same way that I think one or two of the panelists was speaking about providing counter-offers in terms of dollars and cents, perhaps we can have counter offers in terms of a strategic direction over a period of time. It can't be a short-term thing. In the very same way that the Chinese have been noted as doing dynasty preparation, the response has to be dynasty countering.

CRAWFORD: Well, I'm an advocate of bilateral trade agreements for the reasons you just said, because every country is different. There is different considerations, a lot of reasons why you would be more successful in a bilateral approach as opposed to these big giant multilateral trade negotiations.

And I think you could say the same thing from a diplomatic perspective. If we understand and respect an individual country's sovereignty, the cultural proclivities, all the different things that make up – make that country unique, then we can engage on those terms, as opposed to more of a homogenous approach to how we engage in a region.

So, I think that from my perspective, I agree with what you're saying there, and I think that's borne out in where we've had success with various trade relationships that have – that we actually do have, for example, in Colombia and in Panama and the – you know, Dominican Republic and so on.

So, I think we can take that approach and broaden it to – to include a diplomatic approach.

WEEKES: But do you notice that every time you have made a reference, it has been to one of the larger regions in Latin America and the Caribbean, probably guided by markets, I understand, but it does not reduce the influence that the smaller island development – developing states can bring to bear within the hemisphere – food for thought.

CRAWFORD: Gotcha. Thank you.

ANGELO: I would just respond to that and say, I mean, I think some of our adversaries or competitors have recognized – I mean, we don't have to look as far afield as China. In fact, if you look at the strategy that Hugo Chavez pursued when he was President of Venezuela, it was to corral consensus through investment and through a program called Petrocaribe that – and – and he focused on small island nations who all had an equal vote as every other nation in this hemisphere does, in the Organization of American States.

And it was through those diplomatic and economic pressures that we saw a – essentially a scenario in which many of the countries of this hemisphere refused to stand up for democracy in places like Venezuela, have refused to stand up for democracy in places like Nicaragua, because it is of economic benefit for them to abstain.

And so, I think you're absolutely right, sir. And – and it's – it's something that United States should be more – more laser-focused on, leveraging our diplomatic touch.

CRAWFORD: Oh, one thing I would throw in there too, and I think that I mentioned, and I think it was mentioned by one or two of the panelists, this CARICOM relationship, that exists because those countries viewed their ability to form a strength in numbers approach to improve economic outcomes for each individual country, but they did it in a way that sort of empowers them from a regional perspective.

That's not to take away from their individual cultural significance, because look, Jamaica's a heck of a lot different than Guyana – is a heck of a lot different than the Dominican Republic, but there are some commonalities that they can share and leverage to a better economic end. And so, I think sometimes, they do this on their own. This is something that's organic to a region.

SINGLETON: Yeah, I would just – the only thing I would chime in is we're seeing the third evolution of the Belt and Road Initiative, massive drops in these traditional infrastructure investments and a shift towards governance, the notion that we're going to use BRI to promote Chinese governance narratives, that I think, at a core level, many countries throughout the Caribbean may find pretty distasteful when we talk about lack of universal rights or free enterprise.

And I think, as we learn more and more about Xi's push towards governments and as Belt and Road investments drop quite considerably, I think, for the next few years, there is this window to have a talk about "where do your values and interest align most?"

And it's hard here in the United States because we have these elections and this political system and cycle that I think – you know, sort of representative Crawford, they have to wear like armor every day on the Capitol to sort of – to get in there and scrape by and to ensure that everything – just that we're keeping the lights on sometimes.

The Chinese have a little more certainty. And so, it is harder for us to have these long term conversations, but I think we're at a moment where there's real stark contrast between China's view of a China-centric global order that reflects its values and interests and perhaps modernizing and updating the rules based order in a way that is understanding of and I think complementary to some of the needs of regions and parts of the world that perhaps felt left behind in the old order.

This is sort of the moment for that – I think, that dialog.

CRAWFORD: They're giving me the light, so it's time to wrap up.

Once again, I want to thank our panelists, and particularly want to thank the Foundation for Defense of Democracies. Cliff, wherever he is, thank you. We appreciate you hosting today, and thank you all for being a part of it.

(APPLAUSE)

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