

**PRC INFLUENCE AND THE STATUS OF
TAIWAN'S DIPLOMATIC ALLIES IN
THE WESTERN HEMISPHERE**

HEARING

BEFORE THE

SUBCOMMITTEE ON WESTERN
HEMISPHERE, TRANSNATIONAL
CRIME, CIVILIAN SECURITY,
DEMOCRACY, HUMAN RIGHTS,
AND GLOBAL WOMEN'S ISSUES

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

ONE HUNDRED NINETEENTH CONGRESS

FIRST SESSION

MARCH 26, 2025

Printed for the use of the Committee on Foreign Relations



Available via <http://www.govinfo.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

WASHINGTON : 2025

60-060 PDF

COMMITTEE ON FOREIGN RELATIONS

JAMES E. RISCH, Idaho, *Chairman*

PETE RICKETTS, Nebraska	JEANNE SHAHEEN, New Hampshire
DAVID MCCORMICK, Pennsylvania	CHRISTOPHER A. COONS, Delaware
STEVE DAINES, Montana	CHRISTOPHER MURPHY, Connecticut
BILL HAGERTY, Tennessee	TIM Kaine, Virginia
JOHN BARRASSO, Wyoming	JEFF MERKLEY, Oregon
MIKE LEE, Utah	CORY A. BOOKER, New Jersey
RAND PAUL, Kentucky	BRIAN SCHATZ, Hawaii
TED CRUZ, Texas	CHRIS VAN HOLLEN, Maryland
RICK SCOTT, Florida	TAMMY DUCKWORTH, Illinois
JOHN R. CURTIS, Utah	JACKY ROSEN, Nevada
JOHN CORNYN, Texas	

CHRISTOPHER M. SOCHA, *Republican Staff Director*

DAMIAN MURPHY, *Staff Director*

JOHN DUTTON, *Chief Clerk*

SUBCOMMITTEE ON WESTERN HEMISPHERE,
TRANSNATIONAL CRIME, CIVILIAN SECURITY, DEMOCRACY,
HUMAN RIGHTS, AND GLOBAL WOMEN'S ISSUES

JOHN R. CURTIS, Utah, *Chairman*

JOHN CORNYN, Texas	TIM Kaine, Virginia
BILL HAGERTY, Tennessee	JEFF MERKLEY, Oregon
RICK SCOTT, Florida	JACKY ROSEN, Nevada
TED CRUZ, Texas	CHRISTOPHER MURPHY, Connecticut

C O N T E N T S

	Page
Curtis, Hon. John R., U.S. Senator From Utah	1
Kaine, Hon. Tim, U.S. Senator From Virginia	3
Ellis, Dr. Evan, Senior Associate (Non-resident), Americas Program Center for Strategic and International Studies, Washington, DC	5
Prepared Statement	7
Custer, Samantha, Director of Policy Analysis, AidData Global Research Institute, The College of William & Mary, Williamsburg, VA	15
Prepared Statement	17

PRC INFLUENCE AND THE STATUS OF TAIWAN'S DIPLOMATIC ALLIES IN THE WESTERN HEMISPHERE

WEDNESDAY, MARCH 26, 2025

U.S. SENATE,
SUBCOMMITTEE ON WESTERN HEMISPHERE,
TRANSNATIONAL CRIME, CIVILIAN SECURITY,
DEMOCRACY, HUMAN RIGHTS, AND
GLOBAL WOMEN'S ISSUES;
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:33 p.m., in room SD-419, Dirksen Senate Office Building, Hon. John Curtis (Chairman of the Subcommittee) presiding.

Present: Senator Curtis [presiding], Kaine, Merkley, and Scott of Florida.

OPENING STATEMENT OF HON. JOHN CURTIS, U.S. SENATOR FROM UTAH

Senator CURTIS. Welcome. I am delighted to open this hearing on the Western Hemisphere Committee, and we will now come to order.

Before I begin my remarks, I just want to give a shout out to the good Senator from Virginia to my right, and tell him how much I appreciate the opportunity to work together with him on this, we had a chance to meet a little earlier in this week, and there are a lot of really good bipartisan issues for this committee to delve into and delighted to and honored to sit next to you here, Senator. Thank you.

I used to be a Virginian, and we were talking, he was serving on the city council in the city where I lived when I lived in Virginia, and it's interesting how things turn out.

Today marks 5 years since my bill, the *Taiwan Allies International Protection and Enhancement Act*, *TAIPEI Act* was signed into law. This bipartisan act that I sponsored in the house, which passed unanimously through Congress, has been pivotal in protecting Taiwan's remaining diplomatic allies from Beijing's coercion.

The *TAIPEI Act* strengthens Taiwan's position in the world by promoting deeper trade with Taiwan, supporting Taiwan's participation in international organizations, and most importantly, protecting Taiwan's relations with its allies. In short, it sends a loud message of U.S. support for Taiwan, making clear that we stand

with our democratic partners and will not tolerate attempts to isolate Taiwan.

I'm proud of the *TAIPEI Act's* legacy and hope this subcommittee hearing serves as reaffirmation of this 5-year anniversary. The *TAIPEI Act* came as a response to Beijing's intensified campaign in the Western hemisphere and the Pacific aimed at prying away Taiwan's allies. In Latin America in the Caribbean, this pressure is increasing.

Specifically, the *TAIPEI* came as a response to Panama, the Dominican Republic and El Salvador switching diplomatic recognition. Not only did they switch diplomatic recognition, but they adopted China's One China's principle, or China's claim that Taiwan is part of China. Honduras became the latest to switch recognition in 2023, severing its 82-year alliance with Taiwan after making exorbitant demand for billions in aid that Taiwan wasn't able to fill, but Beijing did, for a price.

Even regional institutions have not been spared. The Central American parliament was pressured to expel Taiwan's observer and replace it with China, underscoring the breadth of China's influence campaign in our backyard. Beijing's tactics in our hemisphere are increasingly blatant. State department officials have rightfully likened China's approach in our region to the 19th century imperialism, bribing local leaders with investments in ways that lead to debt dependency.

Make no mistake, China's goal is to isolate Taiwan completely with the goal of silencing international descent if China forces unification on Taiwan, and it is deploying every tool in its disposal to achieve that end in our very own hemisphere. It is squarely in the United States national interest, to push back against Beijing's encroachment in our own backyard and to support those nations that continue to stand with Taiwan.

China's influence efforts in the Western Hemisphere threaten not only Taiwan's position in the world, but also global stability and U.S. interest. We must respond with equal resolve. That means redoubling our engagement with Taiwan's remaining allies to ensure they have strong economic and security incentives to stick with Taiwan.

The *TAIPEI Act* charts that course. The U.S. should prioritize support and diplomatic engagement with countries that maintain ties with Taiwan and consider downgrading relations with those who bow to Beijing. This aligns with the Trump administration goal of ensuring our dollars spent abroad are making America more safe, secure, and prosperous.

That is why I'll join a bipartisan group of House and Senate colleagues next week, to introduce the *Taiwan Allies Fund Act*, which I view as a natural follow up to the *TAIPEI Act*. This bill sets aside a portion of the already appropriated countering PRC Malign Influence Fund, to focus on helping countries that stand strong in the face of PRC pressure and maintain our strength and ties with Taiwan.

We cannot allow the Chinese Communist Party to buy out Taiwan's friends in our own backyard. We will continue to stand shoulder-to-shoulder with Taiwan and help it shore its allies countering Beijing's coercion at every turn. Taiwan's allies in this hemi-

sphere have shown courage and loyalty in the face of intense pressure. United States will not abandon them, on the contrary, we will strengthen our alliances with these partners, rejecting authoritarian influence.

Together, we send a clear message. Taiwan is not alone and the Western hemisphere will not become a playground for the PRC. With that, I'd like to yield to the distinguished Ranking Member for his comments.

Senator Kaine.

**STATEMENT OF HON. TIM KAINE,
U.S. SENATOR FROM VIRGINIA**

Senator KAINE. Thank you, Mr. Chair and I am very happy to be holding this hearing on a really important topic. I want to congratulate Senator Curtis on his chairmanship of this subcommittee and on this first hearing. As he indicated, we talked and we feel like there's much good work that we can do together.

I want everybody to know that the title of this subcommittee might be the longest of any subcommittee in the United States Senate. This is the subcommittee on Western Hemisphere, Transnational Crime, Civilian Security, Democracy, Human Rights, and Global Women's Issues.

By tradition, while most of our hearings will likely be focused on the Western Hemisphere, we feel like we've got a pretty broad latitude to do human rights, democracy, promotion, other important issues, and I relish that opportunity.

The chairman and I have some similarities——

As he mentioned, he lived in Richmond when I was starting my career in public life as a city councilman there. We also were both missionaries. He did his missionary work in Taiwan. I did my missionary work in Honduras, and so my passion for the Americas is driven by that, but that's something that we share.

The hearing today is very much driven by Senator Curtis's work as a legislator, but also his personal experience. Congratulations on the 5-year anniversary of the *TAIPEI Act*. I actually remember it well. This was a house bill, but the SFRC had a similar bill and we worked on it in 2019 over what was a landmark bill, but also a bipartisan one. We can do good work together and we need to keep doing it.

We've got a great panel this morning. I want to thank you Mr. Ellis. It's always good to have you here and to see you again, but I have to admit a particular pride in welcoming Samantha Custer of William and Mary's AidData Center initiative, which is a program that was founded in collaboration between William and Mary BYU, in Senator Curtis's home state of Utah, and also UT Austin.

You need to know Samantha, that sitting behind you is one of the best talent pools that anybody with a college should be interested in. This is Thomas Jefferson High School's day on the hill. These are all TJ seniors, one of the best public high schools in the United States. Do really well and you might convince some of these guys that William and Mary is where they should go.

We've got an opportunity today to deepen our discussion on the important topic that is bipartisan: the clear national security interest to ensure that the U.S. in its diplomatic, economic, and security

partner of choice in the region, and that China's efforts to influence folks in the region to pull away from the U.S. and support policies counter to the U.S. are not successful.

The U.S. and the 34 neighbors that we share in this hemisphere, share deep ties, economy, family ties, cultural, historical ties, and we need to make sure that we're building off that foundation and off that history, rather than taking steps that push our allies away from us or letting them drift away from us without paying sufficient attention.

U.S. assistance and engagement are vital to countering threats to national security. We have an essential role to play in bolstering the stability of the region. When we do that, we help the regional economies and regional political stability, we not only benefit these neighbors that are our friends, but we also reduce issues like narco-trafficking or migration flows to the United States. We're very, very tied together.

Every crisis in the region that affects people in the region affects our homeland too. There are two reasons why China is moving so aggressively into the region, why we have to be equally strategic in our response. Not only is the PRC trying to box us into a corner in our own neighborhood, they're also really coming hard after Taiwan's diplomatic partners, often at the cost of prosperity and good governance. The PRC's tactics in the region bring significant corruption, economic degradation, environmental challenges. We've seen that again and again and again in the region.

The area where I think it's been most manifest to me is in the relationship that the PRC has had over many years with Ecuador, that has left Ecuador victimized by illegal fishing around the Galapagos, environmental despoilation around drilling or substandard infrastructure projects. That has put Ecuador in a real jam, and Ecuador in recent years has been more open to interacting with the U.S. because they've seen the cost of deep engagement with China.

The PRC is very, very focused on the issue of Taiwan and the fact that in this region and the Americas have been some of the most longstanding ties between nations and Taiwan. Now, our U.S. joint assistance programs with Taiwan have bolstered Taiwan's diplomatic partnerships in the area.

The Chair mentioned some of the areas where we have partners in the region drifting away from Taiwan or changing their policy, but as an example, in February, 2024, the U.S. International Development Finance Corporation, signed an agreement with its counterpart in Taiwan to advance private sector investments around the world. The landmark program is focused on the Western Hemisphere in the Indo Pacific's direction.

U.S. foreign assistance is one of the several important tools for countering PRC advances in the region, but the status of some of these foreign assistance programs is very much in question right now in the early months of the Trump administration.

We want to try to make sure that we're using tools at our disposal to do what I know the Trump administration very much wants, to counter Chinese dominance, they very much want to do that. You see that in military investments, et cetera, but one of the ways we counter Chinese dominance is also in the humanitarian

aid diplomatic space, and I'm sure we're going to be talking about that today.

Trade and leveraging private sector partnership is another one of the great tools we have. The PRC is disrupting commercial exchanges with countries such as Guatemala, and they're exerting pressure on other countries like Paraguay as a means of coercing them into compliance with Taiwan policies. There can be short-term gains for some nations in doing this, but often at the cost of long-term stability and prosperity.

Shared values of democracy, freedom of expression, rule of law, need to remain at the core of our engagement. In this way, too, supporting democratic Taiwan's ties throughout the region is in our collective interest. I'll turn it back over to the chair so we can begin the hearing.

There is a vote occurring during this hearing, so you'll probably see us leave at different times. You may see other colleagues joining and leaving as votes are underway, just to explain that. With that, I yield back to you, Mr. Chair.

Senator CURTIS. Thank you. We'll just deal with that as it comes at us. I think you all are familiar with the drill here in Washington. Thank you, Senator.

Dr. Evan Ellis is a research professor of Latin American Studies at the U.S. Army War College Strategic Studies Institute, with a focus on the region's relationships with China and other non-Western hemisphere actors.

As well as transnational organized crime and populism in the region, Dr. Ellis is the leading expert on the China Latin American relations and has published hundreds of works on the subject. Dr. Ellis has also served on the Secretary of State's policy planning staff at the office responsible for Latin America and the Caribbean, as well as international narcotics and law enforcement issues.

Dr. Ellis, the floor is yours. I think you understand the 5-minute limits in the lights. You're welcome to begin.

STATEMENT OF DR. EVAN ELLIS, SENIOR ASSOCIATE (NON-RESIDENT), AMERICAS PROGRAM CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, WASHINGTON, DC

Dr. ELLIS. Chairman Curtis, Ranking Member Kaine, thank you very much for the opportunity to share my work and thoughts with you here today.

Since 2005, PRC-based companies have invested \$203 billion in Latin America and its bilateral trade with the region has reached \$500 billion. China has also built significant people-to-people networks in the region, including 44 Confucius centers. It provides paid trips for numerous academics, politicians, police and military, and even judges.

It similarly pays for trips for journalists to the region, including Leo Rubin and Kike Gamarra of Paraguay, as well as Juan Canel Cabrera, and Claudia Mendez of Guatemala among many. It supplies free media content reflecting PRC narratives, it curries favor with chambers of commerce in the region, as well as friendship caucuses in their legislatures. It does all of this to buy goodwill, access and intelligence.

The PRC's dominant position in the region's digital infrastructure includes Huawei in telecommunications and cloud services, including the Mexican Government and other governments in the region, as well as Hikvision and surveillance systems and nuke tech custom scanners. These create risks both of espionage and also intellectual property theft.

China also props up authoritarian regimes such as Venezuela, not only through loans, but also through systems that support repression, including riot control vehicles and facial recognition cameras for tracking down protestors. If the PRC starts a war with the U.S., its surveillance facilities in Cuba and its commercial operations close to the U.S., could be used as launch points to disrupt U.S. force deployment and sustainment.

In Panama, beyond Hutchinson's, "not yet sold" two ports, the operations of COSCO, CCCC, and numerous other Chinese companies give it the combination of physical presence, technical knowledge, and relationships that could allow it to shut down the canal. The China friendly firm, Notarc, has assets from the defunct China Land bridge venture, which it may use in a new bid for the Panama Colon container port.

In Peru, COSCO's exclusive control over the port of Chancay, could allow it to resupply PLA naval forces in the Eastern Pacific in time of war.

PRC access to space from the Western Hemisphere, not only the PLA operated facility in Neuquén, Argentina, but also others in Venezuela, Bolivia, and Chile, including Ventarrones, could also be used and allow it to target U.S. satellites and also to attack the U.S. from space during time of war.

With respect to Taiwan, for me our partner's survival as an autonomous democratic entity, is crucial for peace in Asia and to limiting PRC projection in the Pacific as well as in the Americas. As the number of states recognizing Taiwan dwindles, CCP confidence that it can end Taiwan's autonomy at an acceptable cost grows, increasing the risk for all of us of a major war.

In the last 7 years, as you noted, 5 of the 12 nations in this hemisphere that recognize Taiwan have abandoned it for the PRC. The results for those who switched have been largely negative. Indeed, none of those who switched meaningfully increased either exports or actual Chinese investment from that move.

Moreover, their PRC imports grew rapidly, harming local businesses. Those diplomatic switches also allowed the PRC to rapidly expand its presence and influence through MOUs, free trade agreements, training programs for government officials, Confucius Institutes, infrastructure projects, and paid trips to the PRC.

Of Taiwan's remaining friends, Paraguay's President Santiago Pena, remains steadfast. Still, the PRC is constantly wooing Paraguay's elites. I note, for example, the case of PRC agent Xu Wei, who entered the country under false pretenses to lobby the Paraguayan Congress. In the Caribbean, the March 12 election victory of the incumbent People's United Party decreases the risk of change there. Still, small governments including Saint Kitts and Nevis, including also Saint Vincents and the Grenadines, and Saint Lucia, are tempted by the money of Chinese investors.

In Haiti, frankly, I worry about Viv Ansanm and a possible take-over leading to a lawless criminal government, who would be tempted to turn to the PRC for financing.

My recommendations to the committee include: Number one, supporting programs to build partner institutional capacity to limit PRC advance, including the evaluation of contracts and investments, fighting corruption, and overseeing Chinese commercial and other activities.

Two, an expanded and less constrained Development Finance Corporation to leverage private sector good U.S. investment.

Three, leveraging democratic partners in Asia and Europe in order to finance and win projects to deny that space to the PRC.

Four, DoD, DHS and intelligence community preparation for likely PRC actions, not only in the Indo Pacific, but also in the Western Hemisphere in time of war.

Five, strengthened messaging on the U.S. commitment to Taiwan, including, and I believe this is very important, CODELs and STAFFDELS there, as well as defense and technology assistance supported by this Congress.

Finally, greater State Department and other U.S. Government coordination with Taiwan, including in my judgment, privileged treatment for those states, recognizing it, both in terms of economic matters and also in international organizations.

Thank you for the opportunity to testify.

[The prepared statement of Dr. Ellis follows:]

Prepared Statement of Dr. Evan Ellis

Chairman Curtis, Ranking Member Kaine, and distinguished Members of the Committee, I am honored to share my analysis with you today. The views I express here today are mine, and do not represent those of the Center for Strategic and International Studies (CSIS), the U.S. Army War College, or the U.S. Government.

I am testifying in my capacity as an academic who has followed and written on Chinese activities in Latin America and the eroding position of Taiwan there for over 20 years, both while in government and in the private sector. I believe both China's advance and Taiwan's eroding position profoundly impact U.S. strategic interests, the interests of the Western Hemisphere that we share and issues of peace and stability in the Indo-Pacific and the global strategic environment more broadly.

Per the title of the hearing, my remarks today focus on two interrelated topics: PRC influence in Latin America and the Caribbean, and Taiwan's eroding position there, including the implications of both.

THE INFLUENCE OF THE PRC IN THE WESTERN HEMISPHERE AND ITS STRATEGIC IMPORTANCE

The influence of the People's Republic of China (PRC), and its impact on U.S. equities goes far beyond the approximately \$203.4 billion Chinese companies have invested in the region, recorded in at least 678 public transactions,¹ and its \$499.6 billion of bilateral trade.²

PRC physical presence as an employer, taxpayer, business partner, and purchaser of the region's goods, and the expectations of commercial and personal benefit that come with that commerce has tempered the willingness of elites to pursue their national interests in ways that resist the PRC advance, or to speak critically of PRC authoritarian behavior, whether in Hong Kong, the repression of Uighur Muslims and other elements of its own population, its aggression against Taiwan, or its construction and militarization of artificial "islands" in the South China seas and its maritime claims against its neighbors there.

The PRC has also used its commercial and other engagement to build significant "people-to-people" networks in the region. These include 44 Confucius Centers that serve as gateways for recruiting students to study in China on scholarships directly from the Chinese Government,³ as well as numerous state-affiliated PRC-based universities, and private institutions like Huawei's "Seeds for the Future" program.⁴It

also includes luxurious paid trips to China for thousands of journalists, academics, political party elites,⁵ and even judges, military personnel and police officers.⁶ PRC outreach further includes providing free stories and images, and lucrative paid advertisements to Latin American media, from *La Jornada* in Mexico to *La Tercera* in Chile. It includes outreach to parties in the region with interests in China through the International Liaison Department of the Chinese Communist Party.⁷ These include Chambers of Commerce and “China friendship” caucuses, such as that headed by leftist Workers’ Party (PT) member Yeidckol Polevnsky in Mexico,⁸ and that headed by radical Citizen Revolution party member Silvia Nunez Ramos in Ecuador.⁹

In the digital domain, significant participation by PRC-based companies in the region’s digital infrastructure and services puts at risk sovereign decision-making and the protection of intellectual property by both companies and political leaders. The 2017 PRC National Security Law and the 2019 Cybersecurity law, both oblige PRC-based companies to turn over data in their possession if the CCP government determines that it is of national security value for the Chinese Government.¹⁰ In this context, it is of note that the PRC-based firm Huawei, among others, has supplied devices and components to the region’s telecommunications architectures since the late 1990s. Today, such Chinese companies contribute up to 60 percent of the region’s telecommunications infrastructure. Huawei’s advantageous position in 5G, whose architectures are being rolled out now across much of the region, suggest that Chinese dominance in the sector will only grow larger. In Mexico, Huawei is a significant provider of cloud services to countless companies operating there, many of whom would never dream of locating their core intellectual property in the PRC. Through Telmex and its local partner the Carso Group, Huawei is also a leading provider of digital hardware and services to leading ministries of the Mexican Government, including possibly the Office of the Presidency and the Communications and Transportation Secretariat (SCT).¹¹

In pursuing its economic and other interests, the PRC has also played a key role in propping up authoritarian regimes across the region. The PRC provided over \$60 billion in loans to the Maduro and Chavez regimes in Venezuela, and \$13 billion to the leftist Rafael Correa regime in Ecuador, repaid by the commodities of those nations, as authoritarian governments in each consolidated their power. Beyond Chinese extraction of the resources of such authoritarian regimes in exchange for products and work projects by PRC-based companies, the PRC has also provided a myriad of information technology and security equipment that has extended the life of these regimes and bolstered their ability to repress their own people. In Venezuela, for example, the PRC sold the “Fatherland Identity Card” system to that nation’s authoritarian government to help it monitor and distribute scarce food and resources to pro-government groups. They also sold Venezuela the VN-1 and other armored vehicles used by the Chavista government to repress the populations,¹² as well as the facial recognition cameras used to target protesters to later track them down in their homes. In Cuba, the Communist governments successful repression of protests in July 2021 was facilitated by it having contracted with PRC-based companies for its telecommunications technologies, allowing the Cuban Communist government to shut down protesters’ ability to coordinate with each other, and with the outside world.¹³

In security affairs, the growing PRC commercial presence and security relationships with nations in Latin America and the Caribbean create numerous options that China’s Communist Party could exploit in the region, impacting U.S. forces and the defense of the U.S. homeland, if the PRC found itself in a war with the U.S. over its actions against Taiwan, or other issues in the Indo-Pacific. Indeed, these are options the PRC could exploit without formal military alliances or basing agreements in this hemisphere. In Cuba, the PRC presence in at least one signals intelligence facility in Bejucal, Cuba, and possibly as many as four such facilities,¹⁴ could be used to collect electronic data on U.S. installations and force movements in the region. Numerous PRC commercial operations in Mexico, Central America, and the Caribbean create options for its intelligence and special forces to observe, and potentially disrupt U.S. deployment and sustainment flows, many of which would likely travel from U.S. installations through the Caribbean in proximity to those commercial facilities.¹⁵

It is also likely that the People’s Liberation Army (PLA) has used undocumented immigration into the United States to position agents to conduct attacks against infrastructure and other targets during wartime. To be clear, Chinese youth unemployment is high, thanks in part to the lingering effect of the sustained “COVID lockdown” and other problems. Thus, the vast majority of the more than 30,000 Chinese nationals that were estimated to have entered the United States without proper documentation in 2024¹⁶ are probably mostly economic migrants, yet it is dif-

difficult to imagine our capable, innovative adversaries in the PLA not taking advantage of such massive flows to inject at least a limited number of operatives who could be used to collect intelligence or act against certain U.S. targets during time of war.

With respect to Panama, both U.S. warships, and also U.S. logistics ships carrying supplies and heavy equipment through the Panama Canal to the Indo-Pacific, would be part of the “race” to reinforce Taiwan in any war, attempting to prevent an invading PLA from consolidating its victory. Thus, the closure of the Canal, even for days, could seriously impact the outcome of such a conflict. In wartime, the PLA thus has a strong, logical military imperative to shut down the canal, likely in superficially deniable ways, during such a conflict. Its ability to do this, particularly in a non-attributable way, is a function not only of Hong Kong-based Hutchison’s operation of two of the five Panama Canal Zone ports, but also from its combination of physical access, technical knowledge, and relationships the Chinese have through its myriad of other operations in Panama, including those of the Chinese logistics giant COSCO, one of the biggest users of the Canal, China Construction Communications Corporation (CCCC) and its subsidiary China Harbour, which is currently building a new bridge in the Canal Zone,¹⁷ and countless smaller Chinese commercial entities that operate in the Colon and Panama Pacifico free trade zones, among others.¹⁸

In the domain of space, the PLA has access to Western Hemisphere skies through facilities they have built and personnel they have trained for politically sympathetic governments in Venezuela and Bolivia, as well as through multiple, PRC-operated space radar and telescope facilities in Argentina and Chile. In time of war, this access could help it to locate U.S. and allied satellites and other space assets to blind, jam, or destroy them, with potentially devastating impact on communications and operations of U.S. forces that depend on such assets.¹⁹ In a similar manner, if the PRC were to employ an orbital weapon launching hypersonic missiles against strategic targets in the U.S., such as the vehicle it successfully tested in 2021,²⁰ facilities such as the PLA-operated deep space radar in Neuquen, Argentina, could be used to pass and receive data supporting such an attack.²¹

Finally, in the context of a war between the United States and the PRC, the exclusive operation of the Port of Chancay, granted by the Peruvian Port Authority (APN) to COSCO, raises concern because of the risk the Chinese could use control of the port, and a possible lack of adequate Peruvian Government supervision regarding what is in ships and containers that come into and out of it, to resupply PLA forces operating against the U.S. in the Eastern Pacific, even if all parts of the Peruvian Government did not knowingly approve of such support.²² Yet the risk does not come from Chancay alone. PRC port and transportation infrastructure being built or contemplated in Nicaragua and Honduras,²³ with non-transparent, relatively anti-U.S. Governments in each, could similarly be used to support the PLA in time of conflict, including the movement of war material between the Atlantic and Pacific coasts through rail and highway corridors,²⁴ particularly if the Honduran Government of Xiomara Castro acts on its threat to expel the U.S. military from its forward operating location (FOL) for Joint Task Force Bravo (JTF-B) in Soto Cano Air Base.²⁵

In light of such possibilities, it is not surprising that the PRC has sought to stop the announced divestiture by Hutchison of port operations in its announced \$23 billion deal with Blackrock. The deal would cede to Blackrock not only Hutchison’s port operations in Panama, but also those in the Bahamas, Mexico and 20 other countries.²⁶ Yet even if the deal goes through, it would not fully address the risk, insofar as China has other port options throughout the region, including those of COSCO in Peru, China Merchants Port stake in the port of Kingston Jamaica, and its March 2025 agreement to acquire a deepwater port for Very Large Container Ships (VLCCs) in the port of Açu, Brazil,²⁷ among others.

As I have noted, the PRC also has numerous non-port options for supporting military operations in time of conflict. Moreover, insofar as Blackrock itself has numerous holdings in the PRC,²⁸ infrastructure operated by the company could still be subject to PRC leverage.

As I have noted, the PRC also has numerous non-port options for supporting military operations in time of conflict. Moreover, insofar as Blackrock itself has numerous holdings in the PRC,²⁸ infrastructure operated by the company could still be subject to PRC leverage.

THE STATUS AND STRATEGIC IMPORTANCE OF TAIWAN’S CONTINUING AUTONOMY

Turning to the matter of the Republic of China (Taiwan) and its future, in my professional opinion as a strategic and defense analyst, Taiwan’s survival as an au-

onomous, democratic entity is critical to peace and stability in Asia, and for U.S. resistance to the strategic projection of the PRC both in the Indo-Pacific and in our own hemisphere.

Twelve nations continue to maintain formal diplomatic relations with Taiwan, of which seven are in this hemisphere: Paraguay, Guatemala, Belize, Haiti, St. Kitts and Nevis, St. Lucia, and St. Vincents and the Grenadines. Seven years ago, the number was roughly twice that, with the government of Juan Carlos Varela in Panama abandoning Taiwan in 2017 due to PRC promises, lobbying and pressure; El Salvador and the Dominican Republic cutting relations in 2018; Nicaragua doing so in December 2021; and Honduras in March 2023.

As the number of states recognizing Taiwan dwindles, the confidence of PRC ruler Xi Jinping that the PRC can successfully end Taiwanese autonomy at acceptable cost grow, just as it has ended democracy and autonomy in Hong Kong in violation of its own treaty commitments without an unacceptably costly international reaction.²⁹ Such a move against Taiwan might involve a traditional invasion, but could also begin with a blockade or other form of coercion.³⁰ Such a move would confront the U.S. and our allies with the imperative to militarily defend Taiwan at the risk of a catastrophic global war with the PLA, including risk of nuclear escalation. Not doing so, or failing in that effort, would remove the PRC's greatest geographic constraint to projecting its power across the Pacific, ultimately threatening Hawaii and the West Coast of the United States,³¹ and at the very least, risking the strategic reorientation and possible collapse of the democratic order in East Asia.³²

In Latin America and the Caribbean, diplomatic flips from Taiwan to the PRC have been the latter's fastest vehicle for expanding its presence and influence in individual countries.³³ Such flips are almost invariably accompanied by the signing of numerous non-transparent MOUs that open up local markets to penetration by PRC-based telecommunications, electricity, construction, and other companies and products. These are often facilitated by the negotiation of free trade agreements by partners hoping to secure access to PRC markets, but who rarely succeed, due to PRC non-tariff barriers, limited export market size and experience of national trade promotion organizations, and the economic non-competitiveness of sending their traditional products such as shrimp, coffee, bananas, or fruit half-way around the world in refrigerated containers.

Providing empirical support to this logic, data from the respected International Monetary Fund Direction of Trade Statistics shows that, in every single case where partners have abandoned Taiwan for the PRC in Latin America since 2007, exports to Taiwan and the PRC 2 years after abandoning Taiwan fails to significantly rise, and often drops, while PRC penetration of the local market by Chinese producers, at the expense of local jobs, takes off.³⁴ El Salvador's combined exports to Taiwan and the PRC fell from \$114.6 million in 2018, the year it abandoned Taiwan, to a mere \$74.9 million 2 years later. Costa Rica's combined exports fell from \$933.2 million in 2007, the year it abandoned Taiwan, to \$809.1 million 2 years later, and by 2023, was only \$457.6 billion.³⁵ Meanwhile Costa Rican imports of PRC goods exploded during the same period, prejudicing local producers, from \$763.3 million in 2007 to \$3.21 billion by 2023.³⁶

By February 2025, more than 3 years after Nicaragua's change from Taiwan to the PRC, despite, and in part because of its negotiation of a Free Trade Agreement with the PRC, the government of Daniel Ortega and Rosario Murillo there had made little headway exporting to the PRC,³⁷ while Chinese products had flooded the Nicaraguan market, facilitated by the spread of new Chinese retail establishments such as Bazar Chino, China Mall, Supermercado Chino, La Estrella, Mundo Nica, and Nicaragua Electrónica, displacing local merchants.³⁸ By 2024, while Nicaragua still exported only \$51 million to the PRC it was importing \$1.02 billion in products and services from it.³⁹

In a similar fashion, after abandoning Taiwan for the PRC and initiating Free Trade Agreement negotiations, Hondurans discovered too late that the prices the PRC pays for its shrimp was far lower than the prices its Taiwanese partners paid, owing to the fact that the PRC can get the same shrimp much more easily from neighboring Vietnam, or from Ecuador.⁴⁰ In the Dominican Republic, few of the PRC investments promised during the country's 2018 abandonment of Taiwan have been realized,⁴¹ yet the country is now plagued by Chinese shops accused of not paying taxes or respecting Dominican labor laws.⁴²

As a complement to such negative experiences, in the countries abandoning Taiwan for the PRC, the later's Communist government has set up training programs in the name of "teaching" their partners how to do business with China, but which really facilitate their ability to import more Chinese goods. The PRC has also set up Confucius Institutes, brought local journalists to the PRC on luxurious paid trips, including 30 from Honduras,⁴³ and 25 from Nicaragua,⁴⁴ and otherwise woven

webs of influence capturing local elites and paralyzing their ability to pursue their national interests in resisting Chinese penetration.

Beyond the largely negative experiences of the countries which have “flipped” to China in recent years, each of the Taiwan-recognizing governments in Latin America is being tempted and pressured by the PRC in different ways to abandon its ally.

In Paraguay, Taiwan’s geographically largest global partner, in my own interactions with the current President Santiago Peña and those close to him, I was convinced of the depth of his commitment to Taiwan as a matter of conviction.⁴⁵ Unfortunately, PRC agents are constantly lobbying Paraguay’s elites, from PRC agent Xu Wei meeting with Paraguayan Congress members on false diplomatic pretenses,⁴⁶ to whispering in the ears of Paraguay’s agricultural lobby about how more beef they could sell if only they switched recognition to the PRC.

In Guatemala, the left-oriented government of Bernardo Arevalo faces a profound political as well as economic crisis. While ideological conservatives in Guatemala are deeply fearful of the PRC, there are those who, for pragmatic and financial reasons, might abandon Taiwan and go with the PRC if the Arevalo government falls.⁴⁷

In the Caribbean, Belize, and the often overlooked “citizenship for investment” governments of Saint Kitts and Nevis, Saint Vincent and the Grenadines, and Saint Lucia, are tempted by the money of Chinese investors. While more Chinese investors in the Caribbean are trying to escape from the PRC with their money rather than support it, the leverage the PRC has over their businesses, families and other items of value in or reachable from Mainland China, subjects these Chinese to blackmail in support of the PRC agenda. Inclusion of St. Kitts and Nevis and St. Lucia on the Administration’s new travel ban “yellow list”⁴⁸ could further add to pressures in those countries to recognize the PRC.

In Haiti, the escalation of violence with the collapse of the governing council, questions of future multinational funding, and the evaporating hope that the Kenya-led multinational coalition will maintain security⁴⁹ increases the risk of a new criminal coalition that could impose authoritarian order, financed by the PRC in exchange for abandoning Taiwan.

RECOMMENDATIONS

Responding effectively to the challenge of China’s advance and the associated defense of Taiwan’s autonomy is arguably the defining challenge for the U.S. strategic position globally, as well as its long-term national interest. That response is arguably an even greater challenge than prevailing against the former Soviet Union during the Cold War and will require fully leveraging all dimensions of U.S. national power. Naturally success will require U.S. military, technological and economic might. It will also require preserving and nurturing the “soft power” inherent in U.S. alliances and partnerships around the world. This soft power, that must be nurtured, also includes perceptions of the reliability of U.S. commitments and the shared principles that the United States represents. Among these are democracy, free markets, and the protection of the individual. Continued U.S. engagement in international institutions will also be important. Beyond preparing for war with the PRC, U.S. success in responding to the advance of the PRC and defending the autonomy of Taiwan requires “shaping the battlespace,” in order to limit and channel the PRC advance. Doing so is vital to ensure that the United States does not have to fight a war against the PRC, and if so, does not have to fight it alone in conditions of strategic disadvantage.

In pursuit of an effective national strategy necessarily and fully leveraging U.S. national power, I respectfully offer to the committee the following recommendations:

- *Continue to use leadership engagements, including those of Congress, the State Department, Defense Department and others, as well as the pressures, incentives, and other levers available through State Department programs, visa policy, and sanctions through the Treasury Department Office of Foreign Assets and Control, to press partners to conduct their dealings with the PRC in a framework of transparency, and on a level-playing field.* Doing so will limit the ability of the PRC and its companies to engage in predatory deals that ultimately create webs of personal benefit and other leverage over Latin American and Caribbean elites. It will also limit the ability to secure deals which disproportionately benefit the Chinese partner, creating economic damage, and ultimately resulting in flows of refugees and drugs to the United States, among other issues.
- *Work through State Department, Commerce, Defense, Justice Department, and other programs, including a possible restructuring or replacement of USAID, to build partner nation institutional capabilities.* These should focus on effective evaluation of contracts, acquisition decisions, other financial transactions, and the monitoring of the implementation of each of these. It should also focus on

our partners' ability to fight corruption more broadly. Doing so will limit the most predatory aspect of China's advance, while avoiding damage to Latin American economies that impact the United States via migration and other harms, while also strengthening the perceived role of the United States in the region as a valued and trusted partner.

- *Better leverage the U.S. private sector as an alternative to predatory PRC investment.* The most promising, but not only candidate for doing so is a revitalized Development Finance Corporation or its equivalent, less restricted by imperatives regarding national income, or constraints involving the preferred beneficiaries of such investments.
- *Better leverage cooperation from democratic partners of the United States around the globe with their own interest in the region, its business opportunities, and conditions.* These include not only Taiwan, but also South Korea, Japan, Australia, New Zealand, the European Union, and possibly India, to the degree that its strategic interests are not too closely tied to Russia. Leveraging such democratic partners recognizes that in the short term, funding from their banks and development agencies, or award of a contract to their companies, even if not going to a "U.S.-based company," may be preferable to a contract won by a PRC-based company and the webs of problematic economic leverage, dependency, harm, and the "people-to-people network" influences it may bring.
- *Fund the generation of better data about the relative performance of Chinese companies and the PRC Government, vis-à-vis alternatives from democratic companies.* Doing so will help partners in the region make more informed, sovereign choices. This should include funding the generation of data and processes for accessing and delivering it, in order to support the talking points of U.S. senior leaders in their engagements with global partners about the PRC. It should also include funding of academic and other studies, previously done through the State Department and USAID, so that credible, trusted information on problematic Chinese practices and firm performance, can get into the public domain, complementing official U.S. messaging.
- *Better leverage U.S. advocacy for the value of democracy, protection of the individual, reliability, and anti-corruption practices, as factors which increase the attractiveness of the long-term value proposition persuading partners to give priority to the United States over the PRC as a partner.* The U.S. can better leverage the way in which such "brand appeal" complements its pursuit of deals and other goals through the use of pits markets, and threats.
- Within the Defense Department, the Department of Homeland Security, the intelligence community and other agencies, *give heightened attention to the risks associated with actions the PRC might take, in conjunction with partners such as Russia, Iran, Venezuela, Cuba, and others, in the Western Hemisphere in time of war.* The focus of such attention should include, but not be limited to:
 - Anticipation, and preparations for response to PLA attempts to interrupt U.S. force deployment and sustainment flows from the Continental United States during such a conflict;
 - Closure of the Panama Canal and denial of passage through alternatives such as the Straits of Magellan, the Drake Passage and the Arctic;
 - Attacks on U.S. strategic infrastructure and other targets by PRC and other agents having previously, surreptitiously entered the United States;
 - Exploitation of PRC space access in the Western Hemisphere, in order to locate and target U.S. space assets, and/or to exploit their own offensive space system for strategic attacks on the U.S., and;
 - PRC use of ports and other facilities in the region under their control, to support forces conducting military operations against the United States.

U.S. Northern Command (NORTHCOM) and U.S. Southern Command (SOUTHCOM) should expand their contingency planning for such possibilities, including conversations with U.S. partners as appropriate. Beyond NORTHCOM and SOUTHCOM, the U.S. Indo-Pacific Command (INDOPACOM) should prepare for the possibility for such PRC actions in the Western Hemisphere as it continues to refine its own campaign plan and contingencies, with partners, for a fight against the PRC in the Indo-Pacific.

- *Increase U.S. verbal, textual and symbolic messaging from all branches of government, including the United States Congress that it continues to fully support Taiwanese autonomy, and its defense if attacked by the PRC, including if such aggression is done in manners "short of major war" through the use of "stran-*

gulation” measures such as a full or partial blockade. Such U.S. messaging and support should arguably include more regular Congressional Delegations (CODELS and STAFFDELS) to Taiwan, as well as expanded U.S. assistance and the authorization of defense sales and transfers for Taiwan’s own defense preparations. Such support, and future warfare planning, should be done, insofar as possible, in coordination with allies such as Japan with a shared strategic interest in Taiwan’s survival.

- *In Latin America, the U.S. Government can and should also do more to support partners maintaining diplomatic relations with Taiwan.* The State Department should expand programs to promote and coordinate with Taiwan in embassies of countries in the region that recognize it, as well as coordinating with countries that recognize Taiwan in the U.S. American Institute in Taiwan (AIT) in Taipei. The U.S. Government should further strengthen favorable economic and other support to Taiwan-recognizing partners, such as Paraguay, Guatemala, as well as others with economic incentives and support for leadership positions in multilateral institutions such as the United Nations, over other partners who have abandoned Taiwan. In this regard, I recommend that the United States not include Taiwan-recognizing countries such as St. Kitts and Nevis and St. Lucia, among those it excludes from travel access to the United States.

In my judgment, the *Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act* of 2019⁵⁰ was an important statement and U.S. material commitment to Taiwan. As Taiwan’s international allies dwindle, as China’s President Xi approaches the end of his third term, demonstrations of U.S. resolve and associated actions are critical for deterring PRC action that could ultimately lead to a catastrophic war, or the loss of Taiwan autonomy, are more important for U.S. interests than ever. The United States is at a tipping point moment in facing the challenge of China and the U.S. reorientation of its approach toward the world. The choices that we make in this historical moment, or chose to ignore, regarding the China challenge and Taiwan as a bastion of democracy in Asia, will mark whether this moment marks an accelerated U.S. decent into dismantling its economic and institutional capabilities, alliances, and international reputation, or in contrast, marks the beginning of a promising new era for the United States, Taiwan, and what both represent in the World.

Notes

¹Enrique Dussel Peters, “Monitor of Chinese OFDI in Latin America and the Caribbean 2025,” *Red China-ALC*, March 17, 2025, https://docs.redalc-china.org/monitor/images/pdfs/menuprincipal/DusselPeters_MonitorOFDI_2025_Eng.pdf.

²Based on imports and exports reported by mainland China, Hong Kong and Macao to the Western Hemisphere, from 2022, the most recent year in which both import and export data are published. “Direction of Trade Statistics,” *International Monetary Fund*, Accessed March 19, 2025, <https://data.imf.org/regular.aspx?key=61013712>.

³“Confucius Institutes Around the World—2024,” *Dig Mandarin*, October 12, 2024, <https://www.digmandarin.com/confucius-institutes-around-the-world.html>.

⁴“Semillas para el Futuro de HUAWEI: sembrando conocimiento de valor en los futuros líderes de Latinoamérica,” Huawei, official website, November 22, 2022, <https://www.huawei.com/mx/news/mx/2022/huawei-sembrando-conocimiento-de-valor-en-los-futuros- lideres-de-latinoamerica>.

⁵Cesar Eduardo Santos, “China’s ‘People-to-People’ Diplomacy Targets the Global South,” *The Diplomat*, November 20, 2024, <https://thediplomat.com/2024/11/chinas-people-to-people-diplomacy-targets-the-global-south/>.

⁶R. Evan Ellis, *China Engages Latin America: Distorting Development and Democracy?* (New York: Palgrave-Macmillan, 2022).

⁷R. Evan Ellis, Kelly Senters Piazza, Adam Greer, and Daniel Uribe, “China’s Use of Soft Power in Support of its Strategic Engagement in Latin America,” *Journal of the Americas*, Vol. 4, No. 2, https://www.airuniversity.af.edu/Portals/10/JOTA/journals/Volume-4_Issue-2/03-Ellis_eng.pdf, pp. 159–182.

⁸“Edited excerpts from Yeldkol Polevnsky’s address at the China-Mexico Cooperation and Development Forum,” *Beijing Review*, February 24, 2023, https://www.bjreview.com/Special-Reports/2023/China-Mexico-Cooperation-and-Development-Forum/Introduction-and-Opinions-of-the-Guests/202304/t20230425_800329421.html.

⁹“Grupos Interparlamentarios de Amistad,” National Assembly of Ecuador, official website, accessed March 19, 2025, <https://www.asambleanacional.gob.ec/es/contenido/grupos-interparlamentarios-de-amistad-0>.

¹⁰Jack Wagner, “China’s Cybersecurity Law: What You Need to Know,” *The Diplomat*, June 1, 2017, <https://thediplomat.com/2017/06/chinas-cybersecurity-law-what-you-need-to-know/>.

¹¹R. Evan Ellis, “The latest on China’s Advance in Mexico,” *The Diplomat*, March 21, 2025, <https://thediplomat.com/2025/03/amid-trump-tariffs-where-do-china-mexico-ties-stand/>

¹²Carlos E. Hernandez, "Venezuela y su apuesta china, el Norinco VN1," *Infodefensa*, August 17, 2018, <https://www.infodefensa.com/texto-diario/mostrars/3057796/venezuela-apuesta-china-norinco-vn1>.

¹³"How China Helps the Cuban Regime Stay Afloat and Shut Down Protests," *The Diplomat*, August 3, 2021, <https://thediplomat.com/2021/08/how-china-helps-the-cuban-regime-stay-afloat-and-shut-down-protests/>.

¹⁴Matthew P. Funaiole, Aidan Powers-Riggs, Brian Hart, Henry Ziemer, Joseph S. Bermudez Jr., Ryan C. Berg, and Christopher Hernandez-Roy, "China's Intelligence Footprint in Cuba: New Evidence and Implications for U.S. Security," Center for Strategic and International Studies, July 7, 2024, <https://www.csis.org/analysis/chinas-intelligence-footprint-cuba-new-evidence-and-implications-us-security>.

¹⁵R. Evan Ellis, *Toward a More Effective DoD Contribution to Strategic Competition in the Western Hemisphere* (Carlisle Barracks, PA: U.S. Army War College Strategic Studies Institute, February 24, 2025), <https://press.armywarcollege.edu/monographs/975/>.

¹⁶"Is China Sneaking Military Personnel into the U.S. Via Border? What We Know," *Newsweek*, June 19, 2023, <https://www.newsweek.com/china-military-personnel-us-southern-border-national-security-mark-green-1807287>.

¹⁷Julietta Pelcastre, "China to Proceed with Fourth Bridge over Panama Canal," *Dialogo*, June 15, 2023, <https://dialogo-americas.com/articles/china-to-proceed-with-fourth-bridge-over-panama-canal/>.

¹⁸R. Evan Ellis, "Beyond the Canal: The Real Risks of China's Engagement in Panama," *The Diplomat*, 4 February 2025, <https://thediplomat.com/2025/02/beyond-the-canal-the-real-risk-of-chinas-engagement-in-panama/>.

¹⁹R. Evan Ellis, "China-Latin America Space Cooperation—An Update," *Dialogo*, February 21, 2024, <https://dialogo-americas.com/articles/china-latin-america-space-cooperation-an-update/>.

²⁰Tyler Rogoway, "China Tested A Fractional Orbital Bombardment System That Uses A Hypersonic Glide Vehicle: Report," *TWZ*, October 18, 2021, <https://www.twz.com/42772/china-tested-a-fractional-orbital-bombardment-system-that-uses-a-hypersonic-glide-vehicle-report#:~:text=A%20report%20from%20Financial%20Times%E2%80%99%20Demetri%20Sevastopulo%20and,its%20run%20through%20the%20atmosphere%20toward%20its%20target>.

²¹R. Evan Ellis, "China-Argentina Space Engagement: Reconciling Science, Sovereignty, and Strategic Risk," *RedCAEM*, No. 40, May 23, 2024, <https://chinayamericalatina.com/wp-content/uploads/2024/05/WP40-May-2024-REDCAEM.pdf>.

²²R. Evan Ellis, "Strategic Implication of the Chinese-Operated Port of Chancay," *RedCAEM*, No. 42, November 7, 2024, <https://chinayamericalatina.com/wp-content/uploads/2024/11/WP42-November-2024-REDCAEM.pdf>.

²³Kevin Mercado, "China construirá dos puentes en Cortés y ampliará el canal seco," *La Prensa*, May 29, 2023, <https://www.laprensa.hn/honduras/china-construira-dos-puentes-cortes-ampliara-canal-seco-honduras-HM13680733>.

²⁴R. Evan Ellis, "The New Nicaragua Canal: Chinese Strategic Options Ever-Closer to U.S. Shores," *Opidata*, January 27, 2025, <https://legadoalasamericas.org/the-new-nicaragua-canal/>.

²⁵Ashleigh Fields, "Honduras threatens to expel U.S. military over Trump deportation threat," *The Hill*, January 4, 2025, <https://thehill.com/policy/international/5067113-honduras-xiomara-castro-donald-trump-us-troops-immigration/>.

²⁶"Why China hates the Panama Canal deal, but still may not block it," *The Economist*, March 20, 2025, <https://www.economist.com/china/2025/03/20/why-china-hates-the-panama-canal-deal-but-still-may-not-block-it>.

²⁷"China Grows in South America by Buying Brazil's Only Private VLCC Terminal," *The Marine Executive*, March 3, 2025, <https://maritime-executive.com/article/china-grows-in-south-america-by-buying-brazil-s-only-private-vlcc-terminal>.

²⁸Nicole Goodkind, "Americans are 'unwittingly funding' blacklisted Chinese companies, Congressional panel says," *CNN*, August 20, 2023, <https://www.cnn.com/2023/08/01/investing/china-congress-blackrock-msci/index.html>.

²⁹Zen Soo and Huizhong Wu, "How democracy was dismantled in Hong Kong in 2021," *Associated Press*, December 29, 2021, <https://apnews.com/article/china-hong-kong-beijing-democracy-national-security-9e3c405923c24b6889c1bcf171f6def4>.

³⁰R. Evan Ellis, "The Strategic Value of Taiwan and Stability in Asia for Latin America," *Industra Global*, June 14, 2024, https://www.industra.com/2024/06/the-strategic-value-of-taiwan-and.html#google_vignette.

³¹Lami Kim, "Should the United States Defend or Ditch Taiwan?" *The National Interest*, June 3, 2022, <https://nationalinterest.org/feature/should-united-states-defend-or-ditch-taiwan-202772>.

³²See David Santoro and Ralph Cossa, "The world after Taiwan's fall," *Asia Times*, March 2, 2023, <https://asiatimes.com/2023/03/the-world-after-taiwans-fall/#>.

³³R. Evan Ellis, "PRC Engagement with Central America—An Update," *Center for Strategic Studies of the Peruvian Army (CEEPP)*, March 7, 2023, https://ceep.mil.pe/wp-content/uploads/2023/03/PDF_PRC-Engagement-with-Central-America-An-Update-R-Evan-Ellis_7mar.pdf.

³⁴Based on statistics compiled from the "Direction of Trade Statistics," *International Monetary Fund*, Accessed March 19, 2025, <https://data.imf.org/regular.aspx?key=61013712>.

³⁵Based on statistics compiled from the "Direction of Trade Statistics," *International Monetary Fund*, Accessed March 19, 2025, <https://data.imf.org/regular.aspx?key=61013712>.

³⁶Based on statistics compiled from the "Direction of Trade Statistics," *International Monetary Fund*, Accessed March 19, 2025, <https://data.imf.org/regular.aspx?key=61013712>.

³⁷"China siga con poco apetito por los productos nicaragüenses en el 2025 mientras EEUU compra más," *La Prensa*, February 17, 2025, <https://www.laprensani.com/2025/02/17/>

economia/3435748-exportaciones-empezaron-el-2025-con-dinamismo-pero-aun-no-seducen-al-mercado-chino.

³⁸“La creciente asociación de Nicaragua con China marcada por déficits comerciales,” *Entorno*, January 27, 2025, <https://entornodiario.com/es/articles/gc4/features/2025/01/27/feature-01>.

³⁹“La creciente asociación de Nicaragua con China marcada por déficits comerciales,” *Entorno*, January 27, 2025, <https://entornodiario.com/es/articles/gc4/features/2025/01/27/feature-01>.

⁴⁰“Honduran shrimp industry faces crisis amid falling prices and lost export markets,” *eFeedLink*, October 25, 2024, <https://www.efeedlink.com/contents/10-25-2024/6cb39ff6-1434-465d-9a12-a711dec4ea3c-0001.html#:~:text=Honduras%27%20shrimp%20industry%20is%20grappling%20with%20a%20severe,economy%2C%20is%20now%20seeking%20new%20markets%20to%20recover>.

⁴¹R. Evan Ellis, “La evolución del compromiso chino con la República Dominicana,” *Infobae*, November 4, 2023, <https://www.infobae.com/americamundo/2023/11/04/la-evolucion-del-compromiso-chino-con-la-republica-dominicana/>.

⁴²Sandy de Rosa, “Evasión Fiscal en Tiendas Chinas: Un Problema Persistente en República Dominicana,” *El Notificador RD*, April 18, 2024, <https://elnotificadorrd.com/evasion-fiscal-en-tiendas-chinas-un-problema-persistente-en-republica-dominicana/#:~:text=Las%20tiendas%20chinas%20en%20Rep%C3%ABlica%20Dominicana%20han%20ido,pr%C3%A1cticas%20que%20socavan%20el%20sistema%20tributario%20del%20pa%C3%ADs>.

⁴³“Honduran Journalists Visit Beijing to See Capital’s Development in New Era,” *The People’s Government of Beijing Municipality*, May 8, 2023, https://wb.beijing.gov.cn/en/express/202308/t20230830_3236719.html.

⁴⁴“Nicaraguan journalists visit Wuhan,” *China Daily*, April 7, 2024, <https://govt.chinadaily.com.cn/s/202404/07/WS66613b1e498ed2d7b7eafc85/nicaraguan-journalists-visit-wuhan.html>.

⁴⁵R. Evan Ellis, “Paraguay’s Security Challenges and the Government Response,” *Center for Strategic Studies of the Peruvian Army*, September 12, 2024, <https://cecep.mil.pe/2024/09/12/los-desafios-de-seguridad-de-paraguay-y-la-respuesta-del-gobierno/?lang=en>.

⁴⁶“Paraguay expulsó del país al diplomático chino acusado de socavar la relación de Asunción con Taiwan,” *Infobae*, December 5, 2024, <https://www.infobae.com/americamundo/2024/12/05/paraguay-expulso-del-pais-al-diplomatico-chino-acusado-de-socavar-la-relacion-de-asuncion-con-taiwan/>.

⁴⁷R. Evan Ellis, “The PRC, Taiwan, and the Future of Guatemala,” *The Diplomat*, June 17, 2024, <https://thediplomat.com/2024/06/china-taiwan-and-the-future-of-guatemala/>.

⁴⁸“Five Caribbean nations face possible U.S. travel restrictions under Trump,” *Jamaica Gleaner*, March 16, 2025, <https://jamaica-gleaner.com/article/news/20250316/five-caribbean-nations-face-possible-us-travel-restrictions-under-trump>.

⁴⁹“IACHR condemns deteriorating security situation in Haiti,” *Interamerican Commission on Human Rights*, March 16, 2025, https://www.oas.org/en/IACHR/jsForm/?File=/en/iachr/media_center/PReleases/2025/052.asp.

⁵⁰S.1678—Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act of 2019,” 116th Congress (2019–2020), March 26, 2020, <https://www.congress.gov/bills/116/congress/116th-congress/senate-bill/1678#:~:text=Taiwan%20Allies%20International%20Protection%20and%20Enhancement%20Initiative%20%28TAIPEI%29,Taiwan%27s%20diplomatic%20relationships%20and%20partnerships%20around%20the%20world>.

Senator CURTIS. Thank you, Dr. Ellis. Samantha Custer is the Director of Policy and Analysis for AidData. AidData was formed in 2009 as a partnership between universities in the states of both Senator Kaine and myself, William and Mary and Brigham Young University and Development Gateway to provide global development stakeholders with more granular and comprehensive data on foreign assistance projects worldwide, including efforts by China and other adversaries to leverage their assistance programs into concrete policy gains.

She holds a dual master’s in Public Foreign Service and Public Policy from Georgetown University and has a 20-year track record of leading teams and supporting evidence-based decision making as an international relations scholar practitioner. Ms. Custer, the floor is yours.

STATEMENT OF SAMANTHA CUSTER, DIRECTOR OF POLICY ANALYSIS, AIDDATA GLOBAL RESEARCH INSTITUTE, THE COLLEGE OF WILLIAM & MARY, WILLIAMSBURG, VIRGINIA

Ms. CUSTER. Chairman Curtis, Ranking Member Kaine, thank you for the opportunity to share my thoughts on China’s influence and the status of Taiwan’s diplomatic allies in the Western Hemisphere. My remarks today are my own views. They don’t represent

the official position of William and Mary, AidData, our funders or our partners.

Beijing and Taipei are locked in a contest for influence in the Western Hemisphere. One of PRC's stated aspirations is reunification of Taiwan with the Chinese mainland. Latin America is a strategically important battleground to advance the same in two respects.

First, Beijing wants to peel away Taipei's support in a region, home to over half of the countries that still officially recognized Taiwan. Second, operating in America's backyard is an opportunity for the PRC to deter Washington from coming to Taipei's aid.

A decade ago, 22 countries worldwide maintained full diplomatic relations with Taiwan, today this number is down to 12. Half of the "defectors" were from Latin America. Of Taiwan's remaining allies, seven are in Latin America. These "holdout" countries are outliers, continuing to recognize Taiwan and host its embassy even as their peer's defect. Seven additional countries straddle a middle ground. They're what I would call "fence sitters." They tacitly engage with Taipei on economic and cultural issues via a representative liaison office, but stop short of official recognition.

Taiwan and its allies must work to prevent slippage of additional countries moving down the recognition chain from official to tacit recognition to no relations at all. Taipei's economic statecraft has been outmatched in Latin America. Beijing exploits economic asymmetry to pressure leaders to back its preferred policies, including derecognition of Taiwan.

Over two decades, the PRC bank rolled nearly 2,500 development projects in Latin America worth 300 billion, but this money is not without strings attached. For each dollar of aid it's supplied, Beijing provided \$28 of debt for projects expected to generate commercial returns.

Hold-out countries that recognize Taiwan cannot access these funds. Conversely, those who make the diplomatic pivot to adopt the One China policy are handsomely rewarded. Taiwan is well-regarded as a development partner, but it operates with little scale and visibility. Its budget is in the hundreds of millions per year, but financing is on more generous terms.

Cash-strapped economies have signaled that they may be willing to stop recognizing Taiwan in exchange for assistance. Announcements of new projects bankrolled by Beijing followed quickly on the heels of a country changing its policy.

PRC development finance is deployed to crowd in Chinese trade and FDI in similar sectors and geographies. Critical minerals such as copper and lithium were priorities, as well as investing in companies involved in power generation, electricity distribution, and mineral extraction.

Latin America saw a 22-fold increase in trade with China over nearly two decades and Chinese FDI to the region was worth 9 billion in 2023 alone. Prior to the derecognition, Latin American countries saw sizeable drops in the share of exports to China. Following a pivot, trade with the PRC rose, declined with Taiwan, and several countries signed new trade and investment agreements with Beijing.

Comparatively, Taipei's economic state craft is disjointed. Despite its comparative advantage as a leading producer of semiconductors, Taiwan's direct trade and investment with the region is very modest, while its aid is focused mostly in the social sectors. So rather than asking why Taiwan has lost some of its diplomatic allies, we should consider why it has not yet lost all of them.

Hold-out countries like Paraguay, Guatemala, and Haiti have two reasons to recognize Taiwan. They might be concerned about ideological affinity. They may also see alternative economic opportunities, such as U.S. trade or humanitarian assistance flows.

Fence sitters like Brazil or Chile, have a strategic rationale for holding the middle ground. They may have a foreign policy based on neutrality, or they may capture economic or political gains from playing both sides. Doing just enough to satiate Beijing, but still aiming to please the U.S.

Of course, hold out countries still face pressure from their citizens in Beijing to change course, and the strategic calculus for these fence sitters could shift with uncertainty in U.S. trade policy.

To help Taiwan retain existing allies and attract new ones, I want to talk about three lines of effort for the U.S. Expanding co-financing and co-branding of U.S. development cooperation efforts in the Western Hemisphere with Taiwan.

Prioritizing renewal of things like the generalized system of preferences and strengthen aid for trade, that help Taiwan's allies in the region utilize duty free access to U.S. markets. Finally, promoting cooperation between American, Taiwanese and Latin American firms to build resilient supply chains in critical industries.

Thank you, and I look forward to your questions.

[The prepared statement of Ms. Custer follows:]

Prepared Statement of Ms. Samantha Custer

Chairman Curtis, Ranking Member Kaine, and distinguished subcommittee members, thank you for the opportunity to share my thoughts on China's influence and the status of Taiwan's diplomatic allies in the Western Hemisphere.¹

I'll use my remarks to address three questions briefly. How does the People's Republic of China (PRC) influence the Western Hemisphere? In what ways does the PRC's economic power constrain Taiwan's ability to attract and retain diplomatic allies? What are the key battlegrounds for influence, vulnerabilities, and opportunities for U.S. interests?

These remarks reflect my own views and not the official position of my employer, AidData at William & Mary's Global Research Institute, or any of the funders of our research.

HOW DOES THE PEOPLE'S REPUBLIC OF CHINA INFLUENCE THE WESTERN HEMISPHERE

The cornerstone of China's influence playbook in the Western Hemisphere is economic, but information and relationships are the megaphone. Politicians in the region see Beijing's infrastructure lending as the gateway to growth. The private sector views the PRC as improving economic prospects via investment, trade, and tourism. Concerns about debt sustainability² and dependence have yet to temper this enthusiasm. The PRC's ability to inform, control, and co-opt local narratives allows it to promote sympathetic voices, convert undecideds, and weaken the opposition. These overtures aim to position Beijing as a good neighbor and reliable partner interested in win-win solutions rather than a threat to the region's interests.

The PRC's economic engagement in the region is driven by necessity and opportunity. It wants access to raw materials, energy, and transportation routes to fuel China's economy. Beijing must find a productive use for its excess financing from three decades of trade surpluses.³ It has an oversupply in its construction, steel, and engineering industries relative to demand. Emerging markets present attractive export outlets for the PRC's goods, services, and capital.

Beijing uses its economic power as leverage to advance other geopolitical and security goals. Cozying up to the PRC enables countries to diversify their partners and blunt the influence of the U.S. or other powers. There is a quid pro quo for politicians to exploit Beijing's economic assistance to advance personal agendas, win votes, reward allies, or satiate constituents. At first, these engagements seem like a win-win but ultimately create long-term vulnerabilities.

Even the smallest countries hold strategic importance for Beijing: they wield voting power in the UN and other international venues. Their support helps inoculate the Chinese Communist Party (CCP) against criticism over its policies that foment discontent at home.⁴ Their "dual use" ports allow Beijing to project naval power and mitigate disruption to trade and supply chains.⁵ Strategic investments in the region's 5G telecommunications,⁶ surveillance technologies,⁷ and joint space observatories enhance the PRC's security capabilities.⁸

The PRC seeks synergies between its economic cooperation, information operations, and public diplomacy as a force multiplier.⁹ Its extensive state-run media operation distributes local language content in target countries and maintains satellite television channels and short-wave radio to reach a global audience. Beijing's 29 content-sharing partnerships with Latin American media infuse domestic coverage with CCP propaganda.¹⁰ Exchanges and training amplify these efforts by cultivating sympathetic relationships with journalists, officials, and law enforcement.

While the above is also true in many other parts of the world, there are two respects in which the Western Hemisphere is a uniquely critical battleground for Beijing and Taipei to jockey for influence. To achieve its stated aspiration of "reunifying" the Chinese mainland with Taiwan,¹¹ Beijing must peel away Taipei's diplomatic support in Latin America and the Caribbean (hereafter Latin America), the region with the most holdouts. Given its geographic proximity to the U.S., Latin America offers the best opportunity for Beijing to distract, displace, or delay Washington from coming to Taipei's aid if the PRC uses military force to invade or impose a blockade to compel unification with Taiwan.¹²

This contest for influence is dynamic, not static. A decade ago, 22 countries maintained full diplomatic relations with Taiwan.¹³ This number has dwindled to 12 by 2025. Ten countries have switched positions since 2016, ceasing official recognition of Taiwan.¹⁴ Half of these defectors were from Latin America, including Panama (2017), the Dominican Republic (2018), El Salvador (2018), Nicaragua (2021),¹⁵ and Honduras (2023).

Seven of Taiwan's 12 remaining diplomatic allies, who officially recognize Taipei and host its embassy, are from the region.¹⁶ Although they stopped short of full official recognition, seven additional countries in Latin America tacitly engaged with Taiwan by hosting a representative liaison office for economic and cultural ties.¹⁷ In the future, China's economic power may constrain Taiwan's ability to retain these diplomatic allies and attract new ones.

IN WHAT WAYS DOES CHINA'S ECONOMIC POWER CONSTRAIN TAIWAN'S ABILITY TO ATTRACT AND RETAIN DIPLOMATIC ALLIES

The PRC exploits economic asymmetry to encourage countries in the region to give way to its foreign policy goals. China dwarfs the region's smallest economies and overshadows even larger ones. Its gross domestic product (GDP) was eight times larger than Brazil's, 10 times larger than Mexico's, and 28 times larger than Argentina's in 2023.¹⁸ China's growing economic clout, in turn, creates obligations for countries to back Beijing's preferred policies, avoid criticism of its actions, and grant political or security concessions. Despite its high-income status, Taiwan's economic footprint in GDP terms is more similar to countries like Switzerland and Argentina than the PRC and trails Latin American countries like Brazil and Mexico.¹⁹

Beijing is a prominent financier of overseas development. It bankrolled nearly 2,500 projects in Latin America worth roughly U.S. \$300 billion over two decades.²⁰ For each dollar of aid it supplied, Beijing provided 28 dollars of debt.²¹ Chinese leaders financed infrastructure projects with market-rate loans and export credits (debt) to generate commercial returns.²² Examples include energy plants in Ecuador and Honduras,²³ resort construction and industrial manufacturing in the Caribbean,²⁴ and critical minerals mining in Chile and Argentina.²⁵ The PRC also supported small-dollar health, education, and governance projects with grants and no- or low-interest loans (aid) to build goodwill across the region.

Countries need not be members of the Belt and Road Initiative (BRI) to access Beijing's development finance.²⁶ However, Beijing generally makes financing contingent on recipients ending official diplomatic relations with Taiwan. Countries that recognized Taiwan and hosted its embassy received minimal to no development finance over two decades.²⁷ Haiti, Saint Lucia, and Paraguay received a few token

goodwill projects.²⁸ On the other hand, Beijing rewarded early adopters of the One China policy (e.g., Panama, Costa Rica, El Salvador) with a notable uptick in financing for their diplomatic pivot.²⁹

In contrast to the PRC, Taiwan supplies development finance and technical assistance more generously on a smaller scale. Market-rate loans and export credits buoy the PRC's bottom line. Taiwan provides grants, concessional loans, and technical assistance.³⁰ In its bid to work with diplomatic allies first, Latin America is a priority for Taiwan, with some estimates suggesting Taipei channels 30–50 percent of its development cooperation resources to the region.³¹

Taiwan's development cooperation activities have won admiration in many quarters. Its use of grants and concessional loans presents a low risk of debt distress for its partner countries. Its "Taiwan Model" emphasizes leveraging local expertise in counterpart countries,³² in contrast to a common critique of Beijing's penchant for using Chinese suppliers, laborers, and experts.³³ Not unlike Beijing, Taiwan is a successful example of an economy that transitioned from once being a recipient (in the 1960s) to a supplier of development assistance to others.³⁴ In contrast to the PRC, Taiwan has found a way to stand for both development and democracy.

Nevertheless, Taipei is ill-positioned to compete with Beijing's formidable development finance operations. Whereas Beijing's budget runs in the billions per year globally, Taipei's operates in the hundreds of millions.³⁵ Similarly sized economies to Taiwan, like Switzerland and the Netherlands, have comparatively larger foreign assistance budgets.³⁶ Chinese leaders harness the power of the PRC's state-run media apparatus to trumpet the benefits of its high-visibility infrastructure projects and promote Beijing as a benevolent partner.³⁷ Taiwan's projects are lower profile and less publicized.³⁸ Example projects focus on the social sectors—climate resilient agriculture in Saint Lucia and Honduras,³⁹ public health in Guatemala and Haiti,⁴⁰ along with disaster prevention and emergency response in Belize and Saint Vincent and the Grenadines.⁴¹

Previously, Taiwan's diplomatic allies in Central America could count on an average of "U.S. \$50 million annually in declared non-reimbursable cooperation" funds from Taipei.⁴² Taiwanese leaders have recently expressed a limited appetite for "checkbox diplomacy," recognizing they cannot compete with the PRC dollar-for-dollar.⁴³ Beijing outspent Taipei 332 to 1 in its overall global development finance between 2015 and 2021.⁴⁴ The gap was less pronounced (31 to 1) if limited to conventional aid alone, though still in Beijing's favor. That said, Taipei may be feeling pressure to provide at least some financial support to its few remaining diplomatic allies, as it channeled U.S. \$7.17 million in development finance to Belize and Paraguay.⁴⁵

Cash-strapped economies in the region have signaled that a change in their policy on Taiwan can be bought in exchange for assistance.⁴⁶ After Taiwanese leaders rejected a request to fund a re-election campaign and port development project, El Salvador ended diplomatic relations with Taipei.⁴⁷ A few months later, Beijing reportedly pledged U.S. \$150 million to support 13 new cooperation projects in the country.⁴⁸ Chinese leaders allegedly promised another defector, Nicaragua, U.S. \$430 million in projects to construct an airport and LNG terminal.⁴⁹ Paraguay sent a warning signal in 2022 when its President announced it wanted U.S. \$1 billion in foreign assistance in return for its continued recognition of Taipei before subsequently backing down.⁵⁰

The dynamic is more complex with trade and foreign direct investment (FDI). Latin America saw a 22-fold increase in trade with China between 2001 and 2020.⁵¹ By 2023, the PRC was the largest export destination for six Latin American economies and the largest import source for six countries in the region.⁵² It has historically had an advantage in South America over Central America,⁵³ except for Panama, where the PRC has made sizable gains in recent years.⁵⁴ FDI from China to the region also increased, worth nearly U.S. \$9 billion in 2023 alone.⁵⁵

A unique feature of the PRC's approach is that it systematically orients its development finance to attract Chinese trade and FDI in similar sectors and geographies. Like Beijing's development finance, Chinese trade and FDI flows favor the energy and mining sectors. Copper and lithium are among the region's major exports to China.⁵⁶ Chinese FDI has prioritized energy projects, from full acquisitions to investment stakes in mineral extraction and electricity distribution.⁵⁷

The PRC can heavily influence, if not entirely control, trade and investment incentives through regulation, agreements, and involvement of state-owned firms and banks. Panama, Nicaragua, and Honduras each saw sizeable drops (50–70 percent) in their share of exports to China just before ending diplomatic relations with Taipei.⁵⁸ In the years following, Panama saw a U.S. \$1.15 billion jump in copper ore exports to the PRC,⁵⁹ Chile ramped up imports and exports with China, while both saw trade with Taiwan decline.⁶⁰ These gains may be fleeting: El Salvador initially

saw a jump in exports after it stopped recognizing Taipei, only to return to being a net importer of goods from the PRC just a year later.⁶¹

The PRC granted other sweeteners to countries upon ending diplomatic relations with Taiwan. After de-recognition, Ecuador and Nicaragua inked free trade agreements (FTAs) with Beijing.⁶² Honduras won a U.S. \$276 million cooperative agreement for education infrastructure projects.⁶³ The PRC's first Luban workshop for vocational training in Latin America is set to be based in Nicaragua.⁶⁴ When Panama recognized Beijing in 2017, Beijing agreed to build a fourth bridge over the Panama Canal.

Taipei may have a global comparative advantage as the leading producer of semi-conductors,⁶⁵ but Latin America's direct trade with Taiwan is relatively modest. Taiwan was the destination for roughly 2 percent of exports from Paraguay and Chile in 2023 and the source for 2–4 percent of imports for Dominica and Mexico—its best-performing markets. The scale contrast is stark with a player like the PRC, which hungrily consumes much larger shares of regional agricultural commodities and critical mineral exports to fuel its economy.⁶⁶ As a case in point, in 2023, the PRC's share of exports from four of the region's countries was above 30 percent, with three more not far behind at 20 percent or more.⁶⁷ Latin America also increasingly looks to China as a source destination, which accounted for 20 percent or more of imports in 8 countries.⁶⁸

Despite its smaller stature, Taiwan maintains a Central American Trade Office to promote bilateral trade, investment, tourism, and culture.⁶⁹ Bilateral FTAs with Honduras, El Salvador, and Panama remain active, even as diplomatic ties lapsed, but its agreement with Nicaragua was terminated.⁷⁰ Taipei also has economic cooperation agreements with diplomatic allies Paraguay and Belize, as well as an FTA with Guatemala.

Nevertheless, the strategic linkage between how Taiwan deploys its development finance, trade, and investment is unclear. Nor were its diplomatic allies substantially more economically integrated with Taiwan than other countries in the region. Paraguay, Belize, and its small Caribbean partners counted on Taiwan for 1 percent or less of their imports in 2023. Taiwan accounted for a similarly small share of these countries' exports that year.

WHAT ARE THE KEY BATTLEFIELDS FOR INFLUENCE, VULNERABILITIES, AND OPPORTUNITIES FOR U.S. INTERESTS

In the last decade, Taipei's economic statecraft—including development finance, trade, and investment—has been handily outmatched by Beijing in the Western Hemisphere. The PRC has the political will and financial means to direct its formidable information operations and expansive public diplomacy efforts to reinforce preferred narratives that it is an indispensable economic partner and cast itself as a development model to which others should aspire.

This state of play raises a critical question. Rather than asking why Taiwan has lost some of its diplomatic allies, it may be more important to grapple with why it has not yet lost all of them. The answer to this question illuminates where the battlegrounds for influence lie in the future and how we might respond in the face of vulnerabilities and opportunities for U.S. interests.

Vulnerability #1: Preventing slippage from official to tacit recognition among the 'hold-outs'

On one end of the continuum, seven “hold-out” countries⁷¹ are outliers in maintaining official diplomatic recognition of Taiwan even as peers defect. One defensive strategy is to keep hold-out countries such as Paraguay, Guatemala, or Haiti from slippage: downgrading their relationship with Taiwan from official diplomatic ties to tacit or informal engagement. More than pawns in a chess game, these players have the agency to determine whether and when it is worth giving up on Taipei if Beijing presents better opportunities for their countries.

So, why do they persist? Two reasons could be in play. The first is ideological affinity, such as a shared origin story of anti-communist policies in Paraguay that have factored into the decision of political elites to recognize Taiwan since 1957.⁷² The second is greater access to alternative economic opportunities like the U.S. or Europe. Guatemala has benefited from increased exports and incomes via participation in the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR).⁷³ The U.S. and its European allies have traditionally been leading suppliers of humanitarian assistance, on which Haiti heavily depends.⁷⁴

Of course, ideology and alternative economic opportunities have not stopped others from changing their policies. Governments in hold-out countries face ample pressure from their citizens and Beijing's coercive diplomacy. During the COVID-19 pandemic, Chinese leaders unsuccessfully attempted to use vaccine access as a

“poaching strategy” to lure Paraguay into defecting.⁷⁵ President Santiago Peña and his government in Paraguay are also under pressure from private sector elites to demonstrate why it is worth privileging political beliefs above the economic opportunities that could be on offer from Beijing.⁷⁶ In Guatemala, the government of President Bernardo Arévalo is contending with political opposition at home and seeking closer ties with both the PRC and the U.S.⁷⁷ As the U.S. reassesses its bilateral assistance and European countries announce aid cuts, this may prompt Haiti to reconsider its recognition of Taiwan to ramp up alternative support from Beijing.

Vulnerability #2: Preventing slippage from tacit to no recognition among the “fence sitters”

Seven “fence sitters” straddle the middle ground, tacitly engaging with Taipei on economic and cultural issues via a representative liaison office.⁷⁸ Though they stopped short of official diplomatic recognition, these countries still bolstered Taiwan’s position globally. A second defensive strategy would be to keep fence-sitters like Chile or Brazil from slippage, downgrading their relationship with Taiwan from tacit to no engagement. The fence sitters tend to be somewhat larger economies in the region. Some have GDPs that surpass Taiwan. Four have joined Beijing’s BRI.⁷⁹ Brazil was a founding member of the BRICS.

So, why bother holding the middle ground? Two reasons could be in play. The first is a foreign policy based on neutrality, such as that professed by Brazil, related to extra-regional conflicts.⁸⁰ The second is that the player can gain more economically or politically by playing both sides: placating Beijing by not fully recognizing Taipei while informally cooperating to maintain positive relations with the U.S., its tacit patron. For example, Chile might be more reluctant to change its position on Taiwan—even in the face of growing interdependence with the PRC—if it expects to continue to benefit from high levels of economic engagement with the U.S. via its existing free trade agreement.

However, the strategic calculus for these fence-sitters could change in the face of uncertainty over U.S. trade policy, prospective tariffs, and continued commitment to existing agreements.⁸¹ Although a downgrade of their relationship with Taiwan is implausible, it is not impossible, especially in a world where Western Hemisphere economies feel they need to hedge their bets and expand ties with alternative economic partners to the United States.

I conclude by highlighting eight opportunities worth considering to help Taiwan retain existing allies and attract new ones:

- Expand co-financing and co-branding of development cooperation efforts between the U.S. and Taiwan focused on the Western Hemisphere to increase resources Taipei can bring to bear and maximize its visibility as an indispensable economic partner⁸²
- Advocate for Taiwan’s participation in leading international development cooperation venues relevant to the Western Hemisphere, such as the Inter-American Development Bank and the OECD’s Development Assistance Committee, to enhance its prominence⁸³
- Help Taiwan document and diffuse its story as a development and democratic success to provide an alternative model for countries in the Western Hemisphere to aspire and build Taipei’s soft power appeal⁸⁴
- Prioritize renewal of the Generalized System of Preferences for developing countries in Latin America to gain duty-free access to the U.S. export market as a means to help holdout countries identify alternative opportunities to grow their economies⁸⁵
- Provide advisory services and aid-for-trade capacity building to help Latin American countries better utilize existing free trade agreements and tariff preference programs⁸⁶
- Help Latin American countries strengthen inbound investment screening mechanisms and public financial management (PFM) capacity to mitigate risks from opaque FDI and blunt China’s economic influence
- Promote cooperation between Taipei’s Liaison Offices and U.S. Embassies in the Western Hemisphere to identify opportunities for joint bids or investments between U.S. and Taiwanese companies with Latin American partners
- Capitalize on the momentum of changing relationships in places like Panama to incentivize counterpart governments to move up the recognition chain from no to tacit or full diplomatic engagement with Taipei⁸⁷
- Promote industrial co-production to support resilient supply chains through tri-lateral U.S.-Taiwan-Latin America Special Economic Zones and industrial parks in critical industries

Notes

¹My colleague Bryan Burgess (AidData) provided invaluable background research and data work in support of this testimony. My remarks also benefited from an unpublished analysis of the PRC in Latin America from Jonathan Solis and Rodney Knight (AidData).

²For example, growing inflation, GDP fluctuation, indebtedness, and a shift from being a net exporter to the PRC to a net importer prompted Argentina to turn to the PRC for emergency rescue loans (World Bank, 2023; WITS, 2023).

³China's foreign exchange reserves were at U.S. \$3.22 trillion as of February 2025, published via Trading Economics (2025).

⁴Custer, S. (2025). How does Beijing use information and public diplomacy to win the narrative? January 23, 2025. Williamsburg, VA: AidData at William & Mary.

⁵For example, the PRC has shown interest in building multi-use ports in Argentina's Tierra del Fuego province (in Rio Grande and Ushahia) which would provide Beijing with a strategic positioning near the Strait of Magellan as a staging area for Chinese fishing fleets, facilitate passage of PRC naval vessels, and monitor activities of the U.S. and its allies (Pelcastre, Aug. 2023; Saavedra, 2023; Kubney, 2023; Intelligence Online, 2023). It also attempted to bolster the port facilities in Argentina's Bahia Blanca with a floating liquefied natural gas (LNG) terminal. Financed by the Bank of China with a U.S. \$200 million loan, the project operated from 2019 to May 2020, before COVID-19 forced the project to end.

⁶For example, the PRC via Huawei provided 2000 km of fiber optic cable to give 350 schools in Argentina access to the Internet (Government of Jujuy, 2023, Nov. 10).

⁷For example, a 2019 agreement with ZTE provided security equipment for enhancing security surveillance in Jujuy, Argentina. This poses a risk of these technologies giving Beijing access to surveillance footage from these devices (Reuters, 2019, Jul. 5).

⁸For example, the PRC signed agreements with Chile's Universidad Católica del Norte (UCN) to jointly develop a scientific research base for observational astronomy in the Ventarrones (NAOC-UCN, 2016; UCN, 2023; UCN, 2024; CASSACA, 2024a). However, Chile is reportedly reviewing such agreements following a Newsweek investigation of the deal (Tatlow, 2025).

⁹Custer, S., Baehr, A., Burgess, B., Dumont, E., Mathew, D., and Hutchinson, A. (2022). Winning the Narrative: How China and Russia Wield Strategic Communications to Advance Their Goals. Williamsburg, VA: AidData at William & Mary.

¹⁰These content-sharing partnerships allow domestic media outlets in counterpart countries to reprint, share, and co-create content with Chinese state-run media content. <https://china-dashboard.aiddata.org/>

¹¹Reuters. (2024). Xi says no one can stop China's reunification with Taiwan. December 31, 2024.

¹²Wang, J. and A. Ramzy. (2025). China is Ready to Blockade Taiwan. Here's How. Wall Street Journal. March 23, 2025.

¹³Gardner and Khrestin. (2024). The TAIPEI Act: Origins, Tools, Results, and Remedies. Global Taiwan Institute. Global Taiwan Brief. Vol. 9. Issue 16.

¹⁴Bock, J. and H. Parilla. (2024). Why Countries Abandon Taiwan: Indicators for a Diplomatic Switch. Global Taiwan Institute.

¹⁵Nicaragua initially recognized the PRC in 1985 and withdrew that recognition in 1990, before reverting back in 2021.

¹⁶Taiwan MOFA (2025). Diplomatic Allies. ROC Taiwan. (2025). ROC Embassies and Missions Abroad. These official diplomatic allies include Belize, Guatemala, Haiti, Paraguay, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

¹⁷Ibid. Countries hosting a liaison office include Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, and Peru. Nineteen countries in the region host neither an embassy (official recognition) nor liaison office (tacit recognition) for Taiwan.

¹⁸<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

¹⁹Taiwan's GDP in 2023 was roughly U.S. \$756.59 billion, slightly ahead of Argentina's U.S. \$646.08 billion and behind Switzerland's (884.94 billion). The PRC's GDP that same year was comparatively U.S. \$17,704.8 billion. <https://tradingeconomics.com/taiwan/gdp>

²⁰AidData's Global China Development Finance data verified 2,428 projects worth U.S. \$286.14 billion between 2000 and 2021.

²¹This included USD \$264 billion in other official flows (debt), USD \$10 billion in official development assistance (aid), and USD \$12 billion in flows for which there was insufficient documentation to classify the terms.

²²Thirty-nine percent of Beijing's development finance is focused on industry, mining, construction, and energy projects.

²³Burgess, B., Custer, S., Knight, R., and J. A. Solis. (2025). Spotlight on PRC Engagement in Honduras Relative to Central America / Enfoque en la participación de la República Popular China en Honduras en relación con América Central. Williamsburg, VA: AidData at William & Mary. Preliminary data from desk research conducted on prospective PRC development finance investments in 2023 suggests that Honduras may reap a similar reward for its de-recognition of Taiwan that year. For example, Beijing invested in Ecuador's Coca Codo Sinclair hydroelectric plant, along with Honduras' state-owned electricity company (Empresa Nacional de Energía Eléctrica, ENEE), and the Patuca III hydroelectric plant.

²⁴A China Eximbank loan of U.S. \$2.45 billion supported the Baha Mar Resort Construction Project in the Bahamas but quickly faced construction delays, local pushback, and lawsuits. The state-owned policy bank also bankrolled Trinidad and Tobago's Phoenix Park Industrial Estate development for U.S. \$112.63 million.

²⁵In Chile, the PRC's development finance focus has been lithium for electric cars and batteries (U.S. \$3.2 billion) and copper mining (U.S. \$4.4 billion). In Argentina, gold and lithium have attracted Beijing's attention.

²⁶ 21 of 33 Latin American countries are BRI members. As of 2025, 11 countries had not signed on to the BRI (Bahamas, Belize, Brazil, Colombia, Guatemala, Haiti, Mexico, Paraguay, Saint Kitts and Nevis, Saint Vincent and the Grenadines, and Saint Lucia). Panama previously joined the BRI in 2017 but announced its exit in 2025. Despite not committing to BRI membership, Brazil, Mexico, and the Bahamas were among the top 10 recipients of Beijing's development finance dollars over the decade.

²⁷ There were no recorded instances of development projects for Guatemala, Belize, and St. Vincent and the Grenadines. Honduras was an exception: the largest project funded was a \$356 million loan in 2013, before Tegucigalpa's flip to de-recognizing Taiwan.

²⁸ Haiti received U.S. \$23.4 million, mostly prior to 2010, in small-scale emergency response, peacekeeping support, and in-kind donations of scholarships and equipment. Beijing co-financed four small SME and rural road projects in Paraguay (mostly in 2015, one in 2018) worth U.S. \$76.2 million with the Inter-American Development Bank. Saint Lucia initially had some minor investments (14 projects worth 55.71 million) prior to 2003, the largest of which was related to a Stadium Construction project in 2000.

²⁹ Burgess, B., Custer, S., Knight, R., and J. A. Solis. (2025). Spotlight on PRC Engagement in Honduras Relative to Central America / Enfoque en la participación de la República Popular China en Honduras en relación con América Central. Williamsburg, VA: AidData at William & Mary. Preliminary data from desk research conducted on prospective PRC development finance investments in 2023 suggests that Honduras may reap a similar reward for its de-recognition of Taiwan that year.

³⁰ Taiwan MOFA. (2023). White Paper on International Cooperation and Development Policies. Striving for a World of Freedom and Democracy for Common Good. November 2023.

³¹ Maggiorrelli, L. (2019). Taiwan's Development Aid to Latin America and the Caribbean and the One China Policy. *Razon Critica*, 7, 177–208.

³² Taiwan MOFA. (2023). White Paper on International Cooperation and Development Policies. Striving for a World of Freedom and Democracy for Common Good. November 2023.

³³ Custer, S., Horigoshi, A., and K. Marshall. (2024). BRI from the Ground Up: Leaders from 129 countries evaluate a decade of Beijing's signature initiative. Williamsburg, VA: AidData at William & Mary.

³⁴ Glick, B. (2022). A Revamped Taiwanese Approach to Foreign Assistance. Global Taiwan Institute. Hsiang, T. (2022). A conversation with Timothy Hsiang. FRS Taiwan Program on Security and Diplomacy. September 2022.

³⁵ Kot, O. (2025). From Recipient to Donor: Taiwan's International Assistance. February 11, 2025. In 2023, Taiwan's development budget was U.S. \$468 million. Maggiorrelli, L. (2019). Taiwan's Development Aid to Latin America and the Caribbean and the One China Policy. *Razon Critica*, 7, 177–208.

³⁶ Runde, D. (2022). Soft power essential to self-defense. Taipei Times. November 13, 2022.

³⁷ Custer, S., Baehr, A., Burgess, B., Dumont, E., Mathew, D., and Hutchinson, A. (2022). Winning the Narrative: How China and Russia Wield Strategic Communications to Advance Their Goals. Williamsburg, VA: AidData at William & Mary.

³⁸ Glick, B. (2022). A Revamped Taiwanese Approach to Foreign Assistance. Global Taiwan Institute.

³⁹ Taiwan emphasizes helping counterpart governments address local priorities such as Saint Lucia's concern over banana leaf spot disease which threatened its economy and Honduras' desire to promote development of the domestic avocado industry. Hsiang, T. (2022). A conversation with Timothy Hsiang. FRS Taiwan Program on Security and Diplomacy. September 2022.

⁴⁰ Ibid. Taiwan worked with the Government of Guatemala to promote medical technology for maternal-child health, restored food production and clean water in Haiti following a series of natural disasters.

⁴¹ Ibid. Taiwan supported a pilot project for emergency management and disaster response with the government in Saint Vincent and the Grenadines and developed flood early warning systems for disaster prevention and rescue with Belize.

⁴² Moreno, B.A. (n.d.). Taipei pays Central America for its recognition with imports. Universidad de Navarra.

⁴³ Fabro, R. and R. Gramerr. (2023). Taiwan Isn't Playing Checkbook Diplomacy Anymore. Foreign Policy. April 24, 2023.

⁴⁴ Between 2015 and 2021, Taipei gave U.S. \$1.8 billion in grants and concessional loans worldwide, according to the OECD Creditor Reporting System. Beijing's overall state-directed aid and debt during that same 7-year period was U.S. \$597.68 billion.

⁴⁵ Most of Taiwan's development finance allocations are unspecified but it did report financing to Belize (U.S. \$4.33 million from 2017 to 2020) and Paraguay (U.S. \$2.84 million in 2021). OECD CRS.

⁴⁶ Bock, J. and H. Parilla. (2024). Why Countries Abandon Taiwan: Indicators for a Diplomatic Switch. Global Taiwan Institute.

⁴⁷ Coonan, C. (2018). Beijing scores win as El Salvador cuts ties with Taiwan. Irish Times. August 21, 2018. AP. (2018). El Salvador, Taiwan break ties as China isolates island foe. Associated Press. August 21, 2018.

⁴⁸ Reuters. (2018). China pledges U.S. \$150 million in aid to El Salvador as relationship deepens. November 8, 2018. AidData tracked U.S. \$145 million in pledges from Beijing across 15 aid projects. It is unclear whether all these projects have been delivered.

⁴⁹ AFP. (2023). Nicaragua shutters associations with links to Taiwan. January 10, 2024. Barrons.

⁵⁰ Glick, B. (2022). A Revamped Approach to Taiwanese Foreign Assistance. November 30, 2022. Global Taiwan Institute.

⁵¹ Wintgens, S. (2023). China's Growing Footprint in Latin America. FDI Intelligence. March 10, 2023.

⁵²Countries with the PRC as the top export destination in 2023 included Panama, Chile, Cuba, Peru, Brazil, and Uruguay. It was the top import source for Paraguay, Chile, Venezuela, Peru, Bolivia, and Brazil.

⁵³Ellis, E. (2023). PRC Engagement with Central America: An Update. CEEEP. March 7, 2023. Traditionally, the U.S. has been a larger market for trade in goods with Central America, facilitated by the Central America and Dominican Republic (CAFTA–DR) free trade agreement.

⁵⁴As of 2023, the PRC's share of exports had reached 25 percent for Panama. This represented a 20 percentage point increase since 2019.

⁵⁵Wintgens, S. (2023). China's Growing Footprint in Latin America. FDI Intelligence. March 10, 2023.

⁵⁶For example, copper and lithium accounted for 64 percent and 15 percent respectively of product exports from Chile to China in 2022 (OEC, 2024). Beijing is actively buying up other key minerals like molybdenum (Treagold, 2021). It has a stream of planned investments in lithium projects in Argentina's Salta, Jujuy, and Catamarca regions (Pelcastre, Jul. 2023; NS Energy, 2023; Bnamericas, 2023; Mining Technology, 2022, Jul. 29).

⁵⁷For example, Pacific Hydro, originally an Australian corporation, and its affiliate Pacific Hydro Chile were purchased by China's State Power Investment Corporation in 2016 (Harry, 2023). In 2018, Chinese banks lent Tianqi Lithium over U.S. \$3 billion for the purchase of a 24 percent share in SQM, which operates mines to extract lithium for electric cars and other industries requiring batteries. In the energy sector, China Southern Power Grid International and State Grid Corporation of China mobilized U.S. \$6.5 billion in foreign direct investment to secure a 57 percent stake in Chile's electric distribution network (Ellis, 2021; Myers, 2024).

⁵⁸Bock, J. and H. Parilla. (2024). Why Countries Abandon Taiwan: Indicators for a Diplomatic Switch. Global Taiwan Institute. Panama's share of exports to China dropped by 70 percent between 2015 and 2017 before it changed its position on Taiwan. Nicaragua (-50 percent between 2015 and 2020) and Honduras (-60 percent between 2020 and 2022) experienced similar drops before ending diplomatic relations with Taipei in 2021 and 2023, respectively.

⁵⁹The total value of Panama's imports from China between 2019 and 2023 declined, however.

⁶⁰Between 2019 and 2023, Chile ramped up both imports (broadcasting equipment) and exports (copper-related) with China. For Panama and Chile, the total value of bilateral trade (sum of import and export values) with Taiwan declined in this period.

⁶¹Ellis, E. (2021). China and El Salvador: An Update. CSIS. March 22, 2021.

⁶²Ecuador and Nicaragua signed FTA agreement with China in 2023 (Ellias, 2023).

⁶³Reuters (2024). The two countries are also actively negotiating a free trade pact (Cruz, 2024; La Tribuna, 2024).

⁶⁴Luban workshops typically involve cooperation between a Chinese higher education institution, a Chinese state-owned or private sector company, and a host institution in a counterpart company to train local workforces to become familiar with Chinese technical standards, systems, and software (Custer et al., 2021; Prensa INATEC, 2024).

⁶⁵Saldias, N. (2024). China-Taiwan Tension, the Unseen Risk for Latin America. Americas Quarterly. April 29, 2024.

⁶⁶Saldias, N. (2024). China-Taiwan Tension, the Unseen Risk for Latin America. Americas Quarterly. April 29, 2024.

⁶⁷Chile, Cuba, Peru, and Brazil were above 30 percent. Panama, Ecuador, and Uruguay were not far behind at 20 percent or more.

⁶⁸Venezuela and Paraguay were above 30 percent, while Chile, Brazil, Colombia, Bolivia, and Ecuador were 20 percent or more.

⁶⁹https://www.cato.com.tw/en/about_cato_office_info.php

⁷⁰U.S. International Trade Administration. (2024). Taiwan Country Commercial Guide. Trade Agreements. Updated January 10, 2024.

⁷¹Belize, Guatemala, Haiti, Paraguay, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

⁷²Tsai, H. (2023). Taiwan in Latin America. December 6, 2023. StoryMaps.

⁷³Rodriguez, J.R.R. and X. Matschke. The CAFTA–DR Free Trade Agreement—Analyzing its effects in a modern gravity framework. December 1, 2022. International Economics and Economic Policy. Vol. 20, pgs 27–93.

⁷⁴Horigoshi, A. and Custer, S. 2023. Humanitarian-Development-Peace Nexus: Successes, Failures, and Lessons from U.S. Assistance in Crisis and Conflict. Williamsburg, VA: AidData at William & Mary.

⁷⁵Tsai, H. (2023). Taiwan in Latin America. December 6, 2023. StoryMaps.

⁷⁶Carafano, J.J. (2024). U.S. influence challenged in the Southern Cone. June 10, 2024. GIS Reports Online. Quintana-Lovett, A.R. (2024). Latin America's role in Taiwans existential struggle. September 16, 2024. Tsai, H. (2023). Taiwan in Latin America. December 6, 2023. StoryMaps.

⁷⁷Quintana-Lovett, A.R. (2024). Latin America's role in Taiwans existential struggle. September 16, 2024.

⁷⁸Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, and Peru.

⁷⁹Argentina, Chile, Ecuador, and Peru

⁸⁰Mingey, M., Gormley, L., and L. Wright. (2024). Avoiding entanglement: G20 responses in a Taiwan crisis.

⁸¹Gerbaud, G. and C. Harrison. (2025). Tracking Trump and Latin America: Trade—Tariffs on Aluminum and Steel Go into Effect. March 12, 2025. Americas Society/Council of the Americas.

⁸²Glick, B. (2022). A Revamped Taiwanese Approach to Foreign Assistance. Global Taiwan Institute.

⁸³Runde, D. (2022). Soft power essential to self-defense. Taipei Times. November 13, 2022.

⁸⁴Glick, B. (2022). A Revamped Taiwanese Approach to Foreign Assistance. Global Taiwan Institute.

⁸⁵ Custer, S. 2023. (Re)invigorating U.S. Development Assistance: Alternative Models and Options. Williamsburg, VA: AidData at William & Mary. <https://www.congress.gov/crs-product/IF11232>

⁸⁶ Ibid.

⁸⁷ As President Mulino is revisiting its engagement with Beijing (withdrawing from the BRI, awarding contracts to American firms, reducing Chinese ownership stakes in key companies).

Senator CURTIS. Thank you, Ms. Custer. We're going to choose the Ranking Member for just a moment, and then we'll switch roles and vote. He's demonstrated a lot of confidence in me to leave me here by myself.

[Laughter.]

Senator CURTIS. I want to start—I go off script just a little bit because I think it's really important for anybody watching this today to understand why this matters. Dr. Evans and then Ms. Custer, if you would start, why does this matter? Why does hanging onto these countries matter for the United States?

Dr. ELLIS. Senator, it's an excellent point, and I think one that's very important for us to be clear on. First of all, from the perspective of the conflict or the rivalry with the PRC, as the number of allies that the Taiwan has goes towards zero, in the context of increasing military in other superiority in Asia by the PRC, that tempts the PRC to act and brings us closer to a war in Asia.

The extent to which Taiwan is seen as not isolated, I think at least, is one of the factors that keeps us farther away from such a war.

In addition, if Taiwan is lost as an autonomous democratic ally in Asia, that geographically allows the PLA and PLA Navy to project itself out beyond Guam, into Pacific, to Hawaii, to the U.S. West Coast.

In addition, looking just at Latin America and the PRC economic, military and political advance in Latin America, as I've shown time and time again in my own research, the most rapid way for the PRC to advance in military and economic terms is when you have a flip, because that flip is associated with non-transparent MOUs with the PRC. It is often associated with free trade agreements with the PRC, which open up markets to PRC companies in sectors like electricity and telecommunications and others.

Such flips are also typically associated with the establishment of Confucius Institutes, PRC training programs for government officials, and a range of other things. Moreover, frankly, if we look at which states still continue to recognize Taiwan, they are states geographically close to the United States. They're in the Caribbean, in the U.S. maritime approaches there, as well as in Central America, in particular, Guatemala and Belize, in other words, those states staying with Taiwan becomes a national security imperative. Really, helping that to happen is one of the best ways to push back against the PRC.

Finally, frankly, at the end of the day, for both the region itself and also for the United States, Taiwan is an excellent democratic ally. It's a partner with very good development projects, even if on a smaller scale. It's a good partner for us to coordinate with to push forward democracy and help to address and promote the conditions in the region of the types of regimes that we in the U.S. would like to have.

Senator CURTIS. Thank you.

Ms. CUSTER. I would add to that, three things. First, it matters economically. Taiwan is the leading supplier and producer of semi-conductors in the world that the U.S. economy relies upon. Not only would it disrupt our economy, but some estimates indicate that if Taiwan were to fold, that would have probably about a 10 percent disruption to the global economy. That's big.

Senator CURTIS. That's a big deal.

Ms. CUSTER. Geopolitically, the U.S. is actively trying to advance its interest with the PRC across the globe. If we fold on Taiwan, if we see diplomatic allies being hemorrhaged away from Taiwan, that gives China essentially a major victory in this competitive battle.

Then finally, from a security perspective, I think the more that countries in the region tip into China's camp away from Taiwan, that increases exposure for the U.S. to things like these dual-use ports, space observatories, and other related installations that strengthen China's hand.

Senator CURTIS. Just a point on that, you mentioned the 10 percent hit, I think that's toward GDP, to put that in comparison, the Great depression was 7 percent. You understand what type of an impact it is; that's dramatic. Thank you.

I also want to use this opportunity to point out, oftentimes we have these conversations it feels like we're talking about the Chinese people, and I want to be really clear. I think Americans love the Chinese people, love the Chinese culture. That's not where our problem is, it's an authoritarian government that's more oppressive on its own people than anyone else. I just think that's really important to designate for our conversation.

Dr. Ellis, let's go to the Panama Canal. You mentioned that just briefly, and I think you rightly said that these two ports were not yet transferred, but we've got some hope here that these are moving out of those hands. After Secretary Rubio's visit, Panama announced it was pulling out the Belt and Road initiative, which it joined when it switched diplomatic recognition.

Given these developments, is there a pathway to get Panama at least to upgrade their relationships with Taiwan, and perhaps give some type of representation, even if it's a representative's office or something like that? How do you see that playing out there in Panama?

Dr. ELLIS. Senator, I think it's a great and important question. I would address three different pieces. Number one, I think Panama's renouncing of the Belt and Road was important, but it's also important to recognize that it was symbolic. It contractually doesn't necessarily get the United States at any greater security, but again, I think it's a move in the right direction and we should continue to press for that option with other states in the region as well.

With respect to a representative office, a TECRO-type office, again, I think that's a possibility, but I think both the Administration, Secretary Rubio at State and this Congress should be ready to fully defend it.

I remember when our friends in Guyana, the Irfaan Ali government, a couple years back tried to allow Taiwan to open up a representative office there. The PRC pressure was so strong that with-

in I think 3 hours they were forced to double back on that. Thus I think we should absolutely press for that as a doable thing, but we should be ready to defend it.

The other thing I think is we have some opportunities to move in the right direction with respect to the Blackrock deal, but we should also be attentive to the fact that Chinese actors of the PRC are trying to reverse that deal, including with their delegation that came just days ago.

Also, there are risks from other operators beyond Hutchison, such as COSCO, and such as the possibility of a new Panama Colon Container Port, in which the China-friendly company, Notarc, could operate there. There are also risks from actors such as Huawei and others. I think we need to continue to be vigilant in that area and certainly be prepared to not only press forward, but also follow through in things like TECRO offices.

Senator CURTIS. Thank you.

Ms. CUSTER. Adding to that, I think there is a momentum that we're seeing in Panama right now. You think about the fact that Panama is one of only two countries in the world that has announced that it's backing out of China's Belt and Road initiative. That's significant.

In terms of this recognition chain that I talked about before, from no relations to tacit acceptance via a liaison office to the full status of an embassy, I think the risks for countries in the region or the pain that they feel is highest when they go all the way to full recognition. That middle ground—the fence sitters don't seem to be paying as much of a cost to do that. I think with the right economic incentives, the right support from the U.S., there definitely could be an opportunity to get a liaison office in Panama.

Senator CURTIS. Thank you. Alright. I'm told I need to go vote. Will our good witnesses tolerate just to pause here and I will be back. If Senator Kaine returns before I do, he's authorized to start again and then I'll be back as quick as I can. Thank you for understanding.

Senator KAINE. Okay, that's the end of the short recess.

[Laughter].

Senator KAINE. I'm going to ask some questions, and I know that the chair will come back and we'll probably have a bit of a dialogue.

Dr. Ellis, I wanted to ask you just elaborate a little bit more on what you said about what China's doing right now in Guatemala and Paraguay. Paraguay has been very, very solid in support of Taiwan and resisting PRC influence. The new Arevalo government, slightly over a year old in Guatemala, I think has been a real breath of fresh air in that country domestically trying to push back against a culture of corruption.

They had to kind of work through their own version of January 6 on the day that President Arevalo was inaugurated in January 2024, but talk a little bit about what the PRC is doing in both of those countries to kind of break them away from their support for Taiwan.

Dr. ELLIS. Senator Kaine, thank you for the question. First of all, to put it in general context, as you know very well, in all of the countries there is a constant process of lobbying by the PRC. That

lobbying often involves the courting of local elites. Sometimes this includes bringing them over to the PRC, whether through business opportunities or through consulting opportunities, or paid trips. That also includes bringing journalists to the PRC to try to frame the debate.

As a compliment, you also see a number of different activities with respect to what I would call economic blackmail; the promise of “how much more one could export . . .”—usually a false promise—“if one only changed relations . . .” Then there is also the pressure from saying, “well, if you don’t change, then you’re not going to get even what you’re getting today.”

This pattern applies in both countries. In Paraguay, because it is a very important meat exporter, as you know, there is a lot of China working especially through Nidera and Noble, that China bought about 10 years ago, with some of the agro-logistics firms, there is a lot of China whispering in the ear of the Paraguayan agriculturalists, that “if only you change relations, you could sell so much more . . .”

On top of that, you also see what I would call surreptitious lobbying. I mentioned the Chinese agent Xu, who basically entered Paraguay supposedly to give a talk, but instead, tried to lobby in the Paraguayan Congress.

On top of that you also have, I think, some PRC threats to make Paraguayan exports difficult.

I have had the fortune of being able to engage with Paraguayan Government, including with President Pena. I know that because of his background with the Colorado Party, there’s at least a principled determination there to continue with Taiwan, but again, the threats are always there.

With respect to Guatemala, of course, there is a slightly different challenge with the Arevalo government, but again, there is the same PRC promises of agricultural exports, the same type of lobbying.

I mentioned in my initial testimony the number of different Guatemalan and Paraguayan reporters that are brought over to the PRC. There is, for example, the one woman that I mentioned with her Program “Con Criterio,” which is a very influential Guatemalan program, she was brought over for 3 months for an orientation trip to the PRC. Those type of things are common, so you have that.

Indeed, when President Arévalo first came in and he was trying to walk that delicate balance that so many of our friends are, trying to say “well, we want to have the economic benefits of the PRC. And at the same time continue politically with our Taiwanese friends . . .” There was a moment when they cut off critical exports of, I believe it was, a type of Guatemala nuts, essentially to send a warning that, if you don’t switch over even what you’re getting now could be lost.

Again, I think the principled stance of President Arévalo in sticking with Taiwan as allies has continued apace. Again, those PRC pressures are there for those who do.

Senator KAINE. Do you have something, Ms. Custer, you want to add in?

Ms. CUSTER. Yes, please. In my written testimony, I talked about how with Beijing's approach in Latin America, economics is the cornerstone, but the information operations and the public diplomacy that Dr. Ellis was talking about is exactly the megaphone that amplifies these things.

I very much agree with Dr. Ellis's observations. I would add a little bit more to say that, China is playing this out in two dimensions. One is that it is trying to engage indirectly by tapping into this fear of missing out. It's really interesting when you look at the post-2016 defectors in Central America, Panama (2017), the Dominican Republic (2018), El Salvador (2018), Nicaragua (2021), and Honduras (2023). Countries are looking at each other. They're seeing what their neighbors are getting for partnering with China. That is a very, very powerful story.

Interestingly enough, too, in addition to the Paraguay example you provided Dr. Ellis, I would also add, there was an interesting anecdote about China's interactions with Paraguay during the COVID-19 pandemic, and essentially using access to vaccines as a stick and a carrot, I guess you could say, to try to pull Paraguay away from Taiwan.

Senator Kaine. I have many questions, but here's one. Is the Chinese sort of MO in interacting with countries in the Americas different in any significant way from their theory of the case when they're interacting with African countries or other Asian countries? If so, describe a little bit how it's different.

Ms. CUSTER. Maybe I'll speak to that first. I'm a comparativist by nature, so I look at this across different regions. I had a starting point when I looked at China and Latin America, and there is a remarkable similarity in how China engages. Economics, again, is the cornerstone. Beijing leverages the interplay very well of development finance trade, and investment, and then uses all of these public diplomacy information strategies to boost its voice.

I think there are two unique and interesting things about the Latin America case specifically. One is the stronger emphasis on the derecognition of Taiwan. You see quite a significant difference. It's a two-track system. Those that play ball with China on Taiwan get all of the goodies, and those that do not are locked out. That comes out in starker relief here.

Then I think there's also some unique concerns regarding the dual-use ports and some of the other investments that it's making in strategic industries in Latin America, just because of the geographic proximity to the U.S.

Senator Kaine. Dr. Ellis.

Dr. Ellis. I also, as a comparativist fully agree with and appreciate that. For me, what's interesting is that we do find lessons looking at what the PRC has done in Africa, what the PRC has done in Central and Eastern Europe, corresponding to a study that I did not too long ago. That's not surprising given that these policies come from the same Chinese culture, that they come from the same organizations, both on the commercial side and on the governmental side in Beijing and in Shanghai.

There are differences that reflect the geographical imperatives, the composition of governments, and the different cultural legacies. There is, for example, China's involvement with the legacy of

decolonialization in Africa and some of its relationships there. When we talk about geography certainly what you see is that, 7 of the 12 nations in the world that continue to recognize Taiwan are found in this area.

By the way, if you look at it from the perspective of the military, and I've worked in support of DoD my entire career, you can't help but noticing that the vast majority of these states, with the exception of Paraguay, are dramatically close to strategic United States facilities, from Central America, to the Caribbean. The opportunity for China for a "flip" is as much strategic in terms of its advance, as it is for the isolation of Taiwan.

One of the other things that I want to point out is the role of Chinese companies. While typically the promise of selling things comes later, it is of note that there are certain PRC-based companies that do operate even in countries that recognize Taiwan. Specifically, Huawei comes to mind. What one finds is that oftentimes Huawei acts as the unofficial representative in trying to curry favor.

Again, there are absolutely lessons to be learned from what the PRC is doing elsewhere, to how it is approaching Taiwan in the Americas.

Senator KAINE. I'm going to make a critical comment and ask some questions that are critical of Trump administration activities in the Americas, but I'm always duty-bound to say something good if there's something good to say, and there is. I think the announcement that the President made around the time of the State of the Union, about the acquisition of the Panamanian ports by BlackRock from the Hong Kong Syndicate, Hutchinson, that was real positive. It could have gone in a much worse direction for the United States.

I know the Administration was strongly behind that, encouraging it. That's a plus. I know from being on the Armed Services Committee and looking at investments that are being made, even as the White House and the Secretary of Defense are looking for cuts at Pentagon, they're exempting things like Indo-Pacific, they clearly are recognizing the pacing threat is China.

I'm really worried about things like the decision to deescalate or shutter the Inter-American Foundation, some of the pausing of USAID contracts, because I think that sends a message that the U.S. is retreating from some of these areas, and China's not going to retreat.

In fact, they see anything that looks like a retreat, they want to flood the zone and put more resources in. As I'm interacting with heads of state in the Americas and warning them about, beware of the apple presented by China because it might have a razor blade in it. They say, we're pretty sophisticated in recognizing the challenges of Chinese offers, but you have to have something on the table.

It can't just be we're going to turn down interaction with the Chinese unless you have something on the table, and they frankly view what we have had on the table for quite some time as is being woefully inadequate. Now, I think they're partially correct and then there's partially a messaging problem on our side, because they don't give us credit for everything the American companies are

doing in their area. They kind of set that aside. They're looking at what the U.S. Government has on the table, and they find that to be significantly less than what the Chinese Government or Chinese industries run by government have on the table.

We need to do a better job through things like the DFC and others, to really package what the U.S. is doing, but how much does it hurt us when soft power levers like the Inter-American Foundation or USAID or other investments are being kind of put into question right now?

Ms. CUSTER. Thank you, Senator Kaine. I think I would start by saying that when you're talking about how the U.S. engages in Latin America now and moving forward, one of the key things that we need to be thinking about is demonstrating that we have a Latin America strategy, not just a countering China strategy, and that that Latin America strategy needs to be about shared prosperity, shared security.

Then the question is, okay, that's nice rhetoric. That's nice language. What are you going to do to show, not just tell, that this is happening? I think here, this is where I would say our economic statecraft levers of development, finance, trade, and investment are critical. All of them are critical.

I think that there's nervousness about what some of the changes that the Trump administration are enacting with regard to foreign assistance, development assistance. It is provoking questions about, is this lever going away? Is this tool of statecraft going away?

I think I'd be the first to say that there is a lot about U.S. development assistance that is in need of reform, and that benefits from reform, but I think the abruptness of how those changes were made created questions rather than answers for people.

Of course, we still have muscular tools like the Millennium Challenge Corporation, the Development Finance Corporation, that can be used to continue to engage on this lever.

Then there's a question about packaging, I think you also said Senator Kaine. That is one of the unique things, I think, about living in a democracy and a robust market economy like the United States that's different than our competitor in China. That is the private sector, civil society, private philanthropies, so many different actors engage American companies, engage in Latin America, but you're right, it's very difficult to pinpoint who they are, what they're doing.

For that reason, I think we do need to be talking about a whole-of-society contribution. One of the things that I've been working on with the State Department in other regions of the world that would be beneficial to do in Latin America, is trying to quantify what is the value economically of engaging with the U.S.? What does that look like in terms of private sector, trade, and investment? What does that look like in terms of development, finance? Our ambassadors and diplomats don't have easy answers to those questions.

Senator Kaine. Dr. Ellis.

Dr. ELLIS. Thank you very much, Senator. An excellent question. First of all, my understanding is coming from an academic standpoint, but also recalling some of the same answers that I gave during a previous hearing I believe, in front of yourself and the Foreign Relations Committee, not too long ago.

I think there's a range of different things, as you pointed out. Number one, recognizing the appropriate use of national power, and again, I think that's something that Secretary Rubio and others understand, to make our adversaries know that we care and make our partners know that we care.

To me, as I mentioned with Senator Curtis, the importance of having this at least momentary victory with BlackRock, with Hutchison, but also it is important to have follow-through to make sure that that deal is not foiled.

Also, I think one thing that's important and for me hopeful with the President Trump's administration, is the renewed focus on the private sector, making sure that the private sector is leveraged to provide alternatives to China and is not overly constrained in terms of the way and where we can help.

Also, there is a question I believe, which is fundamental, and this goes back to your point about institutions. For me, we're never, as a free market society, going to be able to out-transactionalize the Chinese. In many ways, the question is how do we limit some of the more predatory aspects of their advance?

To me, one of the things that is critical for that, is working with partners to help strengthen their institutions in terms of anti-corruption work, in terms of pushing for transparency, in terms of their ability to evaluate contracts. There are things that are equivalent to what we have in the U.S.—basically help them to get it right, and operate with a level playing field.

My hope is that we continue as we try to figure out, which is wheat and which is chaff for throwing out, on some of these programs, that some of those things working with our partners, we will continue in that direction. I think at the end of the day, another thing which becomes very important is to give our partners reasons why they want to work with us. I think, again, this is a balance that I see Secretary Rubio also working to do very well, to show that we care, and to apply pressure and to pursue the U.S. interest where it is appropriate, but at the same time, to still give them reason to believe that there is an inherent reason to work with us as a dependable partner.

Senator Kaine. As I cede back, having gone way over my time, but this has been great. I do want to just underline what Ms. Custer said, about we need a Latin America policy, not a countering China in Latin America policy. Latin American nations, that a critique that they would have of us, is the U.S. policy toward Latin America is always really about somebody else.

The Monroe Doctrine, that was really about Europe. It was telling Europe that they couldn't be involved in Latin America, and they worry that we're only interested in them to counter somebody else rather than interested in them. Then even that interest can be episodic. We're worried if there's an immigration crisis, and as soon as it abates a little bit, okay, we're not worried anymore. We're worried if the Soviet Union is doing things in Latin America, then Soviet Union collapsed, we're not worried anymore.

I think the notion of a Latin America policy that's really about Latin American prosperity and stability is good work that can be done, that needs to be done in a bipartisan way between Article I and Article II branches. With that, I yield back.

Senator CURTIS. Thank you, Mr. Ranking Member. With a little footnote that I'd still like to come back to some of my questions, I will yield to the good senator from Oregon.

Senator MERKLEY. Thank you very much Chair Curtis. Good to see you in the chair seat. You have so much power now.

[Laughter.]

Senator MERKLEY. I wanted to go back to a journey of December 2023 when a group of us led by Senator Kaine, went down to Guatemala, President-elect Arevalo had been here. A couple of us had met with him, and he said, "I may never actually become President either because they will invalidate the election, or I'll be assassinated."

I asked him, would it be helpful if a group of us come down before the installation to show American support for the integrity of the election and the integrity of the democratic process? He said that's the single best thing you could do. So, we went.

While we were there, the Attorney General of the country invalidated the elections, and we immediately did a press conference and stood up for the integrity of the elections, integrity of democracy. Some European delegations did the same, the same day. By the end of the day, the then President, the outgoing President said he would stand by the elections and the installation. I was very, very pleased to see America standing up for democracy, standing up for integrity of the process.

President Arevalo ran on economic development for the whole nation, and that really made a huge impact on the indigenous population, recognizing they had a champion in him, which they often didn't have in a President in Guatemala. His effort to take on corruption, and you just mentioned corruption a moment ago.

Now we are cutting programs that support anti-corruption and support economic development. What impact will those cuts have on the stability or success of Arevalo's effort to improve living and stability and take on corruption and establish a better democracy?

Dr. ELLIS. Senator, thank you very much for the question. First for me, in framing to be perfectly clear, my understanding is that the Administration is in the process of evaluating the wheat with the chaff, which things make sense to continue in some new form versus what things don't make sense to.

For me, and also, frankly, to dovetail off what Senator Kaine said, for me there is no other region in the world in which what happens whether for good or bad, most directly impacts the United States through ties of immigration or commerce or security. Understanding that connectedness, I think that probably the entire committee shares. Understanding that one of the biggest impacts for opening up the doors for China, as we see with, for example, Venezuela, when frustrations with corruption opened the door for first Hugo Chávez and then Nicholas Maduro, or for example, in Ecuador, how Rafael Correa came to power, or in Bolivia, how Evo Morales first came to power.

That frustration with corruption, oftentimes in the sense that governments are not performing, opens up the door for radical left that hijack democracy. Often they are who buys the most Chinese arms, who buys the most Chinese security systems, who engages with the Chinese in the most problematic ways. What you see is

that when there's a loss of faith in democracy, that often opens up those doors.

I certainly would concur that helping our partners to succeed with democratic governance in the fights against corruption and other things is important, and at the same time——

Senator MERKLEY. You've kind of leapt forward to my second and third questions, but I'll just acknowledge that. I do think that cutting, the terminations of foreign aid programs that have included supporting democracy programs and good governance will have an impact. Maybe some of those will be restored, as you say, maybe there's the chaff that can be set aside.

I think it's very important to carefully defend the programs that support his efforts in economic development and strengthening the institutions of democracy, but then this has broader impacts. What you have leapt forward to, and certainly if we have a weaker relationship with Guatemala and terminate these programs, it creates a more open door for China.

I wanted to ask about one specific aspect, maybe it's been asked about, but I wasn't here for the rest of the hearing, so I apologize, and that is, whether undermining programs in Guatemala might also undermine the ability of President Arevalo to continue to support Taiwan. He's under tremendous pressure to abandon the recognition of Taiwan. We've encouraged him to sustain that. If we're doing less on economic development, China has the opportunity to say, well we'll do more—recognize us.

Ms. CUSTER. Thank you very much for the questions. I wanted to go back first to your earlier comment about democracy. I think when you talk about democracy erosion, there's really three things that we need to be looking at with that. One is public apathy. Globally, you're seeing citizen surveys that are uncertain about whether democracy is delivering economic growth. That is a major challenge for democracy.

I think secondly is that you do have wealth maximizing, power maximizing politicians that are looking for opportunities to accumulate power, but then you also have motivated external salesmen. I think that kind of brings us to the point of this hearing. China and Russia and other authoritarian allies are very happy to find ways to demonstrate that their models of development, their models of governance are more attractive and that they will deliver economic growth.

I think there's an opportunity for the U.S. to counter that in two respects. One is bolstering Taiwan, who actually has made an effort to demonstrate that you can have development and democracy to be successful. It's not very good about telling its story as a successful democracy, so that's certainly one thing to think about.

Two, in terms of the U.S., there is a whole society approach that we need to be thinking about here, our civil society, our private sector, our government, engaging in places like Guatemala to shore up democracies. To do that, you're thinking about investing in watchdog capacity of civil society journalists and whatnot.

You're thinking about increasing the technocratic competence of officials in these governments as a counterbalance to politicians. Then, investing in accountability. I would like to see the U.S. continue to be a voice and put resources behind doing these things,

from a government perspective. At minimum, we should also be working with our private sector and civil society actors to shore that up further.

Senator MERKLEY. I'm over my time, but I just want a kind of a yes or no, if possible. Does canceling programs that we support in Guatemala on economic development and democracy building make it harder for Guatemala to maintain its current relationship with Taiwan?

Dr. ELLIS. I think we need to get the programs that we support, right, sir, and make every program dollar that we spent count.

Senator MERKLEY. That wasn't exactly an answer. Okay. You're going to not answer that one, but how about for you, Ms. Custer?

Ms. CUSTER. I am similarly going to give you a non-answer, but I will say that when it comes to fighting economic pressure from China, we've removed an important stick and lever at our disposal and it makes it easier for Guatemala to say it's not worth it to continue to recognize Taiwan.

Senator MERKLEY. You're the experts and you don't want answer the question. I want to tell you how I think the right answer is—absolutely, if we undermine our programs with Guatemala, it creates economic pressures that China will see as an opportunity, and that opportunity will go with a requirement that Guatemala abandon its relationship with Taiwan. I think that's the right answer. If we had further time, I'd ask you if you disagree with that, but—we're—thanks.

Senator CURTIS. On that note, I'll turn to a few questions of my own. Ms. Custer, you talked about Taiwan telling a story, and I want to just point out in 1979, I actually lived in Taiwan, and Taiwan was under martial law at the time. The United States put a lot of time and energy into our relationship with Taiwan, and to some degree, we pulled back, well, not to some degree, we pulled back our diplomatic relationships with Taiwan.

Now you let that time pass between 1979 and now, and you have a full force democracy, prospering, doing well, freedom for their people. You have, of course China has gone the opposite direction. I think that is a fabulous story to tell when we really should be shouting from the housetops here in Washington, DC.

Dr. Ellis, let me have you put on your former state policy planning staff hat. Did you see evidence of Chinese interference in local electoral processes or overt efforts to sway political leaders to sever the relationships with Taiwan?

Dr. ELLIS. Yes, sir. First of all, I think it's important to understand it is multifaceted. I'm going to speak in terms of having followed this for about 20 plus years as an academic and certainly the unclassified portion of what I saw while I was at the State Department.

What you see is this weaving of a tapestry at all levels. It's the economic blackmail selectively applied that we saw before. It's the whispering in the ears of business lobbies in agricultural and in other sectors. It is the bringing people over to the PRC, in terms of journalists or others to try to get favorable coverage and access.

It is sometimes inappropriate things. I'll mention one specific case that I haven't mentioned yet, which was Panama's flip from Taiwan. Now, I've spoken with President Varela, and I know that

he would deny that there was a quid pro quo, but it did not go unnoticed among people that you know, right after he flipped to the PRC in 2017, that the family rum business that was in his brother's name suddenly got a really big contract from the PRC.

Similarly, it was not unnoticed that his Vice Minister Nicole Wong, again, who I know, and is a wonderful person, a very, very bright person, but after she played a critical role, in that flip—literally just months later, she got a very cushy job representing China Harbor Engineering Corporation.

I think there's this sense of both these offers and that China plays dirty, including some of the more indirect electoral things. If I may, just one more thing, and Ms. Custer also alluded to this, but really to emphasize the promise of benefit is often an unrealized promise.

I have done several studies which have been published looking at IMF data in which you actually see that if you look at the 2–3 years after recognition, when you include both what is lost from Taiwan and what has been gained from the PRC, in almost every single case, at least, the exports are flat, or they fall.

In part that's because, with some of the traditional products such as coffee and fruit, there's no real reason for the PRC to bring them in refrigerated containers halfway around the world when they can get the same product from Vietnam or the Philippines, that's oftentimes just a symbolic thing.

At the same time, their export promotion agencies oftentimes don't have the expertise that they need. Indeed, when you look at the actual PRC investment projects, there's a certain amount of work that is done, paid for by those countries, but not actual investment, neither in Panama, nor in Costa Rica with the disastrous Route 32 project, not in the Dominican Republic, where something like \$600 million of electricity projects were promised that never happened.

Not even in El Salvador, where there's talk about China building the port of La Union. In almost every single case, those promises have been empty, but it's those hopes that often are sold. Whereas I think that the benefits that Taiwan provides are often right-sized for our partners, and are something that's much more tangible to their benefit.

Senator CURTIS. Thank you. Ms. Custer, did you want to comment on that?

Ms. CUSTER. Yes, please, sir. First, picking up on what Dr. Ellis said, we call that buyer's remorse. You asked me earlier, Senator Kaine, about how we see things differently in Latin America than in other parts of the world.

One is the newness of a lot of these relationships. I field surveys of private, public, and civil society leaders in 141 low- and middle-income countries, including many in Latin America. What you see are differences in how leaders think about what they've gotten in the relationship with China. You see a lot more skepticism and doubts starting to flood in places like East Asian Pacific, for example, where these countries have a longer history with a lot of these projects, where you're starting to see not only the promises, but the delays, the disruptions, the challenges environmentally, challenges with governance and corruption.

This has soured things a little bit. Other studies have shown that China gets a public perception bump when it announces a new project, but it actually has a decline at the end of these projects. Those are the stories that actually aren't really being told yet in Latin America, but there's an opportunity there for learning. Then, to the point——

Senator CURTIS. Before you leave that, can I ask this, can you bifurcate the difference between that reaction from people on the ground and the leaders? Does that make sense?

Ms. CUSTER. Yes, that's a great question. When I talk about leaders, it's a fairly broad way of defining it. Mid to senior government officials, civil society leaders, private sector leaders. Typically, these leaders are thinking about a slightly different set of agenda items than citizens. Citizens are often historically undecided when it comes to China, but you do see a souring of public opinion mostly in terms of reaction to news media, but also a souring when it comes to what's happening in particular communities that are affected by these projects.

When it comes to leaders, what is a more compelling case is, where am I going to get financing for infrastructure projects? I'm looking to China. There is a little bit of a difference there, but even in places like the East Asian Pacific region, you're seeing a souring on both counts.

Senator CURTIS. Very good. I'm going to still put my bookmark down, but yield to the Senator from Florida. Welcome.

Senator SCOTT OF FLORIDA. Thank you, chairman. Thank you all for being here. First off, do you think China's our friend? Either of you think their government has decided they want to do whatever's in the—act in the best interest of America? Either of you?

Ms. CUSTER. Do I think that China is our friend? I'm not sure that friend is necessarily the vocabulary choice that they would choose. I think they view the U.S. as a superpower. It is someone that they can't ignore. It's somebody they have to accept and find ways to work with. The question is more about managed competition. In what areas are we going to compete? In what areas are we going to cooperate? That's not quite the same thing as a friend, but it is someone you have to live with.

Dr. ELLIS. For me, Senator, thank you for the question. The Chinese people are our friends. The Chinese people are human beings living in an oppressive communist system, which fundamentally, through the dominance of government crushes the initiative that they have and the freedom that they have.

Now looking at China as a system, what I'd certainly say is that for me the objectives of the Chinese Communist Party and the leadership of the Chinese state, it's all about China. It's about capturing as much value added for the Chinese as possible. It's about the restoration of the military and other power of the Chinese state after what they see as 150 years of humiliation.

What that implies is the question of, whose security is taken away? Whose democratic system is taken away? For whose interest do international organizations and institutions operate? Whose liberty is lost? Whose territorial claims are lost, looking for example at the advance of the PRC in the South and East China Sea with

the militarization of reefs and shoals and what they've done with the Philippines and the Vietnamese and others.

At the end of the day that creates a dilemma for us that if we have to work, if we have to, someday fight against the PRC because of Taiwan or something else, it is going to be a horrific challenge.

Senator SCOTT OF FLORIDA. Let me interrupt you for a second and make it easier. Do you think a friend would give your kids fentanyl? Do you think a friend would do that? No. Answer is pretty simple; they wouldn't do that. Do you think your friend would sign a document that they are going to comply with some organization or some trade deal and completely lie? I don't think so.

Do you think a friend would try to steal your job? Eh, probably not. Do you think your friend would try to take the property of your next-door neighbor? Eh, probably not. That's the party, the communist party, right? Okay. How do you think that when you see the Communist Party do what they're doing, how are we supposed to try to be helpful to Taiwan? What would be the biggest reason, biggest ways we can be helpful to Taiwan?

Dr. ELLIS. Sir, first of all, to ensure Taiwan's survival as a democratic autonomous entity, to make sure that as happened with Hong Kong in violation of the PRC commitments to Hong Kong, that Taiwan's autonomy is not crushed. In part because it is in our security interest to do so—

Senator SCOTT OF FLORIDA. What would you do? What would you do that we're not doing?

Dr. ELLIS. A range of different things, sir, but number one is to make sure—

Senator SCOTT OF FLORIDA. Just give me the top three.

Dr. ELLIS. To make a clear commitment, backed by military and other capabilities, to be able to defend the autonomy of Taiwan. That is fundamental to U.S. long-term security interests in Asia. As part of that, also to resist encroachment on Taiwan and its group of friends in the Americas and other places, in order both to help maintain the autonomy of, and friends of Taiwan, but also as a vehicle to restrict China's advance.

Senator SCOTT OF FLORIDA. How about you? What are your top three things that we ought to do to help Taiwan? Or do you think we should?

Ms. CUSTER. In terms of helping Taiwan directly, I think there's a question as to how much does formal recognition matter versus broadening the support base of actors that see the value of an independent Taiwan. I think a lot of the conversation earlier in this hearing had focused around how do you actually claw back wins from a lot of these actors? How do you push countries across the recognition chain?

Those that aren't recognizing Taiwan at all right now, having a liaison office, how do you actually get the incentives right for partners in the region to do this? For those that maybe are opening up the door to full recognition, how do you move up that chain?

I think a lot of the conversation that we've had thus far has been about how do you get the economics right? How can the U.S. actually be part of the solution together with Taiwan, to broker economic opportunities for countries to stay on board?

Senator SCOTT OF FLORIDA. Do you think we should continue to try to buy everything we can from China when they want to demolish our way of life, kill our citizens, build a military to defeat us, lie about every deal they ever did? Do you think we ought to stop buying their crap?

Ms. CUSTER. I think I would answer the question by saying it is in the interest of the U.S. to diversify its supply chains, to diversify its trading partners, and Latin America is a great place to do that. We could be doing more to build and buttress our relationships from a trading perspective there. That's a win for the U.S. That's a win for Taiwan, and it's a win for the region.

Dr. ELLIS. For me, I think there's a lot more that we can do in terms of restricting PRC's ability to obtain technology, especially the technology that helps in areas such as AI, and also with other things that both represent military threats and strengthen the Chinese state. Also, things that allow a PRC dominance of certain industries that, in a global form, undercut our ability to compete.

In addition to that, I think there's more that we can do with financial sanctions. I think there are certain areas where we need to make sure that we don't do more to undercut our own strength, in trying to move away from working with the PRC.

I think there are some areas where we certainly can cooperate and have economic cooperation, but we absolutely do, I believe, need to understand, as you pointed out, Senator, that we are in a very serious competition and we need to make sure not only that we preserve the autonomy and democracy of Taiwan, but also our own strategic space including being able to compete against the PRC, and not find ourselves in a position where we are technologically outmatched, militarily outmatched, and in otherwise, by allowing certain economic things.

I think there's a lot more that we can arguably do if we do it intelligently in that space, sir.

Senator SCOTT OF FLORIDA. Thank you, chairman.

Senator CURTIS. Thank you. The gentleman yields. Sincere thank you to both of our witnesses. Thank you for dealing with our little recess there. For information of the members, the record will remain open until the close of business tomorrow, March 27.

We ask that the witnesses respond as promptly as possible. Your responses will also be made part of the record. With my thanks to the Ranking Member and on both of us, we thank everybody for being here. The hearing's adjourned.

[Whereupon, at 3:48 p.m., the hearing was adjourned.]