

# China's Digital Influence in Latin America and the Caribbean

## Implications for the United States and the Region

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### Abstract

China's rapid digital expansion in Latin America and the Caribbean (LAC), coupled with plans to extend its Digital Silk Road (DSR) globally, marks a pivotal moment. Brazil's unexpected move to include Huawei, a Chinese telecom giant, in its upcoming 5G auction defies US expectations and will undoubtedly reverberate throughout LAC. Despite prior US caution and strong bilateral ties, Brazil's change aligns with China's vaccine diplomacy, raising eyebrows. China's adept use of economic leverage, vaccine diplomacy, and concessional loans likely influenced Brazil's Communication Minister, Fábio Faria, granting Huawei a shot at building the national telecom network. The pressing concern lies in China's National Intelligence Law (Article 7 and 14), compelling organizations to partake in intelligence activities. This situation mirrors LAC's potential future. Central questions emerge: Can Brazil and LAC incorporate China's DSR securely? How can the US mitigate the escalating digital influence wielded by China?

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In its narrowest interpretation, the Digital Silk Road (DSR) of China represents the digital facet of the Belt and Road Initiative (BRI), a globally acclaimed blueprint for infrastructure and investment. The DSR encompasses the entire spectrum of worldwide interconnectivity, encompassing both physical and digital mechanisms for facilitating linkage. This encompasses traditional equipment, or the hard infrastructure, such as fiber optic cables, servers, fifth generation (commonly referred to as 5G) towers, networks, and satellites. Projections from the World Economic Forum indicate an anticipated USD 15 trillion global infrastructure disparity by 2040, of which USD 2 trillion pertains to the digital divide.<sup>1</sup> Thus, China finds itself well-positioned to significantly narrow this gap, addressing both the tangible and digital dimensions.

The catalyst for the DSR was initially revealed in 2015 during the formal announcement of the BRI. Swiftly taking precedence, the DSR emerged as the central constituent, as underscored by President Xi himself in 2017. The apex was

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<sup>1</sup> Anita George, Rashad-Rudolf Kaldany, and Joseph Losavio, "The world if facing a \$15 trillion infrastructure gap by 2040. Here's how to bridge it," *World Economic Forum*, 11 April 2019, <https://www.weforum.org/>.

reached in 2018 with China's Vice Minister of Information Technology articulating the nation's intent to forge "a community of common destiny in cyberspace."<sup>2</sup> By 2020, China secured backing from 16 countries through signed memoranda of understanding for the DSR, although differing accounts propose a notably larger count. The Council on Foreign Relations (CFR) approximates approximately 40 countries—equivalent to one-third of BRI participants—collaborating in the DSR.<sup>3</sup>

### ***China's Ambitions***

Analyzing communiqués, development plans, and strategic messaging reveals insights into China's national interests, encompassing economic aspirations, resource security, advancement of Chinese technology, and fortification or enhancement of bilateral relationships. Consequently, two distinct perspectives on China's ambitions emerge: one propelled by domestic and economic considerations, and the other centered on securing their prominence as a global technological frontrunner. Substantiation exists for both viewpoints. Hong Shen, a trailblazer in dissecting China's DSR, categorizes its dimensions into five key facets: alleviating industrial overcapacity, facilitating global expansion of corporate China, bolstering the internationalization of the renminbi (RMB), constructing a transnational network infrastructure centered around China, and championing an Internet-driven "inclusive globalization."<sup>4</sup>

Shen's initial three dimensions are intricately intertwined with the objectives of the BRI, reinforcing the first viewpoint. Reflective of the "going-out" strategy, Chinese enterprises' overseas expansion (second dimension), funded with state backing, serves to alleviate the domestic overcapacity of technology firms (first dimension). The pursuit of RMB internationalization (third dimension) remains a consistent endeavor for China, aiming to validate its currency and challenge the dominance of the US dollar. This underpins the second perspective, aimed at securing China's position as a global technology leader.

Clayton Cheney, a former fellow with the Pacific Forum, outlines four overarching categories within the DSR, encompassing interconnected technology-focused endeavors: digital domain physical infrastructure, advancement of cutting-edge technologies, digital commerce, and international norms within cyberspace and

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<sup>2</sup> *BRI Update 2019—Recalibration and New Opportunities* (Beijing: Deloitte. 2019), <https://shared.deloitte.se/>.

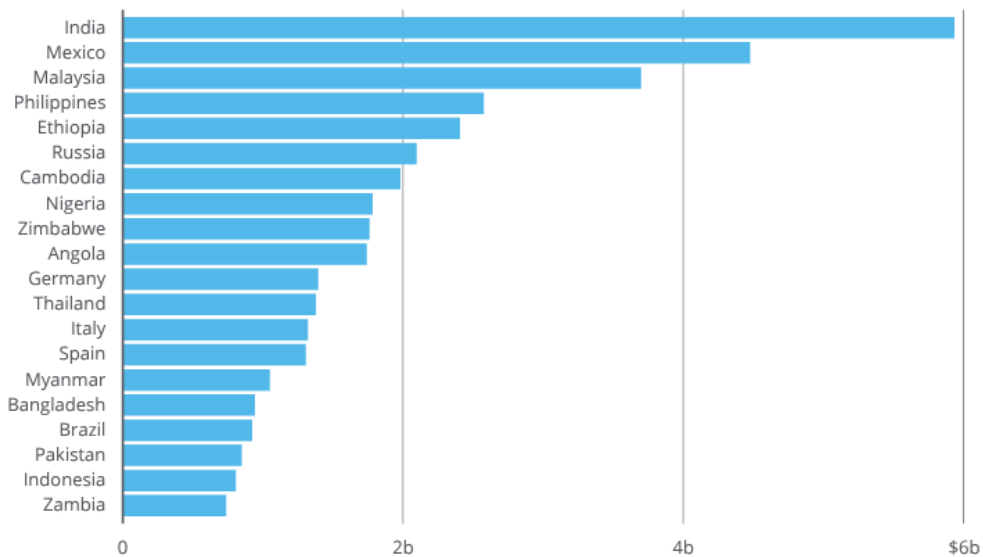
<sup>3</sup> "Assessing China's Digital Silk Road Initiative. A Transformative Approach to Technology Financing or a Danger to Freedoms?," *Council of Foreign Relations*, 2020, <https://www.cfr.org/>.

<sup>4</sup> Hong Shen, "Building a Digital Silk Road? Situating the Internet in China's Belt and Road Initiative," *International Journal of Communication* 12 (2018): 2683–2701, <https://ijoc.org/>.

advanced technologies.<sup>5</sup> Beyond the notable parallels when cross-referencing both frameworks, the most noteworthy convergence lies in Shen’s fourth dimension—construction of a China-centric global network—and Cheney’s fourth initiative—international norms within cyberspace and advanced technologies. This intersection underscores China’s pursuit of technological supremacy. President Xi lent support to this assertion in 2014, articulating his vision to transform China into a cyber powerhouse.

### *DSR’s Strategic Implications*

The expansive nature of the DSR, often intertwined with BRI funding, introduces distinct challenges when attempting to quantify China’s total investment within the initiative. The intricate interplay of the DSR, along with the opacity of the People’s Republic of China (PRC), further compounds this difficulty. Disparate findings from think tanks and institutions compound this challenge.



Data: RWR Advisory Group. Includes projects completed or initiated outside China since 2012 that enhance the digital infrastructure of the target country. Does not include mergers or acquisitions. Dollar values for some projects are unavailable and therefore aren't reflected in country totals.

**Figure 1. China’s DSR spending by country.** (Source: *BRI Update 2019—Recalibration and New Opportunities* (Beijing: Deloitte. 2019), <https://shared.deloitte.se/>.)

<sup>5</sup> Clayton Cheney, “China’s Digital Silk Road: Strategic Technological Competition and Exporting Political Illiberalism,” *Net Politics* (blog), 26 September 26 2019, <https://www.cfr.org/>.

Beyond the quandary of precisely gauging China's foreign direct investment within the initiative, what remains conspicuous is the vast scale and ambit of the DSR. If the figures are accurate, the DSR initiative channels substantial investments into countries grappling to bridge the digital divide. For instance, India, China's neighboring nation, alone has received nearly USD 6 billion in DSR funding, while Mexico in the Western Hemisphere has secured over USD 4 billion. Additional endeavors, such as smart city projects and network equipment agreements, offer societal benefits such as crime reduction, improved traffic flow, and enhanced emergency response. In a Brazil case study, Nokia and Omdia estimated that fortifying the national telecommunications network could yield an economic productivity boost of USD 3 trillion, positively impacting government, agriculture, industry, and manufacturing sectors.<sup>6</sup>

Multiple risks loom for participants associating with the DSR, most notably China's National Intelligence Law, Article 7 and 14, which legislatively obligates all organizations and citizens to provide support, assistance, and cooperation in intelligence activities. In essence, irrespective of the PRC espoused degree of separation between state-owned enterprises (SOE) or individuals, their assistance and cooperation are mandated by law. Although some contend that similar national intelligence laws exist in other liberal democracies, the distinction lies in the latter's accountability to civilian institutions and oversight. China, conversely, wields unilateral authority over its intelligence and military sectors. Amnesty International's attention has also been drawn to this, asserting that the law stands "incompatible with China's international human rights obligations." The organization calls for its retraction and revision with public involvement.<sup>7</sup>

### ***Are the Risks Real?***

Substantial evidence substantiates the aforementioned risks, spanning allegations of governmental interference in Poland;<sup>8</sup> unauthorized rerouting of African Union information to Chinese servers;<sup>9</sup> aiding Ugandan and Zambian officials

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<sup>6</sup> Juan Pedro Tomás, "Brazilian government confirms 5G auction for August: report," *RCRWireless News*, 1 July 2021, <https://www.rcrwireless.com/>.

<sup>7</sup> *China: Submission to the NPC Standing Committee's Legislative Affairs Commission on the Draft "National Intelligence Law"* (London: Amnesty International Publications, (2017), <https://www.justice.gov/>).

<sup>8</sup> Meia Nouwens et al., *China's Digital Silk Road: Integration into National IT Infrastructure and Wider Implications for Western Defence Industries* (London: The International Institute for Strategic Studies. 2021), <https://www.iiss.org/>.

<sup>9</sup> Carolyn Bartholomew, "CHINA AND 5G," *Issues in Science and Technology* 36, no. 2 (Winter, 2020): 50–57, <https://issues.org/>.

in surveillance of political opponents;<sup>10</sup> and state-sponsored intellectual property theft (IP) in the United States.<sup>11</sup> These instances exemplify the risks within China's DSR domain. In a separate US Department of Justice report, more than two-thirds of the theft of trade secrets cases had a nexus to China. However, the report fell short of directly attributing responsibility to the Chinese government.<sup>12</sup> Maza contends that China's illicit acquisition of US technology costs companies over USD 300 billion annually and nearly 2 million jobs. He proposes that China leverages economic disparities to secure technological dominance, using sanctioned intelligence collection of classified information, establishment of front companies and joint ventures to bypass tech transfer laws, and acquisition of enterprises and technology.<sup>13</sup>

In opposition to the aforementioned covert operations, a counterargument suggests that countries including the US, United Kingdom, Japan, and South Korea have similarly exploited IP theft for economic advancement, ultimately driving them toward regional and superpower status. Another perspective posits that concerns over IP theft predominantly afflict developed nations like the US, and that developing countries can potentially gain from China's DSR. This encapsulates the fervent debate surrounding cybersecurity risks, potentially mirroring the broader geopolitical rivalry between the US and China. Caught in this milieu are not solely allies on both sides but notably, nations in the Global South striving to narrow the digital gap. Thus, the answer to whether the advantages outweigh the risks is intricate and context dependent. For low to middle-income countries, China's DSR could significantly aid in bridging the digital divide. Conversely, from the standpoint of Western liberal democracies, the response leans toward negativity, as a globally pervasive network with Chinese characteristics could challenge the bedrock principles of democracy.

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<sup>10</sup> Steven Feldstein, "Testimony before the U.S.-China Economic and Security Review Commission Hearing on China's Strategic Aims in Africa," 8 May 2020, <https://www.uscc.gov/>.

<sup>11</sup> "Four Chinese Nationals Working with the Ministry of State Security Charged with Global Computer Intrusion Campaign Targeting Intellectual Property and Confidential Business Information, Including Infectious Disease Research" (press release, Office of Public Affairs, Department of Justice, 19 July 2021, <https://www.justice.gov/>).

<sup>12</sup> Cristina Maza, "China Involved in 90 Percent of Espionage and Industrial Secrets Theft, Department of Justice Reveals," *Newsweek*, (2018) <https://www.newsweek.com/>.

<sup>13</sup> Derek Adam Levine, "Made in China 2025: China's Strategy for Becoming a Global High-Tech Superpower and Its Implications for the U.S. Economy, National Security, and Free Trade," *Journal of Strategic Security* 13, no. 3 (2020): 1–16, doi:10.2307/26936543.

### ***Cost Benefit Analysis***

Quantifying the advantages and drawbacks of engaging with China's DSR initiative proves intricate. The evaluation hinges on individual countries, determining the weight of each variable, given their distinct variations across nations. For instance, a nation in the Global South aspiring to bridge the digital divide will assign greater significance to acquiring loans and funding for technological advancement. Conversely, those devoid of indigenous innovation might diminish the perceived significance of the IP theft risk.

### **DSR in the Latin America and the Caribbean Context**

Taking a comprehensive perspective and grasping China's intentions behind the DSR, this section delves into its implications within the LAC context. While it might seem rhetorical to challenge China's altruistic motives, it remains judicious for leaders not to be swayed by the oft-promoted win-win cooperation narrative advanced by the PRC. China's remarkable growth necessitates an extensive array of resources, raw materials, and energy. Ensuring unimpeded access to these resources and a seamless flow is imperative to sustain China's growth and its ascent as a global tech leader. This pursuit has propelled China toward the LAC region.

Margaret Myers succinctly characterizes China's economic trade strategy in Latin America as singularly focused on commodities. From 2000 to 2013, China transformed from a negligible player in terms of export destination and import origin to becoming the first, second, and third source of imports for 17 LAC countries. Despite the substantial surge of Chinese influence in LAC, the interaction and rapport remain asymmetrical; 84 percent of LAC exports to China comprise commodities, while 63.4 percent of Chinese exports consist of manufactured goods.<sup>14</sup> Instances such as oil from Venezuela, copper from Chile, soy and cattle from Brazil, and lithium from Argentina, Bolivia, and Peru spotlight the imbalanced commodity exports to China. This skewed transaction contradicts China's touted win-win narrative.

President Xi introduced the "1+3+6 cooperation framework" during his 2014 visit to Fortaleza, Brazil for the BRICS Summit. This blueprint delineates China's economic strategy for the region: the "1" symbolizes the China-CELAC Cooperation Plan (2015–2019), the "3" encompasses the economic engines of trade, investment, and financial cooperation, and the "6" signifies the six focal industries—energy and resources, infrastructure construction, agriculture, manufactur-

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<sup>14</sup> Maristella Svampa, *Neo-Extractivism in Latin America: Socio-environmental Conflicts, the Territorial Turn, and New Political Narratives* (New York: Cambridge University Press, 2019).

ing, scientific and technological innovation, and information technologies. This framework not only corroborates the theories elucidated by Shen and Cheney in the preceding section but also underscores Myers' assertion regarding China's emphasis on commodities.

### ***China's Digital Influence in LAC***

While considerations of environmental repercussions stemming from extraction practices and the asymmetrical economic dynamics warrant comprehensive exploration, as they intersect numerous policy decisions, this paper maintains a specific focus on China's DSR. Evidence underscores a substantial degree of digital influence across the LAC spectrum, ranging from marginal to substantial within certain nations. Officially, four LAC countries stand as signatories to China's DSR. Nevertheless, as elucidated by CFR and Deloitte through their data, multiple countries, including Mexico, which has garnered over USD 4 billion in DSR funding and projects, may have also benefited from similar informal funding channels.<sup>15</sup> A viable indicator could involve scrutinizing nations that have embraced the BRI, often viewed as a precursor to the DSR; and in this regard, 18 LAC countries stand as BRI signatories.

### ***Case Study: Brazil's 5G***

Examining Brazil's decision to allow Huawei, a Chinese telecommunications corporation, to partake in upgrading their network with advanced fifth generation (5G) capabilities unveils the extent of China's influence within LAC. In August 2021, Brazil's President Jair Bolsonaro granted Huawei the opportunity to construct the country's telecommunication infrastructure. This pivotal choice marked a complete reversal, a 180-degree shift, from the administration's previous anti-China stance, catching even the US off guard. Despite the close alignment with the US and clear warnings, Brazil's decision curiously coincided with China's donation of millions of COVID-19 vaccines during the peak of Brazil's second wave.

China, renowned for its adept use of economic diplomacy to secure trade deals and concessions, has now integrated vaccine diplomacy or the Health Silk Road (HSR) to achieve analogous outcomes. In this instance, the DSR converges with the HSR, both serving as conduits for China to expand its influence across the LAC domain. It is plausible that Brazil's receipt of COVID vaccines from China was contingent upon their acceptance of Huawei's involvement. While China refutes such claims, Brazil's Minister of Communication, Fábio Faria, divulged an

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<sup>15</sup> *BRI Update 2019.*

unusual entreaty from a telecommunication firm after his meeting with Huawei's top executives: "I took advantage of the trip to ask for vaccines, which is what everyone is clamoring for." Irrespective of the veracity of these allegations and statements, Huawei's Brazil President, Sun Baocheng, acknowledged the significance of this decision as a "benchmark" for other nations globally that face comparable pressure from the United States.<sup>16</sup>

### ***Regional Implications***

Regardless of the bidding outcome, Brazil's readiness and determination to embrace Huawei sends a clear message to neighboring and regional powers that the option of considering such a move is not only feasible for acquiring vaccines but also for enhancing telecommunication infrastructure. In essence, the two variables—the closure of the digital divide and the intersection of the DSR with the HSR in this case—hold the higher coefficient. Brazil prioritized expanding their 5G network and obtaining vaccines. In essence, China's expanding digital influence has firmly established itself in Brazil, a nation traditionally regarded as a close US ally. This watershed decision is poised to resonate across the LAC region. While Brazil's authoritative role in setting the agenda signifies to regional powers that embracing Huawei is plausible and offers tangible advantages, what remains unexpressed is Brazil's distinct position, characterized by a robust gross domestic product (GDP) and a cybersecurity legal framework, affording them strategic adaptability in negotiations and bargaining prowess.

### ***Brazil / LAC Policy Recommendations***

As previously discussed, Brazil possesses distinct advantages in negotiations with China due to its status as a regional power, high GDP, and robust cyber legal framework. However, the game theory model's outcome yields comparable policy recommendations. It can be misleading that mutual cooperation would yield optimal results, as clarified in the subsequent paragraph and indicated by the higher numerical values. Brazil would harness the benefits of incorporating Huawei's 5G technology into its telecommunication network at a reasonable cost and of satisfactory quality. Simultaneously, China would derive economic and diplomatic gains if Huawei secures the bid, concurrently bolstering bilateral relations with Brazil. A supplementary consequence, as recognized by Huawei's representative in Brazil, would be the augmentation of their reputation and stature within the LAC region.

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<sup>16</sup> "Brazil Political Press Review 14 September 2021," *BBC Monitoring*, 15 September 2021.



However, the feasibility of this mutual cooperation is hampered by China's National Intelligence Law, as outlined in the initial section of this paper. To reiterate, all entities, including Huawei, are bound by Article 7 and 14. Consequently, under all scenarios, the prospect of China defecting or acting upon the allegations detailed in the aforementioned section remains their most favorable course of action. This outcome would solely change if China were to revise its National Intelligence Law, an unlikely scenario. Consequently, the next best course of action for Brazil and other LAC countries is to collaborate with China while being cognizant of the highlighted risks.

### ***Sequential Game Theory for LAC-China***

The prisoner's dilemma model proves inadequate in extrapolating actionable policy recommendations. To attain a comprehensive understanding of the probable outcomes that steer Brazil's two policy recommendations—conditional acceptance and bargaining options—we need to explore the cooperation/defection dichotomy. Both strategies encompass various variables, including bridging the digital divide, convergence with BRI loans and vaccines via the HSR, while simultaneously considering the preservation of relations with the United States. Anticipating China's probable actions, implying their adherence to the National Intelligence Law, subsequent to the initial cooperative move, three courses of action emerge: rejection, bargaining, or conditional acceptance. This precise sequence unfolded in the Brazil case study, as evidenced by the Ministry of Communication's endorsement of Huawei during August's 5G auction. Rejecting Huawei is exceedingly improbable, as indicated by a Brazilian legislator who contended that excluding Huawei was never a viable option due to its extensive integration within numerous enterprises. Removing Huawei would incur substantial costs in replacing components, ultimately borne by consumers.<sup>17</sup>

### **Courses of Action: Conditional Acceptance and Bargaining**

The optimal policy recommendation entails conditional acceptance, wherein Brazil/LAC embraces Huawei while acknowledging potential risks like system vulnerability, surveillance, espionage, government, and political intervention. However, a strategic approach involves segmenting or “hiving off” the scope of Huawei's involvement, confining DSR projects to specific cities or states. This approach minimizes the threat to the national telecommunication network. “Hiving” refers to partitioning a designated section of the telecommunication infrastructure to

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<sup>17</sup> “Brazil Political Press Review 14 September 2021,” *BBC Monitoring*.

curtail the jeopardy to the entire system. This stance navigates a middle path, neither fully embracing nor entirely rejecting China or the US. Though this might spark contention from the US standpoint, until a viable alternative emerges to challenge companies like Huawei, the US lacks the political leverage to reverse such an outcome. Additionally, as evidenced by the International Institute for Strategic Studies case study, accepting Huawei or analogous DSR projects resulted in marginal changes in US alliance and posture.<sup>18</sup>

An alternative policy avenue involves harnessing bargaining theory, wherein Brazil/LAC leverages their agenda-setting influence to foster China's cooperation. Publicly framing any infringement upon their sovereignty as detrimental to China's reputation and potentially causing opportunity loss within the LAC region serves as a leverage strategy. Conversely, Brazil can adopt a positive perspective, emphasizing that Huawei's success or other projects could amplify China's positive influence across LAC. Capitalizing on the uniqueness factor inherent in bargaining theory offers another avenue to rectify information and economic imbalances. LAC's distinctiveness as a commodities source and their role in the global trade network bestow them with leverage, enabling restrictions on resource exports. However, the risks attached to such an approach encompass reciprocal damage to their economy and markets, coupled with China's potential retaliatory measures.

### ***Risks, Limitations, and Implications***

The conditional acceptance strategy's limitations lie in the potential emergence of a digital divergence—a precursor to a bifurcated internet system. While it might bring benefits to the recipient nation, it could trigger a digital schism, initiating the establishment of two separate internet realms. Such an outcome would likely intensify geopolitical competition, not solely between the US and China, but also compel allies and adversaries to make divisive choices. Striving to find a middle ground to appease both superpowers might result in fallout with either party, thus potentially affecting other junctures of the DSR, including BRI funding, vaccine diplomacy, and additional revenue channels.

Comparable risks are associated with the bargaining option, as China holds the capability to counteract “name and shame” through media suppression, nondisclosure agreements, disinformation campaigns, and other mechanisms that control the discourse of free speech. Blocking the public framing aspect of bargaining theory would empower China to persist in state-sponsored IP theft, engage in

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<sup>18</sup> Nouwens et al., *China's Digital Silk Road*.

other forms of cyber espionage, and amplify the asymmetry between countries for the purpose of exploitation or concessions.

### ***US Policy Recommendations***

The US position within the game theory model starkly contrasts with that of the LAC region. Any form of cooperation or acquiescence on the part of the US toward China would yield an unfavorable outcome. The optimal course of action for the US lies in defection, should China's established *modus operandi* persist, which primarily involves upholding their National Intelligence Law and eschewing adherence to the rule-based international system. While this research paper primarily delves into the compartmentalization of the DSR, it's essential to acknowledge that the intersection of political tensions—such as human rights transgressions and climate change policies—holds a coefficient, albeit a lower one, in shaping the US policy recommendation. Conversely, the inverse approach would signal to both allies and adversaries that the US is willing to tolerate violations of the aforementioned standards and a lack of adherence.

Echoing the optimal strategy for the US, China's most strategic reaction in this scenario is to defect as well. This establishes a Nash equilibrium of defect/defect. Recognizing the US stance, China is unlikely to voluntarily conform to international norms, as doing so could impede their technological innovation. Additionally, halting alleged operations of cyber espionage, IP theft, asymmetrical exploitation, and concessionary loans is improbable, given China's current economic and diplomatic gains. Measures imposed by the US, including placing certain Chinese companies on the Department of Commerce's Entity List and fortifying existing multilateral institutions to further restrict China's access to specific technologies, will hinder their technological advancement. According to the IISS, China presently lags behind the US by a decade in the tech race; adopting the US defect strategy will ensure that China does not close the gap in this digital race.<sup>19</sup>

### ***US Policy Implementation in LAC***

With the application of game theory, it becomes evident that the LAC region will strive for cooperation with both China and the US. To safeguard its national interests and those of LAC, the US must not solely present favorable economic alternatives but also enlist the backing of multilateral organizations like the International Monetary Fund (IMF) to tackle urgent challenges, notably the digital divide and infrastructural advancement. Thus, the recommendation is to capitalize

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<sup>19</sup> Nouwens et al., *China's Digital Silk Road*.

on existing institutions, such as the US International Development Finance Corporation (DFC), and to persist in advocating initiatives such as the Blue Dot Network and the Health and Prosperity framework.

The Better Utilization of Investment Leading to Development (BUILD) Act, signed into law on October 5, 2018, empowers entities like the DFC, federal programs, and the US Export-Import Bank to channel private equity into funds for infrastructural development. Collaborating with the Overseas Private Investment Corporation (OPIC) and USAID's Development Credit Authority, the DFC invests across sectors including energy, healthcare, critical infrastructure, and technology. The allure of harnessing untapped market potential into a stable, secure, and lucrative fund focused on foreign physical and digital infrastructural investment stands as a feasible approach to bridging the USD 15 trillion global infrastructural gap. Moreover, it offers debt financing, equity investments, feasibility studies, investment funds, political risk insurance, and technical assistance to emerging markets and developing nations.<sup>20</sup> By September 2021, the DFC had successfully executed over 200 projects in more than 20 countries and territories within the LAC region, culminating in a total investment exceeding USD 10 billion.

### ***An Alternative to China's DSR***

The US DFC stands as a distinct alternative to China's BRI and DSR, supporting "an economically viable form of private sector-led investment, offering a robust alternative to state-directed investment which often leaves countries saddled with debt."<sup>21</sup> The Blue Dot Network, an initiative centered on endorsing quality infrastructure investments by certifying projects driven by market dynamics, social and environmental responsibility, financial sustainability, transparency, accountability, and inclusiveness, exemplifies this alternative approach.<sup>22</sup> This initiative is poised to challenge China's DSR, with its emphasis on the color blue serving as a deliberate juxtaposition to China's prominent red featured in its national flag. Nevertheless, potential for cooperation may surface in domains like critical infrastructure, specifically in addressing the digital divide.

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<sup>20</sup> "Latin America and the Caribbean," US International Development Finance Corporation, 2021, <https://www.usaid.gov/>.

<sup>21</sup> "Latin America and the Caribbean," US International Development Finance Corporation.

<sup>22</sup> "Latin America and the Caribbean," US International Development Finance Corporation.

### ***Possible Cooperation?***

A contrarian perspective and a minor departure from the game theory model propose that the US and other Western democracies encourage China to participate in initiatives like the Blue Dot Network, rather than pursuing the current decoupling strategy. Such a move could be interpreted as an extension of the proverbial olive branch in diplomacy, while also ensuring China's compliance with the principles and standards endorsed by the US and its allies. It is likely that China would reject this proposal due to the potential constriction of their technological progress, even if it were through alleged illicit means. Nevertheless, if conditions were established in which China's digital influence and economic growth would not be impeded, but rather might flourish in a free market characterized by principles of equitable and transparent competition, then the prospect of cooperation could arise.

Like the Biden administration's stance of non-containment and cooperation when feasible, involving China in the formulation of future standards and norms for digital governance compels them to live up to their self-proclaimed role as a responsible stakeholder. This approach would reduce the probability of a divided internet system and ease the pressure on allies and developing nations to make a binary choice between the two factions. History has demonstrated that the PRC has adhered to international standards such as the G20 principles, WTO regulations, the Paris Agreement, and more recently, the jointly released communique by the US and China at the COP26 climate convention. Leveraging these successes to establish a framework for international digital governance is a logical progression.

### **Conclusion**

From the perspective of recipient countries, the acceptance of China's DSR projects and funding undoubtedly yields substantial economic growth, employment opportunities, enhanced trade prospects, and improved digital capabilities. While, for select nations in the LAC region, the advantages of China's DSR may seem to outweigh the associated risks, it remains crucial to thoroughly evaluate these risks, despite their comparatively lower coefficient. In a world increasingly reliant on technology and connectivity, China is strategically positioned to narrow the global digital divide. The trajectories projected by game theory models suggest China's likely path, indicating the potential proliferation of cybersecurity risks such as state-sponsored IP theft, violations of digital sovereignty, and resource extraction.

The current accomplishments of the DSR are multi-faceted; not only do they legitimize the Chinese Communist Party, thereby ensuring regime stability through

domestic political reassurance, but they also influence the future landscape of digital governance. However, the ongoing success of China's initiatives is not predetermined, considering that the US possesses substantial capability and capacity to not only contest China's DSR, but also to provide an alternative for the LAC region. This alternative can be economically feasible, sustainable, and aligned with Western liberal principles. The US International DFC serves as an exemplar of a federal agency that has and will continue to contribute to the financial development of the LAC region while safeguarding US national interests. ★

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A native of New York, he began his military career in 2010 as a Second Lieutenant in the US Army, receiving his commission from the Reserved Officer Training Corps (ROTC) from State University in New York (SUNY) at Albany. Transitioning to the Foreign Area Officer Corps in 2018, he is regionally focused on Latin America, providing unequaled time-sensitive situational awareness to senior decision makers.

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