

To Influence El Salvador, China Dangled Money. The U.S. Made Threats.

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ISLA PERICO, El Salvador — The offer was befuddling: A little over a year ago, families living on Isla Perico, a speck of an island in a destitute corner of El Salvador, were offered \$7,000 each to pack up and move to the mainland.

The islanders were told their move was necessary to help achieve China's plan for turning a downtrodden patch of Central America into a global trade hub and manufacturing powerhouse.

But they steadfastly refused, doubting that they would benefit from any bonanza the Chinese could bring.

"Where would we go?" said Mercedes Hernández, cradling a 1-year-old baby. "We have a life here."

Over the months that followed, the island's roughly 35 families would become unlikely participants in a struggle between Beijing and Washington, which wants to stop the Chinese from gaining a strategic foothold in a tiny impoverished nation that sits on its doorstep.

American officials in El Salvador went on the offensive to thwart China's foray, painting Beijing as an untrustworthy partner with hidden motives.

For most of the past decade, the United States watched with unease as much of Latin America was pulled into China's orbit through a growing network of trade and loans — which Washington did little to confront.

As China presented itself as a partner with a vision for El Salvador's future, Trump may have played into China's hands, his critics say. The Trump administration initially countered China with little beyond threats to the Central American nation and its neighbors for not doing enough to curb migration, one of the president's signature issues.

But then the United States took another tack: trying to turn public opinion in El Salvador against the Chinese.

American officials criticized China's legacy in the developing world in several interviews, meetings with opinion makers and posts on social media. At one point, the American ambassador went as far as suggesting China could be seeking to establish a military post in the country.

"China's agreements with El Salvador have been negotiated by a small group of individuals, behind closed doors and without the involvement of the public or representatives from the key sectors affected by those agreements," said Jean Manes, the recently departed American ambassador in El Salvador, who was given rare leeway to publicly criticize China's plans.

China, she said, "advances its own agenda with little regard for the long-term economic prospects for or environmental impact on developing countries."

The American warnings, and the resistance of Isla Perico's families, helped thwart China's plans — at least for the time being. Measures that would have allowed China to proceed stalled in El Salvador's legislature.

Ou Jianhong, China's ambassador in El Salvador, declined several interview requests and the embassy did not respond to emailed questions. In an interview with Xinhua, China's state news agency, Ms. Ou called Washington's warnings "irresponsible and unfounded."

The offer to create a special zone in El Salvador, by a Chinese state-owned company called Asia-Pacific Xuanhao, was summarized in a document called "Shared Opportunities, Shared Future." A copy was reviewed by The New York Times.

The deal would allow China to advance its quest to establish an alternative trade route to the Panama Canal, and enhance its ability to shape commerce in the region.

The special zone also would give China a valuable perch to expand its military and intelligence capabilities in Washington's vicinity, according to American officials who have watched warily as Beijing has invested in at least 60 Latin American port projects.

For El Salvador, the deal came with significant trade-offs, and left several unanswered questions.

The Chinese requested a 100-year lease of a 1,076-square-mile area — 13 percent of the country's landmass — and demanded tax exemptions for their companies that would last three decades. Details about the financing structure were not publicly disclosed, causing concern among some Salvadorans that their country risked becoming financially beholden to Beijing for generations.

But by the time the United States began its campaign against the Chinese in El Salvador last summer, the Americans had a lot of catching up to do.

To some Trump administration critics, it was a self-inflicted wound.

While the Chinese were offering to build manufacturing plants, invest in renewable energy and make El Salvador a tourist destination, Trump was calling migrants "animals," and separating children from parents at the border.

"That attitude opens up space for China," said Roberto Rubio, director of the National Foundation for Development, a research group in San Salvador, the capital. "If the United States threatens to cut our aid, treats our people poorly and brings little investment, why not go with the Chinese?"

While the Trump administration has suspended aid programs to El Salvador, Honduras and Guatemala, Ms. Ou, the ambassador, noted that China had signed 13 cooperation agreements on infrastructure, investment, science, technology, education, culture and tourism.

"The cooperation with China will not in any way turn into a debt trap, but a cake for the benefit of its two peoples," she said in the Xinhua interview.

In early July 2018, El Salvador's president, Salvador Sánchez Cerén, gave the legislature a bill that would establish the legal framework for a special economic zone encompassing 26 municipalities along the southeastern coast.

It soon became clear the bill had been custom-made for the plan the Chinese had been quietly promoting for months. Among other conditions, it required El Salvador to sever diplomatic ties with Taiwan, the island off the Chinese mainland where China's former government fled in 1949 when the Chinese Communists took power.

When Mr. Sánchez Cerén announced last August, during a televised address, that his country was breaking ties with Taiwan and establishing diplomatic relations with China, he envisioned an era that would bring "great benefits to the country and provide extraordinary opportunities."

Chinese banks are now the dominant lenders in Latin America, having provided more than \$140 billion between 2005 and 2018.

Trade between China and countries in Latin America and the Caribbean soared from \$17 billion in 2002 to nearly \$306 billion in 2018.

The Obama administration did little to publicly challenge China's deepening engagement in Latin America after the Chinese in 2009 signaled their intention to expand investment and trade in a region rich in commodities and in dire need of infrastructure upgrades.

Soon after Trump's election in November 2016, the Chinese issued an updated policy vision for the region that was notably bolder.

The update conveyed China's desire to build military alliances with Latin American nations and signaled its aspirations to become a guiding force on global challenges like climate change, sustainable development and cybersecurity.

As the deal was debated by Salvadoran lawmakers over the past year, the Chinese sought to win them over, inviting lawmakers and journalists on paid trips to Beijing.

They also began disbursing a \$150 million assistance package.

The first gestures included buying 10 trucks for the water agency of San Salvador and donating 15,000 laptops to public schools.

Ana Guadalupe, a 56-year-old resident of the Santa Fe district in San Salvador, said water service had been sporadic and unreliable before the new trucks began deliveries Tuesdays and Saturdays.

"There were many places where there was no water," she said on a recent afternoon as workers from the water agency used a large hose on a truck emblazoned with the Chinese flag to deliver water. "Without water we can't live."

Across town, Sara Cruz, a computer teacher at Francisco Morazan school, called the new Lenovo laptops her students had received transformational.

"In the past, things that were Chinese were looked down on, as being of bad quality," she said. But the sleek laptops shared by the school's 400 students have changed her mind. "Before we had to teach them theory instead of practice," she said.

Those gestures were not enough to overcome El Salvador's doubts about the conditions of the deal, stoked by American criticism that the port project had been negotiated secretly. Even as China funded flashy projects that generated good will, efforts to get the special economic zone bill through Congress faltered as lawmakers expressed caution in the lead-up to the presidential election in February. Lacking support, the outgoing government never brought the bill to a vote.

Salvadoran lawmakers passed a measure last August forbidding the sale of islands to foreigners, acting in response to news that Chinese entrepreneurs were trying to acquire Isla Perico and a nearby island.

Yang Bo, a Chinese businessman who has lived in El Salvador for several years, was questioned by prosecutors about his role as the middleman in the attempted purchase of the islands.

As questions about the Chinese venture mounted, the residents of Isla Perico, who make a modest living fishing and growing watermelons, received visits from prosecutors, the governor's office and the American Embassy.

The string of powerful visitors to their cluster of shacks strengthened the residents' resolve to stay put.

Antonio Ferman, the mayor of San Alejo, a small town near Isla Perico, said a venture of the scale proposed by the Chinese may well create some desperately needed jobs in the area, which is hollowing out as people facing unemployment and gang violence seek to migrate to the United States. But Mr. Ferman said he doubted any benefit would be worth the impact of such a project on the artisanal fishing industry, which many families rely on, and on the region's access to clean water.

A San Alejo resident, Esleta de Jesus Sariles, 40, said few in the region were putting much faith in the prospect of Chinese jobs, which in the best of cases could take years to create.

Like many of her neighbors who live along a winding unpaved road with a growing number of abandoned houses, she decided to head north to the United States, having raised the \$7,000 smugglers requested to take her and her diabetic teenage daughter to the border.

"Nearly the whole country has emptied out," she said. "And nearly everyone has made it through."

Shortly before taking office on June 1, the new president, Nayib Bukele, signaled he had little appetite for grand Chinese ventures despite his promises to create jobs and attract investment.

The Chinese, he said, "go in, do projects that are not feasible, then they leave the countries with huge loans they cannot repay and use that as leverage."

Weeks after taking power, however, he struck a different note and ruled out the possibility of switching El Salvador's allegiance back to Taiwan. "We need to recognize China's status in the world," he said.

And in the long run, some American officials fear that China's willingness to build roads, railroads and ports in the region will be impossible for El Salvador and some of its neighbors to resist.

Norma Torres, a Guatemalan-born representative from California who has become a leading voice on Central America policy on Capitol Hill, said the Trump administration's focus on keeping migrants out will benefit China.

"They are not looking at short-term, immediate results as we do here in the United States," Ms. Torres said. "The Chinese have focused on, 'Where are we going to be in the next 20 years?'"

While the port deal was sidetracked, at least for the time being, it is clear the Chinese are positioning to become El Salvador's ally of choice.

"Under the careful care of each side, the China-El Salvador relationship will, without doubt, transform from a shrub into a verdant tree," Ms. Ou, China's ambassador, wrote in a recent opinion piece published in a local newspaper. "The bilateral cooperation will be as fragrant and delicious as Salvadoran coffee and as sweet and tasty as the sugar of this beautiful nation!"