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Global Trends in Investment Screening Latin America and the Caribbean

by Eugenio Sánchez

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CFIS 25 Panel 7B

Global Trends in Investment Screening

Latin America and the Caribbean

by Eugenio Sánchez

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1. Introduction

Investment Screening Mechanisms (ISMs) are one of the principal tools used by states to respond to negative security externalities of foreign direct investment (FDI). FDI by foreign adversarial entities in so-called strategic sectors often leads to concerns over possible economic coercion, technological leakage, or loss of national sovereignty over key industries. The use of ISMs is certainly not a new phenomenon. Some countries, such as the United States and Australia, established their ISMs back in the 1970s. However, in the last two decades there has been a rapid proliferation of ISMs across the world, particularly in so-called advanced economies in Europe and North America.[1] However, the latest developments in some of the countries of the so-called Global South indicate that the spread of ISM is not a phenomenon unique to advanced economies of the Global North.

For instance, in 2020, a group of Chilean legislators proposed a bill to establish the country's first ISM.[2] Since 2023, the US and Mexican policymakers have been cooperating on the preparation of a new law to reinforce Mexican regulation of FDI for national security reasons.[3] In 2021, the Philippines became the first country in its region to adopt ISM.[4] As further discussed below, in other large economies of the Global South, such as Argentina and Brazil, policymakers raised concerns over several foreign acquisitions in key strategic sectors of these countries' economies, which indicates a potential for future use of ISM.

The case of Latin America is particularly relevant when discussing impacts of FDI on national security. Latin American economies are highly dependent on FDI to cover significant infrastructure gaps, modernize key sectors of their economy and for attracting companies with technological know-how. At the same time, most of the region's countries have inadequate regulations to address potential national security risks originating from foreign ownership in strategic sectors. This challenge is only magnified by intensifying great power competition between China and the United States, in which both great powers target strategic sectors of the region's economies, such as raw materials, space, telecommunications, or energy.[5]

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[1] Sarah Bauerle Danzman and Sophie Meunier, "Mapping the Characteristics of Foreign Investment Screening Mechanisms: The New PRISM Dataset," *International Studies Quarterly 67*, no. 2 (June 2023): sqad026,

[2] Francisco Urdinez, "China's Improvised Mask Diplomacy in Chile," *Carnegie Endowment for International Peace*, 2021, https://carnegieendowment.org/files/Urdinez_Chinas_Masked_Diplomacy_final_3-30.pdf

[3] Charles McConnell, "US Lawmakers Want Mexico and Canada to Take Inspiration from CFIUS Regime," *Global Competition Review*, September 22, 2025, https://globalcompetitionreview.com/gcr-fic/article/us-lawmakers-want-mexico-and-canada-take-inspiration-cfius-regime

[4] William Yuen Yee, "How the Philippines Screens Foreign Investments," Lawfare, December 12, 2024, https://www.lawfaremedia.org/article/how-the-philippines-screens-foreign-investments

[5] "China Accuses US of Interfering in Its Latin America Ties," *Newsweek*, April 18, 2025, https://www.newsweek.com/china-us-political-interference-chile-latin-america-scientific-cooperaiton-2061374

As the experience of advanced economies shows, an excessive dependence on foreign investors in key sectors leads to concerns over economic coercion, espionage and general lack of sovereignty over key sectors of the economy.[6] With increasing foreign ownership in key sectors in Latin America, it is likely that a growing number of countries in the region will follow the example of countries such as Chile and Mexico and take steps toward ISM implementation. Latin American policymakers will have to address several key challenges related to the design of their ISM.

First, Latin American policymakers will have to decide on their definition of the category 'sensitive sector', which will determine which sectors will be covered in their ISMs. In recent years, the region has seen a sharp rise in FDI in so-called sensitive sectors, such as energy, mining and other key natural resources, infrastructure, and telecommunications.[7] Second, given Latin America's comparative advantages, much FDI comes in the form of greenfield investment.[8] While most jurisdictions mainly respond to M&A, the significant share of greenfield investment in Latin America's total FDI will require implementing governments to decide whether greenfield FDI will also be covered by future ISMs, which is far from the norm worldwide.

Next, Latin American policymakers can also decide to implement nationality-based exemptions for FDI review. More precisely, they can establish lists of close or like-minded countries and countries of concern and facilitate or tighten the review process for FDI from such countries. Lastly, Latin American countries implementing ISM will also need to define some general features of their ISM, such as the type of reviewing authority and the minimal thresholds needed to trigger the reviewing process.

The rest of this background paper is structured as follows. The next section deals with Latin America's significant dependence on FDI, and the potential national security risks this dependence can entail. The second section discusses in detail the main challenges related to the design of the region's countries' ISM. The third section zooms in on the cases of Argentina, Brazil, and Chile and looks at how these countries are currently dealing with the regulation of FDI for national security reasons.

[6] Emanuele Ballestracci, "The European Screening Mechanism and Its Implications for Chinese FDI," *Istituto Affari Internazionali*, February 5, 2025, https://www.iai.it/en/pubblicazioni/c05/european-screening-mechanism-and-its-implications-chinese-fdi

[7] Margaret Myers, Ángel Melguizo, and Yifang Wang, "New Infrastructure": Emerging Trends in Chinese Foreign Direct Investment in Latin America and the Caribbean, *The Dialogue*, January 2024, https://www.thedialogue.org/wp-content/uploads/2024/01/Emerging-Trends-in-Chinese-Foreign-Direct-Investment-in-LAC.pdf.

[8] Myers, Melguizo, and Wang, "New Infrastructure."

2. FDI and National Security in Latin America

2.1. Latin America's Dependency on FDI

Many Latin American economies are highly dependent on foreign investment and are also attractive destinations for foreign companies. Several factors account for this. First, the region is home to many key natural resources. [9]The so-called Lithium Triangle, comprising Argentina, Bolivia, and Chile, together concentrates almost two-thirds of global lithium reserves.[10] Chile is also the world's largest producer of copper, while Peru also has significant reserves. Countries such as Venezuela, Colombia, Ecuador, and Brazil have large reserves of oil and gas. To benefit from those reserves, many of the countries above are dependent on foreign capital for extraction and exploration technology and related infrastructure.

Second, Latin America has significant gaps in public finance dedicated to infrastructure projects.[11] This includes ports, road networks, railways, bridges, and public transportation. Many of these infrastructure assets are also key to sustaining their growth models, which are often heavily dependent on the exportation of natural resources mentioned above and other products.[12] For this reason, well-functioning infrastructure connecting the mines and other facilities with other locations in the country and abroad is essential.

FDI in Latin America also plays a key role due to the region's integration within manufacturing networks. This is true mainly for large and industrialized economies in the region, such as Mexico, Brazil, and Argentina. The automotive industry is a case in point, as the countries above, principally Mexico, serve as key assembly and manufacturing hubs well connected to other key actors in the value chain, mainly the US.[13] Finally, Latin American economies in most industries sit at the bottom or in the lower part of the value chain. This implies their considerable technological dependence on foreign firms. FDI is therefore also essential to achieve technological spillovers to gain R&D capabilities that domestic firms often lack.

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[9] Matt Ferchen, "China–Latin America Relations: Long-term Boon or Short-term Boom?," *The Chinese Journal of International Politics* 4, no. 1 (Spring 2011): 55–86, https://doi.org/10.1093/cjip/poq020.

[10] Global Business Reports, *The Lithium Triangle*, July 9, 2024, https://www.gbreports.com/article/the-lithium-triangle

[11]Economic Commission for Latin America and the Caribbean (ECLAC), *The Economic Infrastructure Gap in Latin America and the Caribbean*, FAL Bulletin No. 293, Santiago, Chile, 2011, https://repositorio.cepal.org/server/api/core/bitstreams/caaa27ef-4608-4f36-84aa-d0acf403ba9c/content

[12] Jazmin Sierra, "The Politics of Growth Model Switching: Why Latin America Tries, and Fails, to Abandon Commodity-Driven Growth," in Diminishing Returns: The New Politics of Growth and Stagnation, ed. Lucio Baccaro, Mark Blyth, and Jonas Pontusson (New York, 2022; online ed., Oxford Academic, December 15, 2022),

[13] Armand Meyer, Danielle Goh, and Thilo Hanemann, "A Closing Back Door? China's Evolving FDI Presence in Mexico," China Cross-Border Monitor, Rhodium Group, October 10, 2024, https://cbm.rhg.com/research-note/closing-back-door-chinas-evolving-fdi-presence-mexico

2.2. National Security and FDI in Latin America

While FDI can bring significant benefits to the region, such as job creation, technological spillovers, and modernization of the key sectors of the economy, it can also create security challenges. This can be explained by persisting gaps in the region's countries' current regulations, which is becoming even more pressing at times when rivalry between the US and China is intensifying and both great powers are targeting the region's key sectors.[14]

China's entry as a major economic actor in Latin America is a relatively new phenomenon. While investments from the US or Europe have raised limited concerns in the region, some of the FDI projects by Chinese companies in Latin America resulted in public controversies, or even provoked a process leading to discussions about the need to establish ISM.

From 2003 to 2022, China invested a total of USD 187.6 billion in the region. Chinese companies have mostly targeted large economies, with Brazil, Peru, Mexico, Argentina, and Chile being the five largest recipients of Chinese FDI in the last two decades.[15] The target destinations can be explained by the host countries' reserves of key resources, but also by their large markets and prospects for Chinese companies to gain access to key sectors, such as energy. The degree of political alignment between Beijing and a given Latin American government has also likely impacted the amount invested by Chinese companies.[16] As for the type of Chinese investment in the region, since 2014 it has been possible to identify a clear shift from M&A to greenfield investment. Since the 2020s, Chinese M&A in the region has been mostly limited to electricity generation and transmission industries, accounting for nearly 75% of total M&A conducted by China in the region in the last five years.[17]

Looking at the sectors in which Chinese companies invest in the region, two main groups can be identified. The first category includes traditional sectors of the economy, such as mining, infrastructure, and electricity distribution. FDI in this group has important ramifications for host countries' national security. China's access to critical materials, such as copper or lithium, gives it leverage to control key items that account for large parts of exports of countries such as Chile or Peru. In addition, access to these materials gives it a comparative advantage vis-à-vis its main competitor, the United States. In general, an excessive dependence on foreign investors in different parts of national infrastructure, such as ports, mines, railroads,

[14] Francisco Urdinez, Economic Displacement: China and the End of US Primacy in Latin America (Cambridge: Cambridge University Press, 2025).
[15] Myers, Melguizo, and Wang, "New Infrastructure."
[16] Jing-Lin Duanmu and Francisco Urdinez, "The Dissuasive Effect of U.S. Political Influence on Chinese FDI during the 'Going Global' Policy Era," *Business and Politics* 20, no. 1 (2018): 38–69.
[17] Myers, Melguizo, and Wang, "New Infrastructure."

energy transmission, or public transport, can lead to sabotage or foreign economic coercion.

Since 2020, however, there has been a shift in the sectors targeted by Chinese FDI as new industries are now becoming central to Chinese FDI strategy. This includes fintech, energy transition, and telecommunications, all of which are part of the category "New Infrastructure" labelled by China's 14th Five-Year Plan (2021-2025).[18] These sectors may have important ramifications for national security. For instance, FDI in telecommunications infrastructure leads to concerns over possible mass surveillance or data collection that could compromise citizens' privacy. In addition, telecommunications are a key part of critical infrastructure and governments are dependent on well-functioning telecommunication services.

This section has illustrated the principal challenge most Latin American economies currently face. On the one hand, the region's economies are highly dependent on FDI to modernize the key economic sectors and sustain their growth models. On the other hand, much of this FDI is made in strategic sectors with ramifications for national security. This challenge is magnified by the fact that the Latin American economies have significantly underdeveloped legal architectures for controlling FDI for national security. The next section discusses the key challenges the region's countries are likely to face if they decide to implement ISMs.

3. The Future Challenges of ISM Design in Latin America

One of the main challenges in the implementation of ISM, will be the design of FDI screening mechanisms, which will have to reflect given countries' threat perception and way of balancing economic and security interests. The recent tightening of existing and proliferation of new foreign investment screening regimes across Europe and North America might serve as a source of inspiration for the region's policymakers. At the same time, ISMs in Latin America are likely to display differences from those established in the regions mentioned above. This is explained by different types of FDI flowing into the region, which often target different sectors than in Europe and North America. In addition, each country in the region might have its own threat perceptions.

3.1. Sectoral Coverage

One of the first issues in the ISM design to be addressed concerns the definition of the category 'sensitive sector', which will determine which such sectors will be covered in the ISMs. As mentioned above, Latin America has been an important destination for

[18] Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China," Fujian Provincial Government, August 9, 2021, https://www.fujian.gov.cn/english/news/202108/t20210809_5665713.htm

FDI in sectors such as energy, key natural resources, infrastructure, space, and telecommunications.

To align the sectoral coverage in ISM with Latin American countries' national interests, the ISM should be embedded in a comprehensive national economic security strategy. Such a strategy could address numerous risks that different types of cross-border economic flows pose to national security and identify tools to mitigate such risks. Such tools include not only ISM but also diversification of supply chains or export controls. Economic strategies of this kind should be based on a more general definition of each country's national interests and hybrid threat perceptions, with a definition of main hybrid threats perceived in the economic realm and identification of main economic sectors sensitive to national security.[19]

Dedicated state institutions in Latin American countries are likely to develop their own economic security strategies, reflecting their own country's interests. However, regional organizations in Latin America, such as Mercosur or OEA (Organization of American States), might provide general guidance and a common framework. Such regional coordination would allow the establishment of a high degree of consistency in ISM across the region and share the experience of countries with more advanced FDI regulations with jurisdictions in the region with highly underdeveloped legislation in this domain.

Practice in FDI screening in OECD countries points to four main types of sectoral lists included in ISMs, which can be adopted by Latin American governments.[20] First, many governments use so-called 'sectoral lists' in their ISMs, which essentially involves defining a list of specific sectors in which FDI must be screened. In the case of cross-sectoral lists, the reviewing authority has the right to review FDI across all sectors.[21] Other types of lists include asset-based and mixed-based reviews. The number of sectors included in ISM lists also varies considerably among countries. Some countries with sectoral-type lists, such as the Netherlands or Finland, include only a limited number of sectors, typically fewer than 10. Other countries, such as France or Spain, have more extensive lists with more than 20 sectors included.

Considering the recent trends in FDI in Latin America, priority should be given to sectors such as strategic natural resources, critical infrastructure, and energy, but also telecommunications. Specific sectors, such as space, are also likely to be included as

[19] For instance, the Conceptual Model of hybrid threats published jointly by the European Commission and The European Centre of Excellence for Countering Hybrid Threats (Hybrid CoE) offers a conceptual analysis of hybrid threats.
[20] Doppen, Floor, Antonio Calcara, and Dirk De Bièvre. 2024. "Balancing Security and Economics: Domestic State-Firm Relations and Investment Screening Mechanisms in Europe." *Review of International Political Economy* 31 (6): 1637–61.
[21] Bauerle Danzman and Meunier, "Mapping the Characteristics."

countries in the Southern Cone are often targeted by foreign investors due to their geographical positions.[22] Other sectors, often included in ISMs of advanced economies, such as defence production, biotechnology, advanced computing technology, robotics, or additive manufacturing, may still be included in the ISM in Latin America, yet foreign investors have not targeted these sectors in the region extensively.

3.2. Type of FDI Covered by ISM

The type of investment covered by future ISMs in Latin America is another relevant consideration for policymakers in the region. M&A are often viewed as more threatening to the national security of the host country,[23] as the foreign company might access cutting-edge technology of the target domestic company. If such investment is made in sensitive sectors, such as the defence industry, the acquired technology can be used for military modernization of the investing country, which can be problematic in case the investor's country of origin is seen by the host government as an entity of concern.

Greenfield investment, which involves the establishment of new facilities and operations in the host country, is often perceived as having several positive impacts. This includes the creation of jobs, technological spillover, and economic growth. This also explains why the majority of advanced economies do not include greenfield investments in their ISMs.[24] However, even greenfield investment might pose security challenges. For instance, greenfield investments in telecommunications infrastructure may create openings for surveillance or data collection, while new manufacturing facilities in strategic sectors might generate supply chain vulnerabilities or function as platforms for technology espionage.

When looking at the recent FDI trends in the region, particularly from China, greenfield investments have been on rise in the last years. Therefore, covering greenfield in the future ISMs of Latin American countries will be a serious consideration. Such a move would offer several advantages: it provides comprehensive coverage of potential national security threats and it prevents the bypassing of screening through new entity creation rather than acquisitions.

However, this approach has notable disadvantages. Screening greenfield investments may deter foreign capital that Latin American countries need for infrastructure

[22] Latin America and the China-US Space Race," *The Diplomat*, September 27, 2024, https://thediplomat.com/2024/09/latin-america-and-the-china-us-space-race/
[23] Merger Control and National Security: Key Considerations for Corporate Transactions," *Financier Worldwide*, February 2025, https://www.financierworldwide.com/merger-control-and-national-security-key-considerations-for-corporate-transactions
[24] According to the Politics and Regulation of Investment Screening Mechanisms (PRISM) dataset, out of twenty-seven major economies, seven economies include greenfield investments in their ISMs.

development and job creation. Reviews can delay critical projects, add regulatory complexity for investors, and generate uncertainty that discourages investment. For Latin American countries actively courting foreign investment to drive growth, incorporating greenfield investments into ISMs demands a careful balance between security priorities and the economic impact of potentially reduced FDI inflows.

3.3. Nationality Based Exemptions for Review

The investor's country of origin is another crucial factor shaping threat perception and impacting the evaluation of FDI. Policymakers in host economies tend to view FDI from adversarial nations as more concerning than investments from allied or like-minded countries. This dynamic explains why nationality-based exemptions exist, making reviews either more rigorous or streamlined depending on the investor's origin.

For instance, some European Union countries exempt FDI from other EU Member States from screening, thereby streamlining the process for intra-EU investments. A parallel practice exists for investments from adversarial nations. Under the America First Investment Policy, the US designates certain countries as 'foreign adversaries', triggering stricter review procedures.

Nationality-based rules in FDI screening mechanisms present advantages and drawbacks. Such rules provide investors with clear expectations regarding scrutiny levels and can enhance administrative efficiency in host countries. Blacklists enable host nations to limit exposure to capital from hostile state actors. However, blacklists may provoke diplomatic friction and diminish capital inflows, as discriminatory measures can discourage necessary investment. Additionally, these lists may contravene WTO rules due to their discriminatory character.

Recent FDI developments in Latin America reveal growing security concerns regarding Chinese FDI compared to those from North America or Europe. Nevertheless, placing China on a list triggering stricter FDI reviews is improbable in the region. Many Latin American countries depend heavily on Chinese FDI and trade, with China having emerged as their primary source of such economic flows in recent years.[25] Designating China could discourage future investment. Instead, Latin American countries might pursue regional or bilateral agreements to facilitate review processes for intra-regional investments.

3.4. Other Key Elements of ISM

Beyond the features discussed above, Latin American governments establishing ISMs must define two additional key parameters: the composition of the reviewing authority, and the minimum threshold that will trigger foreign investment reviews. Latin

[25] Urdinez, *Economic Displacement*.

American governments can opt for two types of reviewing committees. First, following the enactment of the new law regulating FDI, governments in the region can create a new state body dedicated solely to FDI screening. This would correspond to the Committee on Foreign Investment in the United States (CFIUS). Alternatively, a selected Secretary or Ministry can be entitled to have the leading position in the process. Such a strategy would be in line with practices in countries such as France or Germany, where specific ministries are in charge of the review process.[26]

The decision between creating a dedicated committee or appointing a lead ministry presents significant considerations. A specialized body would deliver concentrated national security expertise and clear responsibility, while preventing potential conflicts of interest that emerge when a single ministry oversees FDI screening. However, this option demands substantial resources, extended periods for capacity development, and may duplicate existing institutional structures. In contrast, designating a specific Ministry as the primary authority enables quicker implementation, reduces costs, and utilizes established investment expertise. This approach, however, may encounter difficulties reconciling competing objectives between fostering economic development and safeguarding national security, potentially weakening the thoroughness of security evaluations.

Executive branches most frequently represented in reviewing authorities include Ministries of Interior, Defence, Foreign Affairs, Finance, Industry, and Economy, among others. For Latin American states, considering the primary sectors attracting FDI in the region, key executive participants should encompass Foreign Affairs, Finance, Interior, Infrastructure, and Mining. Governments may also incorporate other critical state institutions—such as intelligence agencies, police forces, and central banks—through formal or informal arrangements.

Beyond defining the reviewing authority, governments establishing ISMs must also determine the threshold triggering investment reviews—essentially the minimum ownership stake a foreign entity plans to acquire in a domestic firm. Based on global FDI screening practices, thresholds in the region's emerging ISMs are likely to remain low, between 10 and 20 percent.[27]

4. Case Studies

This section looks at the recent developments related to security risks of FDI in Argentina, Brazil, and Chile. The three countries have been selected due to their market size and significant attractiveness for foreign investors. In addition, in all three

[26] In the case of France, it is the Ministry of the Economy and Finance, while in Germany it is the Ministry of Economic Affairs and Energy.
[27] Bauerle Danzman and Meunier, "Mapping the Characteristics of Foreign Investment Screening Mechanisms."

countries there have been cases of reported concerns of dependency or perceived loss of national sovereignty due to several recent foreign investments in sensitive sectors. In the case of Brazil and Chile, policymakers proposed a bill to establish a new ISM.

4.1. Argentina

According to CEPAL, in 2024, Argentina was the fifth largest recipient of FDI in Latin America.[28] In addition, it was the 17th top FDI destination in the world in 2023.[29] While China is not placed among the main five largest investors,[30] some of the investment projects undertaken by Chinese companies in the region provoked a lot of political debate and even backlash, as further discussed below. According to the Regional Repository of Chinese Investments in Latin America, Chinese companies have invested over 30.5 billion USD in Argentina since 2006. An overwhelming majority of these deals have been concentrated in sectors with repercussions for national security, such as energy, mining, and infrastructure. While more limited, there have also been several FDI projects by Chinese ICT firms in the country.[31]

Some of the Chinese investments provoked backlash from Argentine political representatives and even US officials. The most notorious case is the space radar facility in the province of Neuquén, constructed by Chinese State-Owned Company China Harbour Engineering Company.[32] For some Argentine politicians, the deal represents a significant challenge to the country's national sovereignty as the space facility is not fully accessible even to Argentine authorities.[33] US officials, mainly US Southern Command, raised concerns due to possible tracking activities by Chinese actors of US satellites, which could eventually allow China to improve its strategic capabilities.[34]

At the time of writing, the regulation of FDI on national security grounds in the country is significantly underdeveloped and no ISM is established. Foreign companies can operate in nearly all sectors and must register their names with the Office of Corporations. However, a few limitations to foreign participation in certain sectors

[28] Economic Commission for Latin America and the Caribbean (CEPAL), "Inversión extranjera directa en América Latina y el Caribe aumentó 7,1% en 2024, totalizando 188.962 millones de dólares," July 17, 2025, https://www.cepal.org/es/comunicados/inversion-extranjera-directa-america-latina-caribe-aumento-71-2024-totalizando-188962

[29] United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2024: Investment Facilitation and Digital Government, 2024, https://unctad.org/system/files/official-document/wir2024_en.pdf

[30] Santander Trade, "Argentina: Foreign Investment," Santander Trade Portal, https://santandertrade.com/en/portal/establish-overseas/argentina/foreign-investment

[31] Francisco Urdinez and Margaret Myers, "Regional Repository of Chinese Investments in Latin America," ICLAC and Inter-American Dialogue, 2025

[32] Argentina: Overview and U.S. Relations," Congressional Research Service, https://www.congress.gov/crs-product/R48303#fn1

[33] Francisco Urdinez, Jan Knoerich, and Pedro Feliú Ribeiro, "Don't Cry for Me 'Argenchina': Unraveling Political Views of China through Legislative Debates in Argentina," *Journal of Chinese Political Science* 23 (2018): 235–256,

[34] Argentina: Overview and U.S. Relations," Congressional Research Service

exist, such as aviation (49%), media (30%), rural lands, water bodies, and border areas.[35] In February 2012, the government issued Decree 274/2012 further restricting foreign land ownership to a maximum of 30 percent of national land and 15 percent of productive land.[36]

In years to come, it is unlikely that a consolidated ISM will be established in the country. In fact, there have not been any political debates on the prospects of establishing an ISM in the country. Any potential future building of an ISM will also be hampered by the fact that the country does not have any economic security strategy published by a state body. The White Book on National Defence from 2023 mainly discusses traditional military issues. While it mentions that strategic resources and cybersecurity are essential for the country's national interests, any more specific consideration of FDI and ISM is missing. [37]A very similar conclusion applies to the Federal Plan for the Prevention of Cybercrime and Strategic Management of Cybersecurity (2025–2027). The plan focuses on the promotion of the security of information and communication technologies, but ISM as a possible remedy to security challenges is not discussed.[38]

From the three countries elaborated in this paper, Argentina is the case with the worst prospects to address national security challenges resulting from FDI. This is reflected in the absence of any specific discussion among political actors about the possibility of establishing an ISM. In addition, the country's official documents not only do not mention ISM, but their definition of concepts such as sensitive sector or hybrid threats is missing. Last but not least, Argentina's current legal framework for regulating FDI is significantly underdeveloped, which will be problematic in a scenario in which the country's policymakers will have to create one.

4.2. Brazil

In 2024, Brazil was the 5th largest FDI recipient in the world according to UNCTAD and also the leading one in Latin America.[39] While China still lags behind investors from Europe and North America,[40] the presence of Chinese companies has gradually increased. Since 2006, Chinese FDI in Brazil has totaled nearly 57 billion USD. 75% of this amount was investment in the energy sector. The mining sector accounts for 8%

[35] Santander Trade, "Argentina: Foreign Investment."
[36] U.S. Department of State, "2023 Investment Climate Statements: Argentina," 2023, https://www.state.gov/reports/2023-investment-climate-statements/argentina
[37] Ministry of Defense of Argentina, Libro Blanco de La Defensa 2023, 2023, https://www.argentina.gob.ar/sites/default/files/2021/11/libroblancodeladefensa2023_.pdf
[38] Argentina Approves the Federal Plan for the Prevention of Cybercrime and Strategic Management of Cybersecurity (2025–2027)," Allende & Brea, January 21, 2025, https://allende.com/en/privacy-and-cybersecurity/argentina-approves-the-federal-plan-for-the-prevention-of-cybercrime-and-strategic-management-of-cybersecurity-2025-2027-01-21-2025/
[39] UNCTAD, *World Investment Report* 2024.
[40] Santander Trade, "Brazil: Foreign Investment," Santander Trade Portal, https://santandertrade.com/en/portal/establish-overseas/brazil/foreign-investment

of all FDI in this period, while important investments were also made in ICT and infrastructure.[41]

The growing presence of Chinese companies has not gone unnoticed by the Brazilian political class. Most notably, former Brazilian president Jair Bolsonaro on several occasions publicly criticized the increasing economic influence of Beijing in his country. During the campaign for the presidential elections in 2018, Bolsonaro stated that Chinese companies should not be allowed to own Brazilian land or control key sectors of the Brazilian economy.[42]

In 2016, China Molybdenum Co Ltd bought a $1.7 billion niobium mine. Back then, Bolsonaro strongly opposed the deal, advocating for economic nationalism. According to the then presidential candidate, Brazil should invest in technology in the sector and monopolize the resulting benefits, rather than deliver them to a foreign country.[43] In a similar manner, the former president and other actors from the Brazilian right strongly opposed the possibility that part of the Brazilian SOE Eletrobras would be privatized over concerns that such a step would give direct control to a Chinese company over this key company in electric energy.[44]

Regarding Brazil's current regulation of FDI, the country's legal architecture in the domain stands out as the most robust of the three selected countries. While Brazil does not have a unified ISM, several important restrictions on foreign ownership in selected sectors exist. First, foreign capital is prohibited in activities in three sectors: nuclear power, mail and telegraph services, and the aerospace industry.[45] Second, there are sectors in which foreign ownership is regulated. For instance, foreigners need prior consent before acquiring land in territories which are essential to national security or are located along the border. Other sectors in which foreign ownership is regulated include mass media, financial institutions, mineral resources, and maritime transport.[46]

Brazilian policymakers have taken concrete steps toward an important refinement of the current regulation of FDI on national security grounds. In 2020, a member of the Brazilian Chamber of Deputies, Luiz Philippe de Orleans e Bragança, presented a bill proposal to establish restrictions on foreign capital in the Brazilian economy to protect national security and public order. Under the bill, Brazil would keep its openness to FDI,

[41] Urdinez and Myers, "Regional Repository of Chinese Investments in Latin America."
[42] Jake Spring, "Bolsonaro's Anti-China Rants Have Beijing Nervous About Brazil," *Reuters*, October 25, 2018, https://www.reuters.com/article/us-brazil-election-china-insight/bolsonaros-anti-china-rants-havebeijing-nervous-about-brazil-idUSKCN1MZ0DR/
[43] Spring, "Bolsonaro's Anti-China Rants Have Beijing Nervous About Brazil."
[44] Ibid.
[45] Santander Trade, "Brazil: Foreign Investment."
[46] U.S. Department of State, "2024 Investment Climate Statements: Brazil," 2024, https://2021-2025.state.gov/reports/2024-investment-climate-statements/brazil/

but important criteria for foreign companies would be established to maintain national sovereignty. Sectors evaluated with greater rigor include energy, infrastructure, health, communication, raw materials, and dual technologies.[47] The bill proposal can be seen as a promising step toward a more consolidated ISM.

Brazil's path toward establishing a comprehensive ISM looks relatively promising when compared to other countries. First, the Brazilian authorities have published several official documents outlining the key national interests, including those in the economic realm. The documents National Defence Policy and National Defence Strategy discuss the need to promote technological sovereignty but fail to identify the main measures to achieve such goals. The most relevant elements of these documents include the identification of three strategic sectors, namely nuclear energy, cyberspace, and space.[48] The documents also specifically mention the necessity to increase security of critical structures, water distribution, electric energy distribution, transportation, and communication.[49]

In addition, in August 2025, Brazil presented its National Cybersecurity Strategy (E-Ciber), which discusses the importance of sovereignty and independence of Brazil, the reduction of dependency on foreign technologies, and the strengthening of the resilience of critical infrastructure.[50] The fact that Brazilian official documents mention specific sectors which are seen as key to national security is the first step toward the identification of the list of sectors which should be covered by the ISM. At the same time, none of the documents above specifically mentions FDI screening as a possible measure to safeguard such sectors. Therefore, the most relevant step in the process leading to the establishment of an ISM will be to raise awareness of the need for such a mechanism among the Brazilian political class.

4.3. Chile

Despite not being among the largest economies of the region, Chile ranked as the 4th largest FDI destination in Latin America in 2024.[51] Chile's attractiveness for FDI is explained by its solid institutional framework and high-quality financial services.[52] What is relevant with respect to FDI and national security is a clearly observable

[47] "Proposta restringe entrada de capital estrangeiro no país," Câmara dos Deputados, April 24, 2020, https://www.camara.leg.br/noticias/660691-proposta-restringe-entrada-de-capital-estrangeiro-no-pais/.
[48] Senado aprova atualização da Política e da Estratégia Nacional de Defesa," Senado Federal, June 11, 2025, https://www12.senado.leg.br/noticias/materias/2025/06/11/senado-aprova-atualizacao-da-politica-e-da-estrategia-nacional-de-defesa.
[49] Ministry of Defense of Brazil, *Política Nacional de Defesa e Estratégia Nacional de Defesa*, https://www.gov.br/defesa/pt-br/assuntos/copy_of_estado-e-defesa/pnd_end_congresso_.pdf
[50] Institutional Security Office of Brazil, *Estratégia Nacional de Cibersegurança (E-Ciber)*, August 2025, https://www.gov.br/gsi/pt-br/assuntos/seguranca-da-informacao-e-cibernetica/estrategia-nacional-de-ciberseguranca-eciber
[51] UNCTAD, *World Investment Report 2025*, 2025, https://unctad.org/publication/world-investment-report-2025
[52] Brian Smith and Matthew Rabin, *Global Opportunity Index 2022: White Paper*, Milken Institute, January 26, 2022, https://milkeninstitute.org/report/global-opportunity-index-2022-white-paper

upward trend in the amount of FDI coming from China over recent years. In fact, in 2019 China was for the first time Chile's top foreign investor.[53] Between 2008 and 2024, Chinese companies invested a total of 19 billion USD. More than 91% of this amount includes FDI in sectors that may have repercussions for national security, namely mining, energy, infrastructure, and telecommunications.[54]

The most significant FDI, triggering the national debate over ISM, were two acquisitions by Chinese company State Grid in the Chilean electricity energy sector in 2019 and 2020. Both deals gave State Grid control over almost 60% of electricity distribution in the country.[55] These two deals revealed Chile's current vulnerability to foreign investment in sensitive sectors and spurred political debates on the topic.

Similarly to Argentina and Brazil, Chile currently does not have a consolidated ISM, and foreign investors receive equal treatment as domestic companies in almost all sectors.[56] The Chilean constitution establishes the state's monopoly over all mineral, hydrocarbon, and fossil fuel deposits within Chilean territory. However, foreign companies may be granted concessions for exploration and exploitation of the sectors mentioned above.[57] In addition, in the case of the domestic maritime freight sector, the participation of foreign companies is limited to 49 percent.[58] Limited restrictions also exist in mining and nuclear energy.[59]

In December 2020, a group of Chilean legislators presented a bill to establish a national ISM in the form of a "qualified quorum" empowered to review and potentially block FDI in strategic sectors for national security reasons.[60] It is important to note that at the moment, the principal state body responsible for assessing foreign investment in Chile is the National Economic Prosecutor's Office. However, the primary role of this institution is to examine whether a given investment would give the investor excessive market power. As such, apart from the few sectoral regulations mentioned above, the

[53] Carlos Alonso, "China lideró por primera vez inversión extranjera directa en Chile en 2019," La Tercera, February 7, 2020, https://www.latercera.com/pulso/noticia/china-lidero-por-primera-vez-inversion-extranjera-directa-en-chile-en-2019/981114/
[54] Urdinez and Myers, "Regional Repository of Chinese Investments."
[55] Systep, "Con compra de CGE, China State Grid tendría casi 60% de la distribución eléctrica de Chile," *Systep*, November 13, 2020, https://systep.cl/es/con-compra-de-cge-china-state-grid-tendria-casi-60-de-la-distribucion-electrica-de-chile/.
[56] U.S. Department of State, "2024 Investment Climate Statements: Chile," 2024, https://www.state.gov/reports/2024-investment-climate-statements/chile
[57] U.S. Department of State, "2024 Investment Climate Statements: Chile."
[58] Ibid.,
[59] Santander Trade, "Chile: Foreign Investment," Santander Trade Portal, https://santandertrade.com/en/portal/establish-overseas/chile/foreign-investment
[60] Chilean Chamber of Deputies, "Proyecto de Reforma Constitucional que Establece Exigencias para Inversiones de Otros Estados en Empresas Estratégicas," December 2020, https://www.camara.cl/verDoc.aspx?prmID=14261&prmTIPO=INICIATIVA

existing institutional framework in Chile does not address national security risks posed by FDI.

The bill was debated during a parliamentary hearing in July 2021. The principal trigger for the discussion was the already mentioned acquisitions by Chinese SOE State Grid in the Chilean electricity sector. Several legislators evoked growing security concerns due to the increasing market power of a company which is state-owned and located in a jurisdiction with an undemocratic political regime.[61] Since 2021, there has not been any clear advancement toward the enactment of the bill into a law. However, the topic of FDI screening remains salient in policy debates in Chile and has also recently appeared in the press.[62]

At the current moment, Chile appears to be at the most advanced stage of the three selected countries in terms of its process leading to a potential ISM. During the parliamentary hearing and in documents published by Chilean policymakers, there were clear attempts to provide a general identification of strategic sectors. In addition, Chilean legislators specifically mentioned the ISM practices in the United States and Europe as clear examples to be followed.[63]

However, Chile faces several challenges in the path toward a new ISM. First, Chile lacks a comprehensive economic security strategy. To be sure, the Chilean state has in recent years published several official documents, such as the National Cybersecurity Policy 2023-2028, Book on Chilean National Defence 2017, and National Defence Policy 2020. Yet, none of these documents discuss specifically the risks related to FDI in strategic sectors or ISM. The lack of an economic security strategy makes the identification of key strategic sectors more challenging.

Next, Chilean policymakers will also have to decide whether or not to establish a completely new state body which would serve as a reviewing committee or whether to entitle an existing state body with the role of reviewing FDI. The body currently responsible for controlling market distortion effects of FDI is the National Economic Prosecutor's Office, falling under the supervision of the Ministry of Economy, Development, and Tourism. Therefore, this Ministry is likely to have a leading role in the future reviewing committee. Another state body which could take the position of the leading actor in ISM could be InvestChile, which is currently in charge of FDI promotion.

[61] Cámara de Diputados, Transcript of Session 55, Chilean Parliament, July 6, 2021.
[62] Pablo San Martín, "'Screening' de inversión: De qué trata la normativa adoptada por la UE y EE.UU. y que se plantea para Chile," *Emol*, April 30, 2025, https://www.emol.com/noticias/Economia/2025/04/30/1165035/screening-de-inversion-chile.html
[63] Cámara de Diputados, Transcript of Session 55, Chilean Parliament, July 6, 2021

The key challenges related to the design of ISMs will also be accompanied by mounting pressures from the United States.[64] US policymakers have recently raised criticism over the increasing prominence of Chinese capital in sectors of the Chilean economy, such as mining, telecommunications, and space. A case in point is the recent astronomical project between Universidad Católica del Norte and China's National Astronomical Observatory at Cerro Ventarrones, which the Chilean government decided to cancel following strong US backlash. [65]The Biden administration conveyed that the project involved infrastructure capable of tracking satellites in orbit, which could have strategic implications. The case exemplifies the expected pressures Chile will face from the US but simultaneously from China, which will aim to increase its economic presence in the country.

5. Conclusion

Recent policy and academic debates on FDI screening mechanisms have concentrated mainly on cases from North America and Europe. Yet, rising FDI in strategic sectors of Global South countries is expanding the geographical scope of this topic. Latin America exemplifies this trend. Most countries in the region depend on FDI to modernize key economic sectors and sustain their growth models. However, much of this FDI concentrates in sensitive sectors, placing them under the control of companies in foreign jurisdictions.

The increasingly salient connection between national security and FDI has recently spurred political debates across the region on modernizing current regulations. Currently, most Latin American countries have highly underdeveloped legal frameworks for controlling FDI for national security reasons. Latin American countries will therefore face several challenges in designing future ISMs, principally defining the category of strategic sectors, which will determine which sectors their ISMs cover.

The three countries examined in this paper—Argentina, Brazil, and Chile—display different characteristics regarding current FDI regulations and their stage in implementing ISM. Argentina is the only country without clear policymaker interest in establishing ISMs. Current laws regulating FDI in strategic sectors are limited, as are official documents outlining key strategic national interests in the economic realm. Raising awareness among the Argentine political class about ISM's importance will be the key next step toward reinforcing the country's economic security amid rising FDI in key sectors.

[64] Diario Financiero, "Empresas chinas en alerta por sus inversiones en Chile," *Señal DF*, 2024, https://www.df.cl/senal-df/el-deal/empresas-chinasen-alerta-por-sus-inversiones-en-chile
[65] Jaime Troncoso R., "Gobierno congela observatorio chino tras rechazo de EE.UU.," *Ex-Ante*, April 17, 2025, https://www.ex-ante.cl/observatorio-chino-gobierno-congela-proyecto-astronomico-tras-rechazo-de-ee-uu/

Brazil currently has the strongest regulations on FDI in strategic sectors. Brazilian official documents on national defense identify several strategic sectors, potentially facilitating future ISM design. Since 2020, there has been interest among part of the political class in establishing new legislation to achieve better control of national security regarding FDI. However, the process leading to ISM establishment currently appears stalled.

Chile represents a case with relatively poorly regulated foreign company access to strategic sectors. At the same time, Chilean policymakers display the greatest proclaimed interest in establishing proper ISM. Beyond mentioning key sectors that could be covered in such an ISM, Chilean legislators acknowledge the importance of following US and European Union experience when designing Chile's future ISM. The next main step for Chile will be to mobilize sufficient interest and support for ISM among the political class.

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