China’s Relations with Latin America and the Caribbean at the Present Stage

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Abstract
In the "new era" of China’s foreign policy based on the concept of major power diplomacy with Chinese characteristics, Beijing has begun to change its attitude toward Latin America. In 2018, Xi Jinping officially invited Latin American countries to participate in the construction of the Belt and Road initiative, thereby bringing the region into the sphere of its global interests. This article is devoted to the study of the main directions of cooperation between China and the Latin American states and changes in the forms and instruments of Beijing’s policy toward the region. The authors analyze the degree of involvement of Latin American states in the BRI and consider pros and cons of increasing China’s influence in the region. The provisions of power transition theory form the methodological basis of the work, through the prism of which the U.S. factor in Sino-Latin American relations is examined. The final part of the article is devoted to the challenges facing Washington from the growing influence of China in the Latin America and Caribbean (LAC) region.

Keywords: China; Latin America; U.S.; Belt and Road Initiative; investment; infrastructure; economic cooperation; influence; interests.

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Introduction
Latin America is a region of great political and economic potential. Throughout the Cold War, the United States and the Soviet Union (USSR) fought tirelessly for influence in this region. While never a foreign policy priority for the People’s Republic of China (PRC), in recent decades Beijing’s interest in the region has grown markedly alongside China’s own growing importance in the international arena. In the 20th century cooperation was limited to declarative statements and contacts with socialist countries; the collapse of the bloc system and the strengthening of China’s economy served as a trigger to increase ties with other developing countries in Latin America. At the turn of the century, Latin American countries were of interest to China primarily for economic reasons. Rapid economic growth required the search for new, solvent markets for export products, as well as access to a wide range of mineral resources, all of which are in abundance in the LAC countries. The second important reason for China’s increased policy in the region was to diminish the influence of Taiwan, because Latin America has the highest concentration of countries that have official diplomatic relations with Taipei. In particular, in 2005 there were 26 such states. It should be said that, thanks to Beijing’s efforts in 2021, only nine Latin American states do not recognize the PRC as the sole legitimate representative of the Chinese nation; nevertheless, this is significantly more than in all other regions combined.

The need to establish relations with the countries of the region was also caused by certain ideological reasons as well. After the collapse of the USSR, China feared the formation of a unipolar world led by the

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U.S., which threatened further development. Therefore, since the mid-1990s, Beijing has been developing its own concept to erode the unipolar world order, creating conditions for cooperation both with other centres of power—Russia, the European Union (EU), Japan—and with less politically influential countries to facilitate the development of a multipolar system of international relations. Such a system was expected to help eliminate social injustice, the gap between the rich and the poor, and the lack of technological development of the so-called Third World. The priority of such activities grew in proportion to the development of China’s role in world politics, as China’s global goals and Beijing’s considerable political ambitions to redefine the balance of power that had emerged in the early 2000s became increasingly apparent [Degterev, Ramich, Tsvyk, 2021].

Despite these factors, Latin America remained on the periphery of Chinese foreign policy interests for a very long time. The first official Chinese policy document regarding Latin America and the Caribbean was issued only in 2008, but it was already of fundamental importance. China thereby declared its interest in developing relations with the LAC states and outlined the areas of interest in which interaction with the countries of the region were to be strengthened. The document emphasized the principle of “one China”—the main condition under which Beijing is ready to start a dialogue with any country. The most significant section of the document was devoted to economic cooperation, which, in addition to the traditional areas of trade, investment, energy resources, agriculture, and tourism, included such important items as the reduction or cancellation of the debt of Latin American states to China and other countries, as well as the provision of sufficient economic and technical assistance to countries in the region. Under this paragraph, it was emphasized that China would “continue to provide economic and technical assistance to Latin America and the Caribbean without any political conditions” [Xinhua News Agency, 2008]. This is a clear remark regarding the “Washington consensus,” the popularity of which among developing countries began to decline when Chinese investment came to the Global South. It should be noted that it was during this period that Latin America was under the strong ideological influence of the “turn to the left,” which largely determined the commitment of Latin American states to the principle of autonomism in foreign policy, as well as the priority of regional integration without any participation of the United States [Eremin, 2020]. Thus, 2008 can be considered the start of the initial phase of cooperation development between China and Latin America.

In November 2016, China’s Second Guiding Foreign Policy Document on Latin America was released, clarifying a new phase of comprehensive cooperation between China and the region. By this time, the world had undergone great changes. First, the international political and economic environment had changed dramatically: right-wing political forces came to power in the LAC region with ideas of strong opposition to the rhetoric of regionalism and foreign policy autonomy. Because of that, the main Latin American integration structure at the time, the Union of South American Nations (UNASUR), began to rapidly lose influence and priority, leading to its future demise. In the U.S. during this period, the election race between Hillary Clinton and Donald Trump was raging, but neither candidate gave any serious consideration to the place and role of Latin America for Washington during their electoral campaigns [Eremin, 2021]. Indeed, in the aftermath, the administration of the 45th U.S. president did not assign the Latin American foreign policy vector any significant priority, which led to a number of controversial decisions and further deterioration of a large number of bilateral and multilateral ties in the region [Yakovlev, 2020]. Second, China’s foreign policy had also changed: since Xi Jinping came to power, China’s approach to foreign policy issues had become much more substantive and practice-oriented. In 2013, China replaced the EU as Latin America’s second largest trading partner after the U.S. [He, 2019, p. 4]. In this regard, we can say that the 2016 strategy focused on more specific economic and infrastructure projects. The document emphasized that “a comprehensive partnership between China and Latin America based on equality, mutual benefit and cooperation ... does not target third parties” [The State Council Information Office of China, 2016]. This wording unambiguously refers to the general fear of the countries in the region of having to choose between the United States and China, but Beijing, unlike the United States, neither declaratively nor practically tries to limit its partners from cooperating with other countries. On the contrary, China uses positive reinforcement by encouraging countries with a high level of political contacts with Beijing by increasing imports of their goods [Ren, 2019, p. 15]. All this has led to an environment that has benefited China’s ability to expand its own network of bilateral relations with countries in the region, many of which have been willing to break existing agreements with Taiwan for the potential benefit of economic cooperation with continental China. Thus, 2016 marked the beginning of the second phase of the Latin American vector of Chinese foreign policy. By 2018, a number of Latin American countries has joined the BRI: Bolivia, Venezuela, Guyana, Uruguay, Chile, Ecuador, and Peru. In addition, the PRC is making great progress even with states that were perceived as close allies and pivotal points of the U.S. in the region, such as Brazil, where the growth in bilateral trade has been very impressive [Manuhin, 2019]. By comparison, the U.S. under Donald Trump’s administration not only failed
to take steps to keep its major allies in the LAC region, but made their lives significantly more difficult with economic pressure to correct the imbalance in trade [Yakovlev, 2020].

**Strengthening China’s Political Presence in Latin America**

Following the changes in official terms and definitions, China’s position on political issues in Latin America has also evolved. Since the late 1990s, China has been increasing its economic and political presence in the region. However, due to the fact that the LAC region has always been in the sphere of U.S. interests and was closely monitored for any rise of extra-regional influence, as well as due to the absence of specific military ambitions of the PRC in the western hemisphere, Beijing initially showed interest only in the development of economic ties. While distancing itself from political and ideological issues, China has nevertheless relied on inter-party diplomacy based on the principles of equality, mutual respect, and non-interference. The practice of establishing strong ties with the communist parties of the LAC region eventually spread to the national-democratic parties as well [Xu, 2020, p. 65]. This stance soon proved fruitful since the Communist Party of China (CPC) maintained relations not only with the ruling parties but also with the political opposition, which paid off in a number of cases in the future. As an example, we can name the ascension to power of political opposition in Argentina in 1983 and in 1989, which in both cases contributed to the strengthening of Sino-Argentinian relations. The diplomatic support of newly elected President Carlos Menem for China after the Tiananmen Square events was significant against the background of the sanctions imposed by the U.S. and most western countries against the PRC. Beijing’s tactics during the political crisis in Venezuela in 2018–19 were quite different. By this time, China had already accumulated enough weight in world politics and had become a de facto great power whose global political ambitions were taken for granted. However, China’s economic growth and emerging foreign policy ambitions have not led to a militarization of Beijing’s approach toward its Latin American counterparts. This is largely due to the Chinese investments made in the region in recent years, the well-being of which militarization could have compromised [Ward, 2019]. Going back to the example of Venezuela, until 2014 it accounted for more than half of all Chinese investments in the Community of Latin American and Caribbean States (CELAC) [Borzova, Torkunova, Agaev, 2018]. Therefore, after the outbreak of the crisis, China supported its longtime partner, Nicolás Maduro, actively opposing any foreign interference in Venezuela’s affairs. On 27 February 2019, at the United Nations Security Council (UNSC) meeting on the situation in Venezuela, China, along with Russia and South Africa, managed to block a resolution proposed by the United States that called for new elections and the recognition of Juan Guaido as interim head of state [UN, 2019]. The official Chinese media waged a massive campaign of support for Maduro, emphasizing his “restraint and calmness in the face of provocative actions by the U.S. and other countries” [People’s Daily Online, 2019]. However, according to the Wall Street Journal, China has also made several attempts to establish a working relationship with the opposition [Vyas, 2019].

Given the initial economic orientation of China’s cooperation with Latin American countries, it is not surprising that China chose a softer method of converting economic influence into political influence in contrast to the harsh approach of the United States, where any financial assistance to Latin America is associated with political pressure, sanctions, and other forms of control. Pedro Pablo Kuczynski, who won Peru’s presidential election in 2016 and made the first official visit of his career to China, can be cited as an example of the success of the PRC’s approach. Former Brazilian leader Michel Temer also chose China as the destination for his first official visit.

As a result of China’s increased activity in the region and the special conditions described previously, Latin American ruling elites are finding it increasingly difficult to distance themselves from China. A striking example here is Brazil, where, during the 2018 presidential campaign, populist Jair Bolsonaro relied on extremely anti-Chinese rhetoric. During his many speeches, he declared himself anti-communist and openly declared that Chinese investment threatened Brazil’s sovereignty: “China is not buying in Brazil, China is buying Brazil itself” [Lapper, 2019]. Bolsonaro expressed a desire to become closer to the U.S. and even visited Taiwan in February 2018, which caused an outrage in the PRC. However, after his victory on the wave of anti-Chinese sentiment, his stance toward Beijing became far less radical. Long-term economic interests and the need to maintain a partnership with China (as part of the domestic lobby insists) have forced necessary adjustments to the ideology. This was especially important when the U.S., with whom Bolsonaro was actively promoting rapprochement, began to correct its negative bilateral trade balance with Brazil by applying economic and political pressure instead of providing expected financial assistance [Yakovlev, 2020]. And already in 2019, Bolsonaro had met with Xi Jinping and openly declared that China is a “friend of Brazil”
[Government of the PRC, 2019], which allows us to assess the impressive speed with which Brazil’s economic interests with the PRC are being prioritized. However, it is worth noting that under the Bolsonaro administration Brazil has pursued a rather inconsistent foreign policy, which in the words of Ludmila Semenovna Okuneva is aptly named a “continuity gap” [Okuneva, 2020]. Relations with China were no exception: the Brazilian leader until recently had successfully combined accusations against China for the emergence of the COVID-19 pandemic with conciliatory rhetoric and an appeal for assistance in fighting the coronavirus infection [Trinkunas, 2020], which has become a huge challenge not only for Brazil, but also for the entire LAC region [Eremin, Medina Gonzales, 2021].

In the context of the development of China’s relations with Latin American countries, it is worth noting that Beijing does not have a single standardized concept, but rather resorts to diversification, taking into account the peculiarities of each state. For example, most South American countries (except Venezuela) began to actively enter the sphere of influence only after 2018, and China prefers to build trade and economic relations with them based on high imports of products from these countries, thereby ensuring a weighty and sometimes even leading position as a trade partner [Eremin, Dubrovsky, Petrovich-Belkin, 2021]. The Caribbean countries, many of which are much more active in joining the BRI (the Caribbean subregion is the best performer on this indicator percentage-wise), primarily receive concessional loans and grants needed to stimulate weak, mostly agrarian economies that cannot supply valuable resources to the PRC. In this regard, the PRC’s approach to building relations with the LAC countries is based on taking into account unique cultural, political, and economic factors, when the United States often does not pay much attention to such issues when determining Washington’s strategy in the region [Eremin, 2020].

In recent years, one of the key areas of China’s efforts to consolidate its influence in the region has been the process of institutionalizing relations with Latin American countries. Based on the successful experience of cooperation in Africa, China in the LAC region continues to develop a similar model of multilateral cooperation. In 2014, the China-CELAC Forum was created to better coordinate and deepen relations in all areas, which in itself was a clear indication of the growing importance of Latin America in China’s global economic diplomacy [Borzova, Torkunova, Agaev, 2018].

**Economic Cooperation and the Belt and Road Initiative in Latin America**

The first meeting of the China-CELAC Forum at the ministerial level in 2015 led to the development of the Cooperation Plan for the period from 2015–19, with ambitious economic goals [China-CELAC Forum, 2015], and in 2018, to the CELAC-China Joint Action Plan for Cooperation in Priority Areas for 2019–21 [China-CELAC Forum, 2018]. Both documents focused on strengthening cooperation in the international arena and within international organizations and strengthening bilateral political and security ties. However, the largest block in both documents was devoted to the economic sphere, in particular cooperation in the construction of infrastructure, trade and investment, agriculture, industry, and extraction of natural resources, as well as in education and tourism. It is worth mentioning that all the aforementioned areas are related to development issues and therefore have a high priority on the agenda of Latin American states [Eremin, 2020]. This approach, which focuses on the specific economic and basic infrastructure development needs of the countries of the region, differs significantly from U.S. aid, which has always been given to Latin American states on rigid conditions that funds are directed either to the creation and development of democratic institutions or to the support and development of police structures (as in the case of Plan Colombia and similar aid programmes) [Eremin, 2020]. Such a focus on the priorities of less influential partners, on one hand, runs against the traditions of realism and pure pragmatism, through the prism of which the modus operandi of all superpowers on the world stage is often viewed. However, such a divergence in the case of China is in fact quite natural—Beijing is gradually building up its own economic and political power, as well as its influence in the world, so that there is no evident contrast between the interests of the United States and China. Such tactics are exhaustively explained through power transition theory as laid out by A. F. K. Organski during the Cold War. This theory examines in detail the mechanisms of the change of world leadership in the current system of international relations. The starting point for the beginning of power transition is considered to be the achievement by the applicant for leadership of about 80% of the potential of the main political force in the international arena, in which case quite objective processes associated with the redistribution of spheres of influence and the importance of the states in question at the global and regional levels are launched. At the same time, such a struggle for spheres of influence, even if it is concealed, will inevitably cause a surge of confrontation and tension between the two states, which under certain circumstances could lead to the so-called Thucydides trap and even to open military confrontation. Despite the fact that there are different approaches to assessing the so-called power of the state, according to most modern researchers (as well as according to most current indicators) the PRC has already reached the level of power required by power transition theory. Precisely because of that, the so-called decoupling between the PRC and the U.S. occurred
after 2018, the accompanying factor of which was the inevitable growth of mutual tension [Degterev, Ramich, Tsvyk, 2021, p. 215]. In such a scenario, the fact that Latin America began to play a significantly more important role for China after 2017 (a year before the trade war, but the increase in anti-Chinese polemics in the United States was already obvious) is quite justified for the inevitable redistribution of the world according to power transition theory.

In fact, the attempt to tie Latin America to itself economically, and only then to convert high trade growth and large-scale infrastructure projects into political influence, allowed Beijing to postpone the moment when Washington realized the upcoming threat to its own role in the LAC region. Although individual attempts to develop relations with Latin American countries have been made by China since 2008, it was not until 2017 that Donald Trump institutionalized anti-Chinese polemic and pushed for a decoupling [Degterev, Ramich, Tsvyk, 2021, p. 214–7].

It is also impossible not to mention the fact that, in addition to trade and the provision of concessional loans and grants, the PRC also pursues an active investment policy in the region (Figure 1). Chinese finance plays a key role in deepening China’s economic ties as part of a new approach to regional interaction.

Figure 1. Latin America and the Caribbean: Investment by China and Hong Kong Companies by Country, 2005–20 (%)

![Bar chart showing investment by China and Hong Kong companies by country.](chart)

Source: ECLAC [2021, p. 94].

Over the past decade, Chinese investments in the region have increased substantially and have become more diversified. In the early 2000s, investments in Latin American countries were part of the “going abroad” strategy, which primarily encouraged investments in the development and exploitation of natural resources that Beijing needed to boost its industrial development. As for Latin American countries, Chinese investments, in addition to the energy sector, were largely concentrated in metal mining and agriculture (Figure 2). However, since the second half of the 2010s, Chinese companies had already begun to focus more and more on manufacturing, infrastructure facilities, and service sectors, in particular: transport, electricity, financial services and information, and communication technologies [Ding et al., 2021, p. 4]. Thus, as can be seen from Figure 2, the most extensive sector of investment primarily concerns the issue of providing water, electricity, and gas, which are directly consumed by the population and are closely related to their quality of life. The oil and gas sector, which is traditionally considered the most important and relevant for countries that are actively expanding their production and industry, falls behind here by an impressive 9%. However, if we group the oil and gas industry with investments in the sector of extraction of other mineral resources, then in total they will come out on top in terms of total volume for the period from 2005–20. This allows us to conclude that, although there are trends toward a qualitative diversification of PRC investments in the LAC region, it is too early to talk about the abandonment of the priority of sectors related to resource and mineral extraction.
China as a new investor was very attractive to Latin American countries for a number of reasons. First, Beijing did not make stringent demands for democratization or a certain direction in the development of state institutions and did not interfere in the internal politics of states, as did the United States, whose finances were strictly regulated in terms of area of implementation and in general abounded in a large number of restrictive mechanisms. Second, China itself is a positive role model for developing countries. The neoliberal economic model proposed by international financial institutions not only failed to ensure broad economic growth in the region in the 1990s, but, in the case of individual countries, had an extremely negative impact with far-reaching consequences. Moreover, unlike the developed countries, which got rich by having colonies in the past, China had a different historical background, and despite this it has long enjoyed a high growth rate of 9%. From this point of view, China’s foreign policy and economic success story differs significantly even from that of the United States, which also had no colonies but nevertheless was one of the first to adopt a neo-colonial policy toward Latin American countries under the Monroe Doctrine, utilizing its dominant position in the western hemisphere.

China, on the other hand, used to be a predominantly agrarian country, which was technically and economically dragging behind the leading countries of the world and had no serious resource potential. Despite that, it turned into a dynamically developing state, successfully challenging the political and economic leadership of the United States at the present stage. In this regard, the Chinese model of economic development proved to be very attractive for Latin American countries, for which the issue of transition from peripheral to developed country is of paramount importance [Escudé, 2015]. This is all the more relevant as the LAC region is represented by developing countries, which China is also. A good example in this case is former Brazilian President Luiz Inácio Lula da Silva, who declared his willingness to use the Chinese model with an emphasis on investment growth and the development of export industries, which, in his opinion, was the key to rapid and sustainable growth [Li, 2007, p. 849]. Unfortunately, the Chinese model has not been implemented for many reasons, neither during the Lula da Silva administration, nor during the administration of his successor, Dilma Rousseff. After the new “right turn” in the region and the arrival of Jair Bolsonaro and the political (but not economic) rapprochement with the United States, there is no question of adopting the Chinese model.

Although Latin America is not the leading region in receiving Chinese investment, the volume of foreign direct investment (FDI) has nevertheless increased significantly from 1% of total Chinese investment abroad in 2000 to 14.5% in 2020 [Ding et al., 2021, p. 4]. Brazil is the main recipient of Chinese investments, followed by Venezuela, Argentina, Ecuador, and Peru. These active investment tactics and the list of funded countries, combined with the expansion of the BRI, give an indication of the countries in the region on which China intends to rely in the future. The Virgin Islands and the Cayman Islands, famous for their offshore zones, are particularly noteworthy. The significance of these offshore zones for China lies in the fact that the country is
able to spend large sums of money through them, which later comes back formally in the form of foreign investment.

Returning to the topic of investment through the lens of the BRI, it should be noted that the vast majority of such investment in Latin American countries is made through the mechanisms of this initiative. However, the region was not originally part of the 21st century Maritime Silk Road, and for a very long time Chinese officials did not talk about Latin America as a potential participant in the programme. In part, this was due to the lack of plans to make the BRI a global project in the initial stages of conceptualizing the initiative, as well as a reluctance to make provocative moves in a region so sensitive to the United States. The demand for increased investment came from the Latin American countries themselves, where the debate over participation in the BRI is very heated. By the time the programme was launched, Latin America was experiencing a decade-long decline in gross domestic product (GDP) growth, so the project, which had the potential to attract major foreign investment, proved not only attractive, but in many ways even necessary. In particular, Alicia Barcena Ibarra, executive secretary of the UN Economic Commission for Latin America and the Caribbean (CEPAL), urged countries in the region to participate in the BRI [People’s Daily Online, 2017]. Diplomats in Bolivia, Peru, and Ecuador also expressed hopes in 2015–16 that China would include Latin America in the BRI, thereby contributing to the growth of the region’s economies [Oliveira, Myers, 2020, p. 5–6].

It is quite noteworthy that the PRC-CELAC Cooperation Plans hardly mentions the BRI (the first Plan of 2015 did not mention it at all, while the second mentioned it once in the preamble in the context of “taking into account the opportunities offered by the initiative”) [CELAC-China Forum, 2018], although by the time the second Plan was adopted more and more Latin American and Caribbean countries had already expressed interest in the Chinese project. In addition, the topic of developing the initiative was central to the 2018 China-CELAC Forum, which led to the adoption of the 2019–21 Plan. Since 2017, the region has appeared more frequently in official documents and speeches by Chinese government officials. On 18 May 2017, Chinese foreign ministry spokeswoman Hua Chunying said: “China welcomes the participation of Latin American countries in the One Belt, One Road initiative [BRI], which can benefit more countries and regions and promote prosperity and stability in the world” [Wang, 2017]. In November-December 2018, during his visit to Argentina and Panama, Xi Jinping officially invited Latin American countries to participate in the construction of the BRI [Permanent Mission of the PRC to the UN, 2018]. On 17 September 2017, Foreign Minister Wang Yi told the press in Panama that “Latin America is a natural extension of the 21st Century Maritime Silk Road” [Xinhuanet, 2017]. At the 2018 China-CELAC Forum, Wang Yi highlighted five points of cooperation between the parties in the BRI: building infrastructure that connects “land and oceans”; launching an open market that creates export opportunities for Latin American products; developing competitive industries in LAC countries through the transfer of Chinese technology; developing innovation through extension to states in the Digital Silk Road region; and sharing experiences in various fields [Xinhuanet, 2018].

Thus, China has expanded the scope of its initiative to a global scale and has gradually begun to enter into formal BRI agreements in Latin America. More importantly, the issue of assistance in the development of advanced technology has long been a serious priority for most Latin American countries, which is even reflected in various founding documents at the national level [Government of Brazil, 2013]. According to a number of experts, the priority of technological development issues is especially important for the LAC countries because their successful solution is seen as an opportunity to overcome the economic underdevelopment of the region [Proença, Lessa, 2017]; and in this context the PRC can provide substantial assistance.

In 2017, Panama broke diplomatic relations with Taiwan and officially recognized the PRC, and, after Xi Jinping’s visit, also joined the BRI. In 2018, El Salvador and the Dominican Republic followed suit. In the same year, 11 more countries joined the BRI (Antigua and Barbuda, Bolivia, Chile, Costa Rica, Dominica, Ecuador, Grenada, Guyana, Suriname, Uruguay, and Venezuela), and in 2019 Barbados, Cuba, Jamaica, Peru, Trinidad and Tobago joined the Chinese initiative. In overall, as of 2021 19 out of 33 Latin American and Caribbean countries are participating in the initiative. Brazil, Argentina, Mexico, and Colombia, which are the largest Latin American economies, are not yet participating. It is noteworthy that all these four countries were considered pivotal states for the U.S. in the region under Donald Trump’s administration, in connection with which their non-adherence to the programme is quite understandable [Yakovlev, 2020].

Panama has become a model of win-win strategy and, in a sense, the ambassador of the BRI brand in Latin America. In 2017, when Chinese leaders started talking about the possible inclusion of countries of the region in the BRI, then-President Juan Carlos Varela broke off relations with Taiwan and was the first Latin American leader to sign a memorandum of understanding with the PRC to jointly promote the construction of the Silk Road Economic Belt and the Maritime Silk Road of the 21st century. Over the next two years, 48 different memoranda and agreements were signed between the countries. Particular attention was paid to
Panama because the Nicaragua Canal project did not receive its logical continuation and implementation. This pushed the PRC to focus its foreign policy efforts on another logistical center of the western hemisphere—the Panama Canal. The overall potential of Panama, due to its geographical location, is, without exaggeration, quite enormous. The country is home to two of the continent’s busiest seaports, Balbou and Colón (also the world’s second largest free trade zone after Hong Kong), Tocumen International Airport, a regional air transport hub, and the Panama Canal itself, through which over 13,000 ships from more than 70 countries pass annually, as well as seven important fiber-optic communication/internet cables [Mendez, Alden, 2019, p. 15]. In 2018, the Chinese ambassador to Panama, Wei Jiang, called it a future “hub for Chinese firms, especially in manufacturing” [Reuters, 2018]. The establishment of diplomatic relations was a trigger for increased activity by Chinese businesses in Panama. Chinese companies began to participate in projects related to infrastructure around the canal, as well as contracting in Panama’s energy and construction sectors. However, as of now due to the pandemic and the position of the new president, Laurentino Cortizo, most projects have been postponed or even cancelled.

**Harm and Benefits of Chinese Investment**

Latin America’s unease with China’s growing influence and the BRI is not entirely new. Similar debates are unfolding in virtually every country and region of the world where Chinese companies have become especially active. Non-transparent projects and overpricing by Chinese contractors, loud statements and lack of specific projects, falling into the debt trap, hiring Chinese workers instead of creating new jobs in the host country, relaxed labour laws and environmental regulations—all these problems are being discussed in a number of world capitals. Accusations of imperialism and colonialism against China are heard from all sides of the globe.

Without a doubt, not all of China’s influence in Latin America is strictly positive. Venezuela is a prime example in this case. The economic, political, and humanitarian crises in this country are a serious problem, not only on a national scale, but also for the entire region. To make matters worse, China has lent the Venezuelan government more than $60 billion over the past decades, driving the state into unsustainable debt. Venezuela paid off first with coal shipments to China (which ended in the collapse of the iron ore industry and millions in debt) [Segovia, 2021], and then with oil at throwaway prices. Now, despite the Maduro government’s strong desire to participate in the BRI, to restructure debts, and attract new investments to stop the crisis and revitalize the Venezuelan economy and Venezuelan society, China is in no hurry to invest new funds in the economy, except for deferred payments [Oliveira, Myers, 2020, p. 8]. Despite the fact that Venezuela signed a memorandum of participation in the BRI in 2018, Beijing has not yet announced any new projects or given guarantees of their appearance in the future.

However, it is worth noting that China still does not benefit from project failures and unsustainable debts of Latin American countries. Scandals and high-profile failures hit hard at the reputation of the BRI brand and Beijing itself, which has invested billions in creating a positive image of a global initiative aimed at the prosperity of all participants. The unfortunate examples in this case only provoke more and more discussions and debates about the hidden goals and potential risks of cooperation with the PRC around the world. One of the reasons for the failure of a number of projects in the BRI most likely is corruption, which is imposed on the historical weakness of local state institutions. In the end, China benefits equally from the repayment of debts and from cheap energy resources, with which the countries of the region pay off debts if they cannot repay some other way, but in the second case it significantly hurts China’s reputation. Therefore, China can only be blamed here for not caring which way countries will pay back their loans, so in this situation everything depends on the Latin American elites themselves and their desire to improve the quality of governance and dedication to fight corruption. The PRC could probably impose a number of restrictions and mechanisms to control how investments and loans are spent, but in that case Beijing’s approach would dangerously mimic the U.S. approach regarding providing foreign aid.

At the same time China’s presence in the region has advantages. First, it can to a certain extent help to satisfy the “infrastructure hunger” in the region. Currently in Latin America there is a serious shortage and insufficient quality of infrastructure in key areas: railways and roads, electricity, telecommunications, access to drinking water, and health services [Chauvet et al., 2020, p. 11]. In general, Latin America only surpasses South Asia and Sub-Saharan Africa in terms of the quality and quantity of infrastructure. Western banks do not want to invest in the region because the risks are too great and the prospects for returns and profits are very dim. China has a different motivation here; Beijing looks at Latin American countries as future markets, including for Chinese technology, but this requires a substantial raise in the overall level of regional economic development, which will eventually contribute to the growth of general solvency. In Wang Yi’s speech at the 2018 China-CELAC Forum, mentioned above, four of the five points are related to the export of Chinese
technology. In this regard, China is willing to invest in Latin American countries without expecting much return on investment in the short term. Second, China imports a large amount of natural resources and agricultural products from Latin America, so cooperation with it carries great mutual economic benefits. Third, a Chinese presence on the continent benefits the countries of the region, as it diversifies political contacts and can balance out the influence of the United States. The emergence of China as a new economic player has put an end to the LAC countries’ overdependence on Washington, and China is now a convenient card in political bargaining with the United States.

It is equally important to note that historically Latin American countries have long had similar emotions about the excessive and unbalanced influence of the United States in the region. Such anti-American sentiments peaked during the turn to the left in the mid-2000s, in the wake of which issues of integration and the formation of a foreign policy autonomous from Washington dominated the regional agenda. Thus, the possible negative influence of China is in some cases counterbalanced by similar fears toward the United States, which have substantial practical justification. It is possible that if Jair Bolsonaro loses the Brazilian presidential election in 2022 and a new turn to the left begins in the region, anti-Washington rhetoric will return with renewed vigour. Then the possibility of securing autonomy from the U.S. through cooperation with Beijing could prove more than rewarding for many countries in the western hemisphere.

Chinese Threat to U.S. Influence in Latin America

Recently, China’s status in U.S. foreign policy rhetoric has changed from being an important trade partner to a major political rival. The first president of the United States to actively criticize Beijing was Donald Trump, who also initiated the so-called trade war and adopted a series of measures to counter the strengthening of Sino-Latin American cooperation [Cao, 2020, p. 82].

With the change of power in Washington to a more moderate administration led by Joe Biden, who took it upon his administration to correct numerous errors of his predecessor, the attitude toward Beijing has not changed. In the new version of the National Security Concept the PRC and its growing influence in the world are still listed as a major threat to the United States [The White House, 2021]. So, are U.S. fears of a Chinese threat in Latin America justified? Certainly, if we look at it from the point of view of the realistic paradigm and zero-sum game, which seems to continue to guide Washington’s political thought. However, a detailed analysis of China’s political, economic, and military presence in the region shows that U.S. fears are somewhat exaggerated, at least at this stage.

In the political sphere, indeed, relations between Latin America and the United States under Trump suffered greatly because of his political views, which China did not fail to take advantage of, filling a vacant niche in the region. Nevertheless, the COVID-19 pandemic and changes in U.S. foreign policy rhetoric under Joe Biden’s administration have partially restored the lost U.S. influence. In addition, between 2016–20, pro-American governments came to power in a number of countries, such as Brazil and Panama, which led to cancellation or suspension of Chinese projects adopted by previous administrations. At the same time, in addition to U.S. pressure, local elites face national and local anti-Chinese sentiments. Indigenous evictions due to infrastructure construction, environmental shortcomings of Chinese projects, competition between domestic interest groups, and related anti-Chinese protests have already led to the shutdown of some initiatives in Ecuador, Brazil, Mexico, Argentina, and Nicaragua. And the elites themselves fear an excessive dependence of national economies on China.

Table 1. PRC and U.S. exports/imports to LAC countries in 2020 ($ Billion)

<table>
<thead>
<tr>
<th>Country</th>
<th>China</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Export to LAC</td>
<td>Import From LAC</td>
</tr>
<tr>
<td>Antigua and Barbuda</td>
<td>0.529</td>
<td>0.00007</td>
</tr>
<tr>
<td>Argentina</td>
<td>5.05</td>
<td>9.36</td>
</tr>
<tr>
<td>Bahamas</td>
<td>0.385</td>
<td>0.0006</td>
</tr>
<tr>
<td>Barbados</td>
<td>0.027</td>
<td>0.0014</td>
</tr>
<tr>
<td>Belize</td>
<td>0.042</td>
<td>0.00002</td>
</tr>
<tr>
<td>Bolivia</td>
<td>0.178</td>
<td>0.15</td>
</tr>
</tbody>
</table>
In the economic sphere, there are also serious questions regarding Beijing’s initiatives. First, China is the largest importer for only seven countries in the region (Argentina, Brazil, Venezuela, Cuba, Chile, Peru, and Uruguay), while the United States remains the largest market for the vast majority of other countries (see Table 1). Second, China imports large quantities of natural resources from the states of the region but their economies are only partially complementary. Thus, in terms of exporting goods to the United States, China is in many ways a competitor for the states of the region. Third, the United States remains the largest investor in the LAC economies (Figure 3). Fourth, Latin American companies also face competition in their home countries, where they are attracting cheap Chinese goods along with investment, which does not help the development of local businesses or the industry as a whole. Fifth, Chinese investment projects, especially in the framework of the BRI, are very well advertised, but they often go no further than official meetings and declarations. As already noted, China is ready to invest in Latin American countries without expecting a large return on investment, but it is not ready to be at a huge disadvantage. The countries of the region, and their financial environments, remain far from being very attractive for Chinese companies [Lavut, 2018]. In particular, Xue Li, head of international strategy at the Institute of World Economy and Politics of the Chinese Academy of Social Sciences, wrote in his article on the strategic importance of Latin America that “China cannot make much money (in Latin America), but it cannot lose much money” and that “establishing close economic ties with all countries in the region is beyond China’s capacity and responsibility” [Li, 2015]. Latin America, despite the loud statements of Chinese leaders, is not the exclusive priority of the BRI, so the development of the initiative in the region strongly depends on LAC countries’ own interest in the project. In other words, China is not imposing its initiative on the region, partly because it lacks economic and political resources to decisively include the region in its sphere of influence, but also because it does not want to

<table>
<thead>
<tr>
<th>Brazil</th>
<th>18.8</th>
<th>29.86</th>
<th>34.96</th>
<th>84.08</th>
<th>32.9</th>
<th>32.07</th>
<th>35.05</th>
<th>24.42</th>
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<td>Venezuela</td>
<td>3.36</td>
<td>6.56</td>
<td>1.52</td>
<td>0.533</td>
<td>12.61</td>
<td>52.61</td>
<td>1.13</td>
<td>0.179</td>
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<td>0.125</td>
<td>0.007</td>
<td>0.709</td>
<td>0.003</td>
<td>0.944</td>
<td>0.464</td>
<td>1.4</td>
<td>0.861</td>
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<td>Guyana</td>
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<td>0.017</td>
<td>0.265</td>
<td>0.304</td>
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<td>0.169</td>
<td>0.654</td>
<td>0.724</td>
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<td>Guatemala</td>
<td>0.934</td>
<td>0.011</td>
<td>2.47</td>
<td>0.256</td>
<td>4.72</td>
<td>3.72</td>
<td>5.86</td>
<td>4.17</td>
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<td>Honduras</td>
<td>0.323</td>
<td>0.016</td>
<td>0.922</td>
<td>0.045</td>
<td>4.84</td>
<td>4.23</td>
<td>4.21</td>
<td>4.07</td>
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<td>Grenada</td>
<td>0.003</td>
<td>0.00004</td>
<td>0.015</td>
<td>0.000043</td>
<td>0.084</td>
<td>0.0078</td>
<td>0.101</td>
<td>0.013</td>
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<td>Dominica</td>
<td>0.075</td>
<td>0.0021</td>
<td>0.021</td>
<td>0.000066</td>
<td>0.105</td>
<td>0.002</td>
<td>0.115</td>
<td>0.001</td>
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<td>0.657</td>
<td>0.146</td>
<td>2.49</td>
<td>0.296</td>
<td>6.59</td>
<td>4.08</td>
<td>7.60</td>
<td>5.35</td>
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<td>Colombia</td>
<td>2.98</td>
<td>1.12</td>
<td>9.32</td>
<td>4.3</td>
<td>11.43</td>
<td>13.83</td>
<td>12.06</td>
<td>11.31</td>
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<tr>
<td>Costa Rica</td>
<td>0.619</td>
<td>2.27</td>
<td>1.54</td>
<td>0.668</td>
<td>5.68</td>
<td>4.18</td>
<td>5.73</td>
<td>5.62</td>
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<tr>
<td>Cuba</td>
<td>1.35</td>
<td>0.903</td>
<td>0.483</td>
<td>0.471</td>
<td>0.717</td>
<td>0.000036</td>
<td>0.176</td>
<td>0.014</td>
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<tr>
<td>Mexico</td>
<td>13.86</td>
<td>3.69</td>
<td>44.85</td>
<td>16</td>
<td>151.52</td>
<td>218.06</td>
<td>212.67</td>
<td>328.86</td>
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<tr>
<td>Nicaragua</td>
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<td>0.003</td>
<td>0.486</td>
<td>0.018</td>
<td>1.09</td>
<td>1.76</td>
<td>1.43</td>
<td>3.66</td>
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<td>Panama</td>
<td>7.89</td>
<td>0.049</td>
<td>8.8</td>
<td>0.441</td>
<td>4.91</td>
<td>4.01</td>
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<td>0.711</td>
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<td>1.22</td>
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<td>1.61</td>
<td>0.092</td>
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<td>Peru</td>
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<td>4.49</td>
<td>8.87</td>
<td>14.15</td>
<td>6.18</td>
<td>6.13</td>
<td>7.69</td>
<td>5.93</td>
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<td>El Salvador</td>
<td>0.374</td>
<td>0.0059</td>
<td>0.938</td>
<td>0.171</td>
<td>2.46</td>
<td>2.3</td>
<td>2.62</td>
<td>1.99</td>
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<td>Saint Vincent and the Grenadines</td>
<td>0.058</td>
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<td>0.010</td>
<td>0.000008</td>
<td>0.082</td>
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<td>St. Kitts and Nevis</td>
<td>0.0026</td>
<td>0.00014</td>
<td>0.013</td>
<td>0.00042</td>
<td>0.123</td>
<td>0.056</td>
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<td>0.05</td>
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<tr>
<td>St. Lucia</td>
<td>0.0066</td>
<td>0.00005</td>
<td>0.033*</td>
<td>0.00027*</td>
<td>0.241</td>
<td>0.027</td>
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<td>0.036*</td>
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<td>Suriname</td>
<td>0.102</td>
<td>0.0036</td>
<td>0.221</td>
<td>0.061</td>
<td>0.406</td>
<td>0.133</td>
<td>0.267</td>
<td>0.183</td>
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<tr>
<td>Trinidad and Tobago</td>
<td>0.349</td>
<td>0.024</td>
<td>0.341</td>
<td>0.333</td>
<td>2.25</td>
<td>9.47</td>
<td>2.37</td>
<td>2.61</td>
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<td>Uruguay</td>
<td>1.02</td>
<td>0.623</td>
<td>1.7</td>
<td>2.36</td>
<td>0.883</td>
<td>0.259</td>
<td>1.25</td>
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<td>Chile</td>
<td>6.18</td>
<td>11.17</td>
<td>15.34</td>
<td>28.75</td>
<td>12.09</td>
<td>8.98</td>
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<td>10.92</td>
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<td>Ecuador</td>
<td>1.54</td>
<td>0.849</td>
<td>3.25</td>
<td>4.31</td>
<td>3.44</td>
<td>9.53</td>
<td>4.23</td>
<td>6.38</td>
</tr>
<tr>
<td>Jamaica</td>
<td>0.288</td>
<td>0.0055</td>
<td>0.63</td>
<td>0.031</td>
<td>2.644</td>
<td>0.783</td>
<td>1.7</td>
<td>0.396</td>
</tr>
</tbody>
</table>

Source: Compiled by the authors based on 2019 data from the Observatory of Economic Complexity [n.d.], World Bank Statistics [2008], and Trading Economics [n.d.].
directly provoke the United States. After all, Washington remains the most important source of capital and advanced technology to China and the largest trade partner and export destination, despite active attempts to finalize the decoupling process. Hence, it can be concluded that as long as China-U.S. relations do not further change toward rivalry and confrontation and there is no complete breakdown of trade partnerships, the expansion of Beijing’s influence in the LAC region will be aggressive [Lavut, 2018].

Figure 3. Latin America and the Caribbean: Top Five Foreign Investors, 2005–19 and 2020 ($ Billion)

Source: ECLAC [2021, p. 93].

China’s economic and political influence in Latin America is also supported by security cooperation with the active participation of the Chinese People’s Liberation Army (PLA). At first glance, the sale of weapons to LAC countries, training of Latin American military personnel in China and joint exercises should alert Washington. However, if we look at the situation in more detail, we can see that China’s policy in this area is far from that of the USSR during the Cold War. Currently, China is not forming coalitions in the region and is not trying to establish military bases even in friendly countries such as Venezuela and Cuba, although there have been such concerns due to construction works or concessions of ports to Chinese companies, for example in Panama and El Salvador [Ellis, 2020]. Certainly, the purchase of Chinese weapons by Argentina, Bolivia, Venezuela, Cuba, Peru and Ecuador poses a threat to the United States, primarily due to the shrinking of its own markets, but such a threat is more of an economic problem than a political or military one.

Conclusion

Latin America, which for a very long time was on the periphery of Chinese foreign policy, has attracted increasing attention from Beijing in recent decades. The original objectives of access to natural resources, reducing Taiwan’s influence in the world, and developing South-South relations to combat a unipolar world led by the United States are now complemented by China’s broader strategic, political, and economic interests in the region.

Over the past decade, China has significantly strengthened its position in Latin America and regional elites are finding it increasingly difficult to distance themselves from China, raising concerns among the countries of the region and the United States about the dependence of Latin American states on Beijing. These worries are somewhat exacerbated by the PRC’s investment projects, which are often opaque, overpriced, and accompanied by high-profile scandals involving corruption, loosening labour laws, and environmental
regulations. In this regard, the BRI, in which 19 countries of the region are already participating, is a subject for an active discussion.

However, Chinese presence in the Latin American economic processes has many advantages, such as the creation of important infrastructure for the region, opening of the Chinese market for the export of natural resources, and reducing the excessive dependence of countries in the region on the United States. For Latin American countries Beijing could become a real alternative in the context of a new potential turn to the left in which Latin American states will certainly return to the idea of autonomism. The People’s Republic of China, with an approach to cooperation based on infrastructure development and the absence of rigid mechanisms for controlling financial flows, is extremely close to the values and priorities of leftist parties in the region, which may predetermine their high interest in developing relations with the eastern power. At the same time, strengthening Beijing’s economic and political presence in Latin America has its own disadvantages and potential risks both for the countries of the region and for the United States. However, it seems logical that such risks for Latin American states will ultimately not prove to be more serious than those already caused by Washington’s unconditional dominance—in this sense, economic and political pluralism will certainly benefit the region, which has been virtually deprived of such an opportunity for many years.

The growing importance of the LAC region in the context of the gradual power transition that has been observed in the international arena is worth noting separately. Latin America is also important in this process because it has traditionally been considered a place of exclusive U.S. influence. In this regard, any encroachment on this status would mark a whole new level of rivalry between the United States and China. It is no coincidence that confrontation between Washington and Beijing intensified only during the presidency of Donald Trump—exactly the period of time when we were able to observe rapid growth of the PRC’s economic ties with the countries of the region.

In this regard it is perfectly logical to ask the following questions: “how much priority does Latin America have under these new conditions for China?” and “will the region become more important for Beijing than, for example, Africa?” It is worth saying that the LAC region was one of the last places in China’s modern expansion of priorities in accordance with recent political ambitions. If we consider Africa, where Chinese capital and political influence have dominated for several years, the very model of China’s partnership with developing countries there was just being formed and conceptualized. At the same time, Chinese economic expansion in Africa did not cause any serious discontent among western states at the level of their national security strategies or other conceptual documents of similar significance. China approaches the task of expanding its influence in Latin America in a truly different way, having not only substantial experience, gained through cooperation with developing countries in other regions of the world, but also having a fundamentally different status in the international arena, having shifted from an ambitious challenger to a fairly balanced rival to the United States.

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