

CHINA IN LATIN AMERICA AND THE CARIBBEAN: BETWEEN ECONOMIC INTERDEPENDENCE AND GEOPOLITICAL COMPETITION

China's presence in Latin America and the Caribbean stemmed from Beijing's need to secure a plentiful supply of commodities, but that was soon accompanied by a strategy of economic incentives that capitalised on the region's endemic reliance on foreign funding and a huge infrastructure deficit. Today China makes no secret of the battle for leadership of the Global South and is obliging the region to redefine its place in a world heading towards growing geopolitical competition.



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Over the last two decades China has been consolidating its position as an increasingly influential actor in Latin America and the Caribbean (LAC). It is now the region's second biggest trading partner – the first for some countries, particularly the commodities exporters of South America – and a powerful investor and financier. That economic penetration has gone hand in hand with a growing presence in regional forums and bodies, and a proliferation of bilateral agreements.

To make this happen, China has deployed a strategy of investments and loans alongside a narrative asserting the rise of the Global South that sits well with the counterhegemonic and postcolonial discourses that abound in the region. Its strategy was aided by the predominance of progressive governments in numerous LAC countries in the first decade of the 21st century. They championed strategic autonomy in the face of the long history of meddling, chiefly by the United States but also by other traditional Western powers currently in decline (Ríos, 2019).

China has courted strategic partners in the region, like Brazil, but it has been careful to draw closer to smaller countries in the Caribbean and Central America, like Nicaragua,

El Salvador or Cuba. Given these nations' vulnerability to economic crises, Beijing has developed relations of dependency with them that furnish it regional allies. It has even managed to inflow countries with strong ties and economic interdependence with the United States, such as Mexico. This strategy has gained from a general lack of attention to the region's problems on the part of the United States, as well as from a growing protectionism that became more pronounced during the Trump administration and which the Biden administration has done little to modify. This economic presence has also benefited from the

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shortcomings of Latin American regional cooperation stymied by political polarisation and fragmentation, which smooths the path for Chinese diplomacy's bilateral strategies.

As in other parts of the world, the increase of Chinese influence in the region is multidimensional. It seeks to cultivate ties that secure it economic partners to cover its interests in that area and satisfy the demand for strategic resources. But it is also looking to garner support for its geopolitical aspirations as a global and regional power. That includes challenging the hegemonic liberal order of the second half of the 20th century.

Trade as the entry lever and investment as the means of consolidation

Trade was China's natural gateway into LAC, helped along by the high degree of complementarity between the Asian country as an avid consumer of commodities amid its modernisation and economic expansion and the region as an exporter of agricultural produce, minerals and hydrocarbons.

China's rise was instrumental in the increase in global demand for raw materials, prompting a supercycle of commodity price growth lasting over a decade. That made a decisive contribution to the economic growth of the countries in the region, but at the cost of tightening the hold of extractivism on their economies. This comes with risks, not least of which is economic slowdown in times of dips in highly volatile commodity prices. It also compounds a model of international integration that does little to diversify and stimulate the production sector to give local industry more added value and improve job quality.

Between 2000 and 2014 trade between China and LAC grew at an average rate of 27% in annual terms (Ríos, 2019). That trade remained relatively stable through economic crises and China became the main trading partner of countries like Brazil and Chile. In addition, China signed free trade deals with [Chile](#) (2005), [Costa Rica](#) (2010) and [Peru](#) (2009). The attempt to open negotiations with Uruguay, however, has met with the opposition of the other Mercosur partners¹ (Goodman, 2023). Trade relations are particularly intense with South America, which sends 24% of all its exports to China. For Mexico and Central America, meanwhile, it is still a minor partner². For China, LAC is the source of 8.6% of all its imports³. The agri-food sector is especially important. Nearly 25% of China's agri-food imports come from the region, according to the [Inter-American Institute for Cooperation on Agriculture](#) (IICA).

In the first decade of the 21st century, LAC had a trade surplus with China. This was particularly true of South America, home to its main partners. With Mexico the situation was and is quite the opposite, given that the country is not a natural resources supplier. Yet China soon began to penetrate every market in LAC with manufactured consumer and intermediate goods, like machinery, competing with domestic products and imports from other countries. Those surpluses have steadily turned into negative trade balances. That means that even the few countries that still post a trade surplus with China – [Brazil](#), for instance – are reluctant to grant China greater access to their domestic markets.

CHINA'S GROWING DEMAND FOR RAW MATERIALS CONTRIBUTED TO A SUPERCYCLE OF COMMODITY PRICE GROWTH LASTING OVER A DECADE WHICH WAS KEY FOR THE ECONOMIC GROWTH OF THE COUNTRIES IN THE REGION, BUT AT THE COST OF TIGHTENING THE HOLD OF EXTRACTIVISM ON THEIR ECONOMIES.

In the wake of these deep trade inroads came first an increase in loans and then a rise in investments. First, the surge in loans to governments via the China Development Bank (CDB) or the Export-Import Bank of China (Eximbank) took place primarily in the period 2005-2016. Initially it focused on Venezuela (44%), Brazil (26%), Ecuador (12%) and Argentina (11%) (ECLAC,

1. Formally, the Mercosur Treaty forbids the negotiation of trade agreements by member countries individually.

2. See Appendix, Table 3.

3. See Appendix, Table 2.

2018). The distribution shows a clear propensity for countries that had left-wing governments at the time. Second, investments in the region peaked in 2015 on account of the political and economic difficulties facing countries such as Venezuela, Ecuador and Argentina. To stave off defaults, between 2009 and 2016 China granted rescue loans to Venezuela and Ecuador to an aggregate value equivalent to 15% and 14% of their respective GDPs. These two countries rank second only to Pakistan as beneficiaries of the financial assistance extended by China globally. Yet the country in the region to which China has devoted most resources in total is Argentina, via People's Bank of China emergency liquidity lines used as rescue loans⁴.

THE ABSENCE OF CONDITIONALITY ATTACHED TO THE FINANCIAL OPERATIONS CONDUCTED BY CHINA, WHICH MAKES NO POLITICAL REQUIREMENTS AND KEEPS LOOSER SOCIAL AND ENVIRONMENTAL STANDARDS THAN THE WESTERN COUNTRIES, HAS ONLY AIDED THE ASIAN COUNTRY COMPLETION OF INVESTMENTS AND TENDERS.

Today South America still accounts for nearly 90% of China's investments in LAC⁵, concentrated in Brazil, Argentina and Peru (ECLAC, 2018), although there has been an increase in investments in Mexico too. In Peru, the emphasis is on mining, while in Brazil and Argentina, the energy sector is paramount. In the case of Argentina, one of the projects to have sparked most controversy, **both locally and across the region**, is related to the agreement with the China National Nuclear Corporation to double nuclear energy's production in the country. China is also planning **hydrocarbons** investments in the Vaca Muerta formation.

These projects have gone together with huge inroads into major infrastructure construction. Chinese builders offer the advantage of quick and easy, flexible loans and lower project execution costs. This allows them to tender successful bids or negotiate directly with governments to secure public works contracts to build bridges, airport extensions, railway lines or high-voltage power lines. But problems have begun to arise. Take the **Coca Codo Sinclair hydroelectric dam in Ecuador**, which has serious construction defects, or more recently the contract to build the Bogota underground, hit by a string of **delays and contract breaches**. The absence of conditionality attached to the financial operations

4. See the chapter by Víctor Burguete in this series.

5. See Appendix, Table 5.

conducted by China, which makes no political requirements and keeps looser social and environmental standards than the Western countries, has only aided the Asian country completion of investments and tenders. Yet this draws criticism from certain sectors of civil society that decry the violation of fundamental human rights. On top of that is the heavy cost of many of these transactions, which compromise governments' future resources.

The regional approach and “South-South cooperation”

China's first forays into the region were bilateral and economic, but over time Beijing has deployed a strategy that has seen it forge ties and even acquire member status of regional bodies like the Inter-American Development Bank (IDB). While the United States remains **the institution's chief funder**, China became a member in 2009, and although its subscription to the ordinary budget is low, it has gradually increased its quota with voluntary contributions, which is an indicator of its interest in participating in economic institutions of a highly regional nature. It has also signed numerous cooperation agreements with the Development Bank of Latin America and the Caribbean (CAF), as well as with other subregional banks and funds.

This regional approach was also appreciable at the political and diplomatic level with the devising of a LAC policy in 2008. It was subsequently updated in 2016 with *China's Policy Paper on Latin America and the Caribbean*. In the period between the two policy documents, China established cooperation relations that have steadily grown within the framework of “South-South cooperation”. This puts the emphasis on mutual benefit based on equal partnership and it extended from the economic sphere to sectors such as scientific and technical cooperation, education and culture. In a speech to the ECLAC in 2012, the then Chinese premier, Wen Jiabao, proposed launching a cooperation forum between China and Latin America, along with a regular dialogue mechanism.

Two years later, President Xi Jinping attended the summit of the Community of Latin American and Caribbean States (CELAC) in Havana, which saw the **creation of the China-CELAC Forum (CCF), with its inaugural meeting coming in January 2015**. An institutional framework was also established, with summits, regular ministerial meetings, national coordinators and thematic sub-forums. At the same time, China pledged to provide a \$35m financial package consisting largely of loans. A part of those loans went to the China-LAC Cooperation Fund and a special loan programme for China-Latin America infrastructure projects.

The second ministerial meeting of the CCF, held in 2018, approved a special declaration on the Belt and Road Initiative that invited the LAC countries to join the project. The first to sign up were the smaller countries of Central America and the Caribbean, followed by Bolivia, Argentina, Chile or Peru, reaching a total of 21 LAC states. Conspicuous by their absence, however, are Brazil and Mexico, which do not form part of it.

At the third ministerial meeting of the China-CELAC Forum in 2021, which saw the participation of the ECLAC and IDB, the areas of cooperation

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were extended to social, environmental and cultural spheres. These covered agreements among universities, student grants, a think-tank forum and the Confucius Institutes, which numbered over 40 across LAC in 2022. The final declaration reiterated the willingness to “promote the construction of an open, inclusive, comprehensive and balanced cooperation network”. **China's image** in the region was given a major boost by its cooperation during the COVID-19 pandemic, when it made vaccines available for the LAC countries long before the Western powers.

The growing geopolitical element

At the start of its penetration into the region China endeavoured to depoliticise its presence. However, as global geopolitical tensions have increased, so its influence in the region has become more apparent. By way of example, if two decades ago LAC was the region where Taiwan maintained the largest number of official diplomatic relations, they have faded in favour of the People's Republic of China (PRC). Currently only seven countries in the region recognise Taiwan – largely in the Caribbean, plus Paraguay – compared to 14 at the start of the century.

In addition to its active pursuit of weakening support for Taiwan in LAC, China's backing of countries such as Venezuela, Nicaragua and Cuba, all of which are hit by US sanctions, has heightened regional tensions. This has been no impediment to China maintaining pragmatic cooperation with governments of different political persuasions. Most LAC countries neither want to nor can forgo China as one of their main partners. Yet certain initiatives cause tensions, like the deal with Argentina signed in 2012 to build the **CLTC-CONAE-NEUQUEN** space station in Patagonia. While it has no military use, the opacity of its operations makes it the object of

suspicion. LAC's wealth of strategic products for the technological and energy transition, like lithium and rare earths, have also added to the weight of the geopolitical element in China's relations with the region. The competition has spread to the tech industry, where **rivalry with the United States** has prompted Washington to take restrictive measures against China to block the entry of Huawei's 5G technology into LAC. This action has had little effect in Latin America, however, as the **4G mobile phone network** infrastructure is largely Huawei. Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador and El Salvador, moreover, are already using or have opted to use Huawei technology in 5G equipment (Roy, 2023).

Lastly, another initiative that transcends LAC, but which has a geopolitical impact on it is the BRICS (Brazil, Russian Federation, India, China, South Africa). China was able to capitalise on Brazil's global ambitions to augment a new network of influence with designs on establishing itself as a counterweight to the Western powers. The announcement of the group's expansion at its summit in South Africa in August 2023, with the addition of six new members including Argentina, was endorsement of China's global leadership at a time when the Ukraine war has spotlighted the growing distance between LAC and Western positions. These initiatives help Beijing portray itself as a leader of a Global South that is crying out for a more balanced international order. Yet that narrative cannot hide the geopolitical tensions emerging in the region and the misgivings of some sectors in LAC that are wary of an authoritarian power's growing hold over the region.

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