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China's Engagement with Latin America and the Caribbean

As the People's Republic of China (PRC) has increased its engagement with Latin America and the Caribbean (LAC) over the past 20 years, U.S. policymakers have raised questions regarding potential implications for U.S. interests in the region. China's engagement with the region has grown significantly since 2001, particularly in terms of diplomatic and economic ties. This growth reflects China's global "soft power" efforts and "influence operations" worldwide. A succession of Chinese leaders and other officials have visited the region to court governments. In turn, regional leaders and officials have frequently visited China. The PRC has signed a variety of bilateral partnership agreements with countries throughout the region, including "comprehensive strategic partnerships" with Argentina, Brazil, Chile, Ecuador, Mexico, Peru, and Venezuela.

Diplomacy

Beijing's diplomatic overtures in Latin America underpin China's economic activities and help it to institutionalize its engagement in the region and garner support in international fora. Some analysts argue that China's activities in the region reflect a global strategy to reduce U.S. dominance, although they do not aim to challenge the United States directly or militarily. China's diplomatic efforts include being an observer at the Organization of American States, a member of the Inter-American Development Bank and the Caribbean Development Bank, and a participant in the Asia Pacific Economic Cooperation forum. Amid the Coronavirus Disease 2019 (COVID-19) pandemic, China has sold vaccines and provided medical assistance and loans to about a dozen countries throughout the region.

PRC President Xi Jinping participated in a January 2015 summit in Beijing with leaders and foreign ministers of the Community of Latin American and Caribbean States (CELAC), a region-wide organization that excludes the United States and Canada. At the meeting, China and CELAC countries agreed to a five-year cooperation plan covering politics, security, trade, investment, finance, infrastructure, energy, resources, industry, agriculture, science, and people-to-people exchanges. At a second China-CELAC ministerial held in January 2018, both sides agreed to an updated cooperation plan extending through 2021. China also invited Latin American and Caribbean countries to participate in its Belt and Road Initiative (BRI), which is focused on PRC-backed infrastructure development around the world. Currently at least 19 countries in the region are participating in the BRI.

In 2016, the PRC government released its second policy paper on LAC. The document states that China seeks to strengthen cooperation on the basis of "equality and mutual benefit" in several key areas, including exchanges and

dialogues, trade and investment, agriculture, energy, infrastructure, manufacturing, and technological innovation. The paper states that China will "actively carry out military exchanges and cooperation" with countries in the region but also emphasizes that China "does not target or exclude any third party."

Another apparent goal of Beijing in the region is to isolate Taiwan by attempting to lure away Latin American and Caribbean countries that still maintain diplomatic relations with Taiwan, also known as the "Republic of China." Currently, 9 countries in the region (out of 15 countries worldwide, including the Vatican) recognize Taiwan, and the remaining 24 countries in the region recognize the PRC. In 2017 and 2018, Panama, the Dominican Republic, and El Salvador switched recognition to the PRC.

Economic Relations

China's economic goals in LAC include securing access to raw materials (such as oil, ores, and minerals) and agricultural goods (especially soybeans); establishing new markets for Chinese goods, including high value-added products; and partnering with Latin American firms to access and develop technology. China also has sought to secure investment opportunities in Latin America for its infrastructure firms.

Just as Latin America's economic linkages with China helped the region withstand the 2008 global financial crisis, China's post-COVID-19 economic rebound could play an important role in Latin America's post-pandemic recovery.

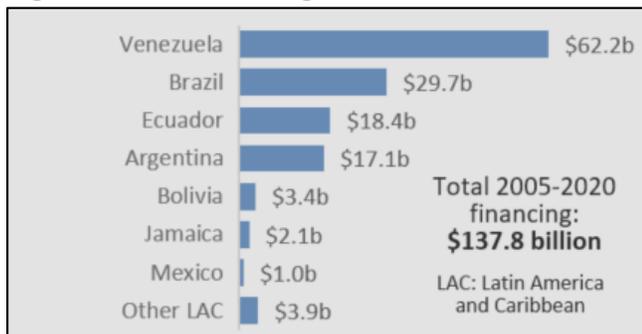
Total China-LAC trade increased from almost \$18 billion in 2002 to almost \$316 billion in 2019. In 2020, despite the decline in world trade due to the pandemic, China's total trade with the region dipped only slightly, to \$315 billion. In 2020, China's imports from LAC amounted to \$165 billion, consisting primarily of natural resources, including ores (35%), soybeans (17%), mineral fuels (12%), meat (7%), and copper (6%). China's exports to the region in 2020 amounted to \$150 billion, with major exports including electrical machinery and equipment (23%), machinery and mechanical appliances (16%), motor vehicles and parts (6%), and a wide array of industrial and consumer products. China has become the top trading partner of Brazil, Chile, Peru, and Uruguay and the second-largest trading partner for many other countries. China has free trade agreements with Chile, Costa Rica, and Peru.

According to the China Global Investment Tracker database maintained by the American Enterprise Institute (at <https://www.aei.org/china-global-investment-tracker/>), which tracks large transactions of \$100 million or more, China's investments in LAC from 2005 to 2020 amounted

to \$136 billion, with Brazil accounting for \$61 billion and Peru \$27 billion. Energy projects accounted for 57% of all investments, and metals/mining accounted for almost 27%. In addition, the database shows China's construction projects in LAC from 2005 to 2020 were valued at \$62 billion, with energy projects accounting for 51% and transportation 28%.

Chinese banks (China Development Bank and China Export-Import Bank) became large lenders in LAC more than a decade ago, although amounts have been declining in recent years and there were no such development loans in 2020. Accumulated loans amounted to over \$137 billion from 2005 to 2020, with Venezuela, Brazil, Ecuador, and Argentina the top recipients, according to the China-Latin America Finance Database hosted by the Inter-American Dialogue (see **Figure 1**). A majority of the lending (68%) has been for energy projects, and 18% has been for infrastructure projects. Such loans typically lack policy conditions and have less stringent terms and less rigorous environmental guidelines compared with the loans of major international financial institutions.

Figure 1. China: Financing in LAC, 2005-2020



Source: Created by CRS with data from Kevin P. Gallagher and Margaret Myers, "China-Latin America Finance Databases," Inter-American Dialogue, 2021, at https://www.thedialogue.org/map_list/.

U.S. Policy Concerns and Considerations

Under the George W. Bush and Obama Administrations, U.S. officials, while recognizing concerns about China's influence, generally viewed China's engagement in LAC positively. The overarching goal of U.S. policy was for China to contribute economically to the region in a transparent fashion, following international rules and complying with local or international labor and environmental standards. From 2006 to 2015, the United States and China held seven bilateral consultations on Latin America.

The Trump Administration viewed China's engagement in LAC with more suspicion. Its 2017 *National Security Strategy* stated, "China seeks to pull the region into its orbit through state-led investments and loans" and expressed concern about China's support for "the dictatorship in Venezuela." In 2020, the Administration issued a strategic framework for the Western Hemisphere, which included among its priorities countering economic aggression and malign political influence from external actors such as China. The actions identified to counter such influence included building closer ties between the United States and regional private sectors, supporting development and

investment opportunities in the hemisphere, and continuing to lead in international organizations and multilateral fora.

The Biden Administration's *Interim National Security Strategic Guidance*, issued in March 2021, broadly describes China as a strategic competitor and asserts that the Administration will work to reinvigorate and modernize U.S. alliances and partnerships around the world to hold countries such as China to account. The guidance notes that the United States will confront China when its behavior threatens U.S. interests and values.

The U.S. Southern Command (SOUTHCOM) has expressed strong concerns about China's activities in LAC. Its 2021 posture statement states that China continues to increase its activities across all domains in the region: cyber, space, extractive and energy industries, transportation hubs, roads, infrastructure, telecommunications, legal and illegal fishing, agriculture, and military training. SOUTHCOM contends that China donates security supplies and equipment to gain access and win favor with regional security forces and uses medical diplomacy to its advantage as leverage. It also warns the PRC is "seeking to establish global logistics and basing infrastructure in our hemisphere in order to project and sustain military power at greater distances."

In recent years, U.S. warnings about China have been met with some skepticism in LAC and among some regional experts. Some analysts contend that China's primary interests and influence in the region remain largely economic and diplomatic and that the possibility of the PRC creating a military sphere of influence in Latin America remains small. Some argue that China's appeal is limited due to deep political, social, and cultural differences and language barriers.

Some analysts have concerns about the potential harmful effects of China's economic engagement on the region's development, including that many Chinese companies do not adhere to international environmental, labor, and safety standards. They maintain that some countries have amassed unsustainable levels of debt owed to the PRC and have become dependent upon commodities exports to China. Some argue that PRC support extends a lifeline to leaders with poor governance records and exacerbates corruption.

In the 117th Congress, two bills would address China's increasing influence in LAC. S. 1169, which addresses issues involving China worldwide, has provisions that would require a multiyear strategy for increasing U.S. economic competitiveness and promoting good governance, human rights, and the rule of law in LAC. The bill also would require a report assessing the nature, intent, and impact to U.S. strategic interests of Chinese diplomatic activity influencing the decisions, procedures, and programs of multilateral organizations in LAC. H.R. 2479 would require a report on China's efforts to expand its presence and influence in the region.

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