



Updated February 24, 2022

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 various bilateral partnership agreements with countries throughout LAC, including "comprehensive strategic partnerships" with Argentina, Brazil, Chile, Ecuador, Mexico, Peru, and Venezuela.

Diplomacy

Beijing's diplomatic overtures in LAC underpin China's economic activities and help institutionalize China's engagement in the region and garner support in international fora. Some analysts argue that China's activities in LAC reflect a global strategy to reduce U.S. dominance, although the activities 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 (IDB) and the Caribbean Development Bank, and a participant in the Asia Pacific Economic Cooperation forum. China has sold Coronavirus Disease 2019 vaccines and provided medical assistance and loans to pay for vaccines to about a dozen countries in LAC.

Since 2015, PRC President Xi Jinping has participated in three summits 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. Xi addressed the Third China-CELAC Ministerial in December 2021 via video message. The meetings have promulgated "cooperation plans" covering politics, security, trade, investment, finance, infrastructure, energy, resources, industry, agriculture, science, and people-to-people exchanges. At the 2018 summit, China invited countries in LAC to participate in its Belt and Road Initiative (BRI), which focuses on PRC-backed infrastructure development around the world. To date, 21 countries in LAC participate in the BRI; Argentina joined in February 2022, which could pave the way for increased Chinese investment in the country.

In 2016, the PRC government released its second policy paper on LAC. The paper stated 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. It noted that China will "actively carry out military exchanges and cooperation" with countries in LAC but emphasizes that China "does not target or exclude any third party."

Another of Beijing's apparent goals is to isolate Taiwan by attempting to lure away LAC countries that maintain diplomatic relations with Taiwan, also known as the "Republic of China." Currently, 8 countries in LAC (out of 14 countries worldwide, including the Vatican) recognize Taiwan; the remaining 25 countries recognize the PRC. Panama, the Dominican Republic, and El Salvador switched recognition to the PRC in 2017-2018, and Nicaragua switched in December 2021. Honduran President Xiomara Castro stated her government would maintain relations with Taiwan for now, despite an electoral campaign pledge to establish relations with 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 LAC firms to access and develop technology. China also has sought investment opportunities in Latin America for its infrastructure firms.

Total China-LAC trade increased from almost \$18 billion in 2002 to \$318 billion in 2020. China's imports from LAC amounted to \$168 billion in 2020, 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%), and motor vehicles and parts (6%). 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 and, in February 2022, launched talks with Ecuador for an agreement.

According to the China Global Investment Tracker database maintained by the American Enterprise Institute (<https://www.aei.org/china-global-investment-tracker/>), which tracks transactions of \$100 million or more, China's investments in LAC from 2005 to 2021 amounted to \$140 billion, with Brazil accounting for \$64 billion and Peru \$25 billion. Energy projects accounted for 59% of investments; metals/mining accounted for 24%. The database also shows that China's construction projects in LAC from 2005 to 2021 were valued at \$66 billion, with energy projects accounting for 51% and transportation accounting for 29%.

Chinese banks (China Development Bank and China Export-Import Bank) became large lenders in LAC more than a decade ago, although amounts have declined 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 growing 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 LAC. The Trump Administration viewed China's engagement in LAC with more suspicion and often warned countries in the region about engagement with China.

The Biden Administration's *Interim National Security Strategic Guidance*, issued in March 2021, 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. The guidance notes that the United States will confront China when its behavior threatens U.S. interests and values. In the context of strategic competition with China, President Biden and G-7 leaders agreed in June 2021 to launch a global infrastructure initiative, Build Back Better World (B3W), to advance infrastructure development in low- and middle-income countries. Latin America is to be featured in the initiative, which is expected to launch in 2022.

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. Nevertheless, some analysts have expressed concerns about the potential harmful effects of China's economic engagement on LAC'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 on commodities exports to China. Some argue that PRC support extends a lifeline to leaders with poor governance records and exacerbates corruption.

117th Congress Action. In December 2021, Congress completed action on the National Defense Authorization Act for Fiscal Year 2022 (P.L. 117-81), which includes a provision (Section 1138) requiring a report by June 30, 2022, on efforts by China to expand its presence and influence in LAC.

Both houses also approved broad bills to improve the U.S. ability to compete with China worldwide, including in LAC. In June 2021, the Senate approved S. 1260, the United States Innovation and Competition Act of 2021, and on February 4, 2022, the House approved H.R. 4521, the America COMPETES Act of 2022. Both bills would require a strategy to strengthen U.S. economic competitiveness and promote good governance, human rights, and the rule of law in LAC. Both would require a report assessing China's engagement in international organizations and the defense sector in LAC; would support U.S. defense cooperation in the region; and would increase U.S. engagement with civil society regarding accountability, human rights, and the risks of pervasive surveillance technologies. S. 1260 also would require a strategy to increase exports of U.S. goods and services to LAC and would authorize a capital increase for the Inter-American Development Bank. H.R. 4521 also would increase U.S. engagement with the Caribbean. It would require a strategy to expand U.S. educational and cultural diplomacy (and a report on China's related activity in LAC), a report on multilateral efforts to address Latin American fentanyl trafficking and efforts between China and Latin America to combat such trafficking, and a report on major Chinese infrastructure investments in LAC.

Mark P. Sullivan, Specialist in Latin American Affairs

Thomas Lum, Specialist in Asian Affairs

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.