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China's Engagement with Latin America and the Caribbean

As the People's Republic of China (PRC, or China) has increased its engagement with Latin America and the Caribbean (LAC) over the past 20 years, U.S. policymakers, including in Congress, have raised questions regarding potential implications for U.S. interests in the region. China's engagement with LAC has grown significantly since 2001, particularly in terms of diplomatic and economic ties. A succession of PRC leaders and officials have visited LAC to court governments, reflecting China's global "soft power" efforts and "influence operations" worldwide. Regional leaders and officials, in turn, 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. They also help institutionalize China's engagement in LAC and garner support in international fora. Some analysts argue that the PRC'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 and the Caribbean Development Bank, and a participant in the Asia Pacific Economic Cooperation forum. China has supplied Coronavirus Disease 2019 vaccine doses to many LAC countries, albeit largely through sales rather than donations; most doses in the region have come from elsewhere.

Since 2015, China's top leader 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; most recently, Argentina joined in February 2022.

The PRC government's second policy paper on LAC, released in 2016, stated 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. It noted that China will "actively carry out military exchanges and cooperation" with countries in LAC but emphasized 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, which officially calls itself the "Republic of China." Currently, 8 countries in LAC (out of 14 countries worldwide, including the Vatican) recognize Taiwan; the remaining 25 in LAC 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, inaugurated in January 2022, stated her government would maintain relations with Taiwan for now despite a campaign vow to establish relations with the PRC.

Economic Relations

China's economic goals in LAC include securing access to raw materials (e.g., oil, ores, 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 jointly develop technology. China also has sought opportunities in Latin America for its infrastructure firms. China's projected slower economic growth in the near term, however, may result in weaker PRC demand for LAC exports and decreased PRC capital flows to the region.

Total China-LAC trade was valued at \$448 billion in 2021. China's imports from LAC amounted to \$221 billion in 2021, consisting primarily of natural resources, including ores (42%), soybeans (16%), mineral fuels and oils (10%), meat (6%), and copper (5%). China's exports to the region in 2021 amounted to \$227 billion, with major exports including electrical machinery and equipment (21%), machinery and mechanical appliances (15%), and motor vehicles and parts (7%). 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, which reportedly were almost complete as of December 2022.

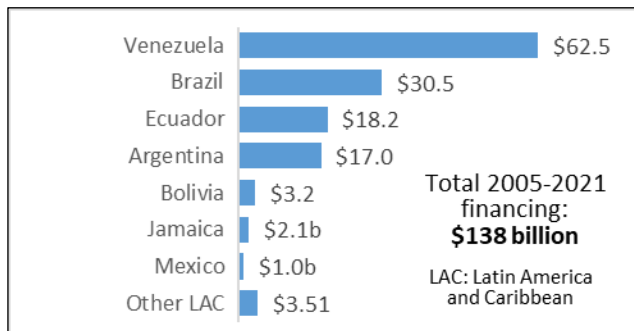
According to the China Global Investment Tracker database maintained by the nongovernmental organizations American Enterprise Institute and the Heritage Foundation, China's investments in LAC from 2005 to mid-2022 amounted to \$143 billion, with Brazil accounting for \$64 billion (45%) and Peru \$25 billion (17%). Energy projects accounted for 59% of investments and metals/mining accounted for 24%. The database also shows that PRC construction projects in LAC from 2005 to mid-2022 were

valued at \$65 billion, with energy projects accounting for 49% and transportation accounting for 31%.

Chinese banks (i.e., 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; the two institutions issued no such development loans to the region in 2020 or 2021.

Accumulated loans amounted to \$138 billion from 2005 to 2021, with Venezuela, Brazil, Ecuador, and Argentina the top recipients (see **Figure 1**). A majority of the lending (69%) has been for energy projects, and 19% has been for infrastructure projects. Such loans typically lack explicit policy conditions and have less stringent terms and less rigorous environmental standards compared with the loans of major international financial institutions.

Figure 1. China: Financing in LAC, 2005-2021



Source: Created by CRS with data from Kevin P. Gallagher and Margaret Myers, “China-Latin America Finance Database,” *Inter-American Dialogue*, 2022, at https://www.thedialogue.org/map_list/.

U.S. Policy Concerns and Considerations

The George W. Bush and Obama Administrations, 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 LAC 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, often warning countries in LAC about engagement with China.

The Biden Administration’s *National Security Strategy* describes China as a strategic competitor but maintains that the Administration will avoid the temptation to see the world solely through the prism of strategic competition. It states that because the Western Hemisphere impacts the United States more than any other region, the Administration will continue to deepen partnerships in LAC to advance economic resilience, democratic stability, and citizen security. The Administration also vows to help protect LAC from external interference or coercion, including from the PRC.

The U.S. Southern Command (SOUTHCOM) has voiced strong concerns in recent years about China’s activities in LAC. Its 2022 posture statement asserted that the PRC and its state-owned enterprises continued to target, recruit, and bribe officials at all levels to expand their economic,

political, and military influence in LAC. According to SOUTHCOM, PRC activities have included “investments in strategic infrastructure, systematic technology and intellectual property theft, disinformation and propaganda campaigns, and malicious cyber activity—all with the goal of expanding long-term access and influence in this hemisphere.”

At times, 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 LAC 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. China also has exported surveillance technologies that some observers fear could be used to violate privacy or other rights. Some also argue that PRC support extends a lifeline to leaders with poor governance records and exacerbates corruption. In some LAC countries, however, civil society groups, journalists, and academics have exposed or resisted some PRC activities involving issues such as corruption, poor business practices, and influence operations.

117th Congress Action. In December 2021, Congress enacted the National Defense Authorization Act for Fiscal Year 2022 (FY2022 NDAA; P.L. 117-81), which required a report (Section 1338) on the PRC’s efforts to expand its presence and influence in LAC. In December 2022, Congress enacted the FY2023 NDAA (P.L. 117-263), which requires reports on activities undertaken by China and Russia intended to increase their influence in LAC (Section 6524); PRC port infrastructure purchases and investments globally critical to U.S. interests and national security (Section 1259); and Chinese financing of port infrastructure globally (Section 6526).

Both houses approved bills to improve the U.S. ability to compete with China, including in LAC. In June 2021, the Senate approved S. 1260, the United States Innovation and Competition Act of 2021, and in February 2022, House approved H.R. 4521, the America COMPETES Act of 2022. In March 2022, the Senate approved H.R. 4521, substituting the language of S. 1260. Ultimately, many provisions, including those on LAC, were not included in a later version of the bill enacted in August 2022 (P.L. 117-167). Both House and Senate versions of H.R. 4521, would have, among other LAC provisions, required a strategy to strengthen U.S. economic competitiveness and promote good governance, human rights, and the rule of law in LAC; required a report assessing the PRC’s engagement in international organizations and the defense sector in LAC; and supported U.S. defense cooperation in LAC.

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