

China-Latin America Relations, 2000-2024: A Triangular Dynamic of Opportunities and Challenges

Relaciones China-América Latina, 2000-2024: una dinámica triangular de oportunidades y desafíos

Won-Ho Kim¹

Yang Dong²

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Abstract

This paper examines the political and economic opportunities and challenges in China-Latin America relations within a triangular dynamic involving the U.S. Using a Neorealist theoretical framework, it analyzes how Latin American countries maneuver between Chinese economic engagement and long-standing U.S. influence. The study employs comparative analysis and reviews existing literature to explore factors shaping these relationships. Findings indicate that while China's economic cooperation offers development opportunities for Latin America, it also raises concerns about debt sustainability and political leverage. The intensifying U.S.-China rivalry further complicates Latin American foreign policies, as countries attempt to balance economic benefits from China against historical ties with the U.S. The paper argues that Latin American nations may need capability to adopt a sophisticated strategy to maximize advantages from both powers while maintaining autonomy. It concludes that managing these complex dynamics will be crucial for the future of China-Latin America relations.

Resumen

Este artículo examina las oportunidades y desafíos políticos y económicos en las relaciones China-América Latina dentro de una dinámica triangular que involucra a Estados Unidos. Utilizando un marco teórico neorrealista, analiza cómo los países latinoamericanos maniobran entre el compromiso económico chino y la influencia tradicional estadounidense. El estudio emplea análisis comparativo y revisa la literatura existente para explorar los factores que moldean estas relaciones. Los hallazgos indican que, si bien la cooperación económica de China ofrece oportunidades de desarrollo para América Latina, también plantea preocupaciones sobre la sostenibilidad de la deuda y la influencia política. La intensificación de la rivalidad entre Estados Unidos y China complica aún más las políticas exteriores latinoamericanas, ya que los países intentan equilibrar los beneficios económicos de China con los lazos históricos con Estados Unidos. El artículo argumenta que las naciones latinoamericanas podrían necesitar la capacidad de adoptar una estrategia sofisticada para maximizar las ventajas de ambas potencias mientras mantienen su autonomía.

Keywords: China-Latin America relations, U.S.-China rivalry, Belt and Road Initiative, debt sustainability, strategic autonomy.

Palabras clave: relaciones China-América Latina, rivalidad EE. UU.-China, Iniciativa la Franja y la Ruta, sostenibilidad de la deuda, autonomía estratégica.

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1. Liao Cheng University. No. 1, Hunan Road, Dongchangfu District, Shandong Province 252059, China. Professor Emeritus, Hankuk University of Foreign Studies, Korea (NRF-2019S1A6A3A02058027). ORCID: <https://orcid.org/0000-0003-3754-4119> Email: drwhkim@naver.com
2. Liao Cheng University. N.º 1, Hunan Road, Dongchangfu District, Shandong Province 252059, China. <https://orcid.org/0009-0002-1233-9223>. Email: 915651774@qq.com



Introduction

The trade war that the U.S. Donald Trump administration initiated with China in March 2018 has extended beyond economic competition to political, ideological, and technological spheres. This escalation evidences the transformation of the formerly unipolar international system into a bipolar or multipolar one, and it can be viewed through the lens of Neorealism (Waltz, 1979) that the international system is anarchic, and that states act to maximize power and security in response to threats. The U.S. containment policy against China entered a more substantial phase, with confrontation beginning to outweigh cooperation. The Joe Biden administration has expanded upon this strategic framework, positioning China as “the only country capable of integrating its economic, diplomatic, military, and technological power to pose a sustained challenge to a stable and open international order” (White House, 2021). The U.S. shift toward a more confrontational stance also reflects an attempt to counterbalance China’s rising global influence in the developing countries which have become arenas for this strategic rivalry. Containing China has become central to U.S. foreign policy, with the administration aiming to restructure the geopolitical and economic landscape of the developing world to sustain long-term strategic competition with China.

In response to the shifts in U.S. policy, China has adopted a more assertive diplomatic strategy. Although partly reactive, this shift also reflects China’s broader geopolitical ambitions, which some critics argue are motivated by a desire to extend its influence beyond Asia. The Chinese government has transitioned from a passive to an active diplomatic stance in many ways. Among others, the strategic importance of China’s Belt and Road Initiative (BRI), a \$1-trillion global network of trade and infrastructure development, has become more pronounced. Qiao Liang of the National Defense University of China even described BRI as a strategic countermeasure to the U.S.’s pivot to Asia (Liang, 2017, p. 85), which may project China’s inroads in Latin America, the U.S.’s traditional sphere of influence, as a countermeasure. In a time of unprecedented shifts in the global order, China strategically tends to develop its relations with Latin America and the Caribbean (LAC), which may play a crucial role in mitigating the strategic pressure China faces from the U.S. in the Asia-Pacific region.

In March 2024, Laura J. Richardson of the U.S. Southern Command, presenting an annual situation report to the U.S. House Armed Services

Committee, claimed that China is leveraging economic and trade projects to expand its military presence in LAC, and that the region could become a “frontline battlefield” in the global strategic competition between the U.S. and China (Richardson, 2024). Against this backdrop, the geostrategic importance of LAC has once again captured the attention of both major powers. Consequently, China and the U.S. are actively seeking to expand their influence in the region. This complex international environment raises critical questions about the foreign policies that LAC countries will adopt and the paths that they will choose. Understanding these dynamics is of practical significance, as it provides crucial insights for the Chinese government in formulating its policies toward LAC. Recent scholarship has highlighted the increasing geopolitical and economic stakes in LAC due to the strategic rivalry between the U.S. and China. For instance, Jenkins (2018) provides an in-depth analysis of the economic interdependencies between China and LAC, emphasizing how these relationships are evolving amid global pressures. Similarly, Long (2015) critiques the historical asymmetries in U.S.-LAC relations, offering a framework to understand the current shifts in regional power dynamics.

The primary research question in this study is how the intensifying U.S.-China strategic rivalry affects the development of China-LAC relations from a Neorealist perspective. This also leads to a secondly question: What are the key opportunities and challenges in China-LAC relations amid growing U.S.-China competition? This paper attempts to systematically explore the factors influencing the development of China’s political and economic relations with LAC countries, as well as the challenges that both sides encounter. The main hypotheses are that the development of China-LAC relations is primarily shaped by the structural constraints of U.S.-China strategic competition, where LAC countries’ policy choices are limited by their position in the international system; and that LAC countries’ engagement with China is constrained by their historical dependence on U.S. security guarantees and political influence.

To present empirical evidence, this research employs two primary methods. First, it reviews existing domestic and international literature, think-tank reports, and other relevant materials to provide a foundation for analysis and to formulate its own arguments. Second, it uses comparative analysis to examine the political factors affecting China-LAC relations. To verify the implications of U.S. power politics in the region for China, it provides historical examples of the U.S.’s actions in LAC. For instance, since

the U.S. imposed additional sanctions on Venezuela in 2015, this country has incurred financial losses and accused the U.S. of waging an “economic war” and committing “systematic human rights persecution” against its people (Zhang, 2023). In response to U.S. hegemonic pressure, several LAC countries including Venezuela facing difficult times and transitions have increasingly recognized the importance of developing cooperation with China based on practical needs. This study highlights a series of political interactions and agreements signed between China and LAC in the 21st century, demonstrating the significant political progress achieved in their relations and the political foundation for continued cooperation.

Regarding economic factors, this study primarily draws on some relevant statistics and data to illustrate the economic challenges facing the LAC region. In response, many LAC countries have actively engaged with China’s BRI to address these challenges. Currently, China has established strategic partnerships with ten LAC countries, signed free trade agreements (FTAs) with five countries in the region. China has also become a core partner in infrastructure development across LAC, with 22 governments in the region joining the BRI (Office of the Leading Group for Promoting the Construction of the Belt and Road, 2023), which will remain a central component of China’s diplomatic strategy for the foreseeable future. This study illustrates the economic foundation of China-LAC relations by examining the rapid development of trade between the two regions, China’s substantial investment in LAC, and the continuous improvement of bilateral cooperation mechanisms over the past decade. When addressing the challenges and future outlook of China-LAC relations, this study analyzes the negative impacts from a political and economic perspective, including the “political swings” and “over-indebtedness” in certain countries. It also examines the “balancing act dilemma” faced by LAC countries in balancing relations with both China and the U.S. Mismanagement of these relationships could trigger adverse chain reactions affecting China-LAC, and U.S.-LAC relations.

The Political Opportunities

As a background for China-LAC relations, it must be fair to review some dark side of U.S.-LAC relations. For over 200 years, the U.S. has followed the Monroe Doctrine, treating LAC as its “backyard.” During this time, the U.S. frequently intervened in, and at times directly invaded LAC countries to exploit resources

and secure strategic advantages. This policy gradually transformed the idea rooted in the Monroe Doctrine of an “America for Americans” (“*América para los americanos*” in Spanish) into one dominated by U.S. interests alone (Galeano, 1973; Zinn, 2003). To name a few, in 1846, the U.S. launched the Mexican-American War, seizing 2.3 million square kilometers of Mexican territory. In 1915, U.S. military forces occupied Haiti, and from 1916 to 1924, they occupied the Dominican Republic. In 1973, the U.S. supported Chilean Army Commander Augusto Pinochet in staging a coup that overthrew President Salvador Allende’s government. Additionally, in 1983, the U.S. executed “Operation Urgent Fury,” a military invasion that overthrew the government of Grenada, and in 1989, it invaded Panama to oust the Manuel Noriega government.

Kushi & Toft (2023) reveals that over the past two and a half centuries, 34% of 400 U.S. overseas military interventions have targeted LAC countries. This statistic underscores the long-standing U.S. policy of manipulating coups and persecuting leaders including left-wing political parties across the region. Between 1898 and 1994, the U.S. government planned and executed at least 41 coups in the region, averaging one coup every 28 months. LAC countries were frequently subjected to the influence and control of Western powers, particularly the U.S. Even today, the Biden administration has enacted legislation like the U.S.-Northern Triangle Enhanced Engagement Act in 2020 to address issues such as corruption, democratic backsliding, and judicial interference in El Salvador, Guatemala, and Honduras. Despite its noble cause, this still can represent a possible attempt to interfere with the judicial sovereignty and independence of those LAC nations.

In response to U.S. interference on sovereignty, many LAC countries have persistently sought independent political, economic, and diplomatic development paths. Under the pressure of U.S. hegemony, LAC countries have increasingly turned to collective self-reliance and regional cooperation as means to protect their national and local interests. This has also led to a growing consciousness of “collective self-defense” among LAC countries, particularly regarding issues that impact their core security interests. As a result, regional and sub-regional organizations, such as the Bolivarian Alternative for the Americas (ALBA) in 2004, the Union of the Southern Nations (UNASUR) in 2008, and the Community of Latin American and Caribbean States (CELAC) in 2010 were launched as platforms for LAC countries to resist major power oppression and pursue independent policy coordination. In addition, many

LAC countries have actively sought support and assistance from other major powers outside the region, including China as today's second largest economy of the world, attempting to foster close cooperation with them on key issues related to politics, trade, investment, and security.

Thus, in contrast with the U.S., the Chinese government effectively found its differential diplomatic advantage in non-intervention, sovereignty, equality, mutual respect, and shared development to foster relationships with LAC countries. In 2008, during the government of Hu Jintao (2003-2013), "China's Policy Paper on Latin America and the Caribbean" (known as the 2008 White Paper) was pronounced. This document emphasized that "Latin America and the Caribbean are an important part of developing countries and a significant force on the international stage." It also highlighted the LAC region's "huge development potential and promising prospects," describing the region as an "important force that is increasingly influential in the international landscape." The Chinese government expressed its commitment to the so-called Five Principles of Peaceful Coexistence. The White Paper stressed the importance of China and LAC coordinating and cooperating in international affairs and supporting each other on major issues, particularly those related to national sovereignty and territorial integrity. It underscored the "long history" of China-LAC relations and the "broad prospects" for cooperation. As a policy document, it provides a clear framework for the development of relations between China and LAC, outlining guiding principles for cooperation across various fields and promoting the healthy, stable, and comprehensive development of China-LAC relations (State Council of the People's Republic of China, 2008).

China's commitment to the region was further reinforced through its second White Paper in 2016, which introduced more sophisticated frameworks for cooperation. The document proposed a "1+3+6" cooperation framework (guided by the 2015-2019 Cooperation Plan, driven by trade, investment, and financial cooperation, and focusing on six priority areas: energy resources, infrastructure, agriculture, manufacturing, scientific innovation, and information technology) and a "3×3" model for capacity cooperation (building three major channels in logistics, electricity, and information; enabling interactions among enterprises, society, and government; and expanding financing through funds, credit, and insurance). Notably, the 2016 White Paper emphasized new elements absent from its 2008 predecessor, including sustainable development, climate change cooperation, and cybersecurity. The document also explicitly

addressed China's intention to cooperate within UN frameworks through the 2030 Agenda for Sustainable Development, demonstrating Beijing's growing commitment to multilateral approaches (State Council of the People's Republic of China, 2016). This evolution in China's policy framework reflects both its deepening engagement with the region and its increasing sophistication in pursuing comprehensive partnerships that extend beyond purely economic interests. The document's timing, released shortly after the U.S. presidential election, also signaled China's strategic intentions to the new U.S. administration while reaffirming its commitment to LAC partnerships (Soutar, 2016).

In parallel, China actively responded to the establishment of CELAC. After Chinese foreign minister's first meeting with the CELAC Troika³ in New York in 2012, and Chinese President Xi Jinping's visit to Brazil and collective meeting with four leaders of CELAC member countries in 2014, China and CELAC set up the China-CELAC Forum and held Foreign Ministers' Meeting (FMM) as the highest-level channel of the Forum every three years since 2015. Particularly, FMM began to announce the Joint Action Plan for Cooperation in Priority Areas from its second meeting in 2018. The priority areas in the Joint Action Plan (2019-2021) included political and security cooperation, infrastructure and transportation, trade, investment and finance, agriculture, industry, science and technology, environment, and people-to-people exchanges (Ministry of Foreign Affairs of the People's Republic of China, 2018a). The following Joint Action Plan (2022-2024), announced in the 3rd FMM virtually held due to the COVID-19 pandemic, specified grain sector in agriculture and information technology in industry, and think-tanks, young people, and news media cooperation. It also added aerospace, energy resources, tourism, customs and taxation, public health, sustainable development and poverty alleviation (Ministry of Foreign Affairs of the People's Republic of China, 2021). Xi was even invited to deliver a video speech to the sixth and seventh CELAC Summit in 2021 and 2023.

Currently, 26 countries in the LAC region have established diplomatic relations with China. Out of them, seven countries switched their diplomatic

3. CELAC Troika refers to the rotating group of Foreign Ministers from the CELAC, which is responsible for leading the organization's agenda and ensuring continuity between presidencies. The Troika typically consists of three member-states: current *Pro Tempore* President, previous *Pro Tempore* Presidency, and the next *Pro Tempore* Presidency. They were Chile, Venezuela, and Cuba, respectively in 2012. Later on, the concept of CELAC Quartet became more common to include a representative country of the Caribbean.

recognition from Taiwan to China in the 21st century, reflecting China's expansion of its influence in the region: Grenada (2005), Costa Rica (2007), Panama (2017), Dominican Republic (2018), El Salvador (2018), Nicaragua (2021), and Honduras (2023).⁴ As of December 2022, China has formed "comprehensive strategic partnerships" with seven countries in the region including Argentina, Brazil, Chile, Peru, Venezuela, Mexico and Ecuador, and established "strategic partnerships" with other eleven countries (Office of the Leading Group for Promoting the Construction of the Belt and Road, 2023). These partnerships indicate a growing level of diplomatic and economic engagement by China in the region.

Long (2015) argues that the historical U.S. dominance in LAC has created enduring patterns of asymmetry, which LAC nations have increasingly sought to counterbalance through closer ties with China. This historical context helps explain why many LAC countries view China's strategic partnerships as a form of 'collective self-defense' against U.S. hegemony. However, China's growing presence in LAC is not without controversy. Critics argue that China's increasing influence could replicate some of the dependency dynamics historically associated with U.S. involvement in the region because China has become a great power "with far larger resources, industrial might and diplomatic influence" (Schuman, 2023). Concerns about the long-term economic sustainability of Chinese investments and the potential for political leverage in debtor nations are points of contention within LAC societies.

The Economic Opportunities

LAC, historically a region of underdeveloped countries, has long struggled with various economic challenges. As a general picture of the recent trend, it should be noted that the United Nations Economic Commission for Latin America and the Caribbean (CEPAL) reported that the region in 2020 faced its most severe economic crisis in 120 years, with GDP shrinking by a staggering 9.1% due to the COVID-19 pandemic, effectively erasing the gains made during the commodity boom of the early 21st century. The World Bank reported that 53 million Latin Americans lived below the average poverty line of

4. Seven countries in the LAC region currently maintain diplomatic relations with Taiwan: Guatemala, Belize, Paraguay, Haiti, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

\$5.50 per day, with the poverty rate reaching 37.7% in the same year (Merke et al., 2021, p. 2). In the post-pandemic era, due to sluggish global markets and the intensifying competition between the U.S. and China, LAC countries, many of which rely on export-driven economies, have further struggled to find pathways to economic revitalization. This has compelled LAC leaders to actively seek new sources of growth to overcome their economic difficulties.

On the other hand, it attracts China's attention that LAC is one of the world's most resource-rich regions. It boasts proven reserves of oil and natural gas that account for 19.5% and 4.2% of the global total, respectively (Energy Institute, 2023). Countries like Brazil, Venezuela, Peru, and Mexico are rich in iron ore, with high-quality reserves, while Chile and Peru alone contribute about 38-42% of the world's copper production. Research from the China Mining Association indicates that among the 19 minerals identified as "shortage" or "severe shortage" in China, LAC leads in reserves for 17 of them (Wu, 2011, p. 135). Additionally, LAC holds comparative advantages in labor-intensive industries such as agriculture and food processing. Meanwhile, China increasingly excels in technology-intensive industries like manufacturing, infrastructure construction, and biomedical development. In this context, China and LAC have emerged as crucial partners for each other.

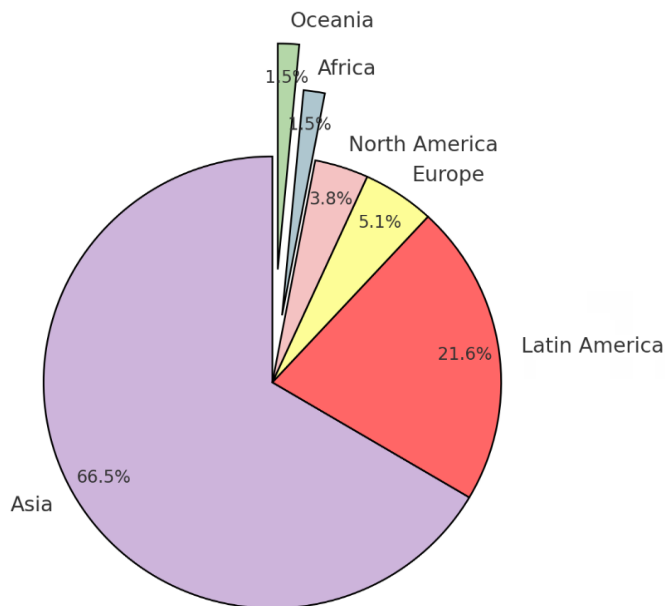
Following the guidelines outlined in the 2008 White Paper, Chinese Premier Wen Jiabao, during his speech at the CEPAL headquarters in Santiago, Chile, announced the creation of China-Latin America and the Caribbean Cooperation Fund with the granting of \$10 billion credit line (Central People's Government of the People's Republic of China, 2012). In January 2018, Xi highlighted in a congratulatory letter to the second FMM of the China-CELAC Forum the importance of establishing a "Pacific Maritime Silk Road" to enhance cooperation across the Pacific. That ministerial meeting agreed on a Special Statement on BRI, indicating that "the Initiative can become an important way to deepen cooperation between China and Latin American and Caribbean countries in the fields of economy, trade, investment, culture and tourism" (Ministry of Foreign Affairs of the People's Republic of China, 2018b). Subsequently, 22 LAC countries have signed memorandums of understanding (MOUs) on jointly building the BRI. Within the BRI framework, economic and trade relations between China and the LAC region have developed steadily. During this period, trade between China and LAC grew significantly, reaching \$250 billion, \$300 billion, and \$450 billion in 2013, 2018, and 2021, respectively, and hitting \$489 billion in 2023, with an aver-

age annual growth rate of 7.1% over the past decade (Office of the Leading Group for Promoting the Construction of the Belt and Road, 2023). From 2000 to 2022, bilateral trade volume increased more than 35 times (Yang, 2024). Owing to the dynamism of this trade, China has consistently ranked as the region's second-largest trading partner, and as most South American countries' first trade partner. The LAC region contributes a greater share to China's total imports than even the U.S. (Xinhua News Network, 2023).

In terms of investment, the Chinese government facilitated investment of a total of \$187.5 billion in the LAC region from 2003 to 2022. An increasing share of this investment has been directed towards "new infrastructure" sectors, including strategic industries like 5G telecommunications, financial technology, and renewable energy. In 2022, investments in these areas accounted for nearly 60% of China's total investment in LAC, amounting to approximately \$3.7 billion (Yang, 2024). Notable Chinese investments in LAC in 2022 include three major mergers and acquisitions focused on renewable energy and electric vehicles. For instance, China's Jiangxi Ganfeng Lithium Group Co., Ltd. acquired Argentina's Lithea for \$962 million, gaining control of the Pozuelos-Pastos Grandes lithium project. Similarly, Zijin Mining Group acquired the Canadian firm Neo Lithium for \$767 million, which owns the Tres Quebradas lithium project in Argentina. Great Wall Motor Co., Ltd. spent \$351 million to acquire a Daimler manufacturing plant in Brazil, with plans to develop electric vehicles and batteries (Albright et al., 2023). Additionally, China has announced significant greenfield investments in LAC. These include BYD's \$565 million investment in a new lithium and iron phosphate battery plant in Brazil, Chery Automobile's \$225 million investment in a new electric vehicle plant in Argentina, and Zijin Mining's \$380 million investment in a new lithium carbonate plant in Argentina. In the field of 5G communications, Huawei has invested nearly \$500 million in Mexico to build a technical support center (Reference News, 2021). While China's investment in LAC was roughly equivalent to its investment in Europe in 2014, accounting for about 8.6% of China's outbound investment (Zhang et al. 2017, pp. 42-43), the LAC share (10%) outpassed the Europe share (6.4%) in 2022. By 2022, China's total investment stock in LAC had surged to \$596.15 billion, representing 21.6% of its total outbound investment, and distributed in the British Virgin Islands, Cayman Islands, Brazil, Peru, Argentina, Mexico, Bahamas, Chile, Panama, Jamaica, Venezuela, Ecuador, etc. It was the second largest category, as compared with \$1.83 trillion in Asia, accounting for 66.5% out

of the total, \$141.07 billion or 5.1% in Europe, and \$103.49 billion or 3.8% in North America as shown in Figure 1 (Ministry of Commerce of the People's Republic of China et al., 2023, pp. 15, 21). Chinese foreign direct investments (FDIs) from 2020 to 2023 accounted for 10.60% of the total FDIs in the region, reaching \$46.22 billion (Dussel, 2024, pp. 4-5).

Figure 1
Regional Distribution of China's Overseas Direct Investment Stock in 2022



Source: Ministry of Commerce of the People's Republic of China et al. (2023), p. 21.

The mechanisms of economic and trade cooperation between China and LAC continue to evolve, providing a stable institutional foundation for ongoing collaboration. China has established trade and economic cooperation frameworks with numerous LAC countries. China has run FTAs with Chile, Peru, Costa Rica, Ecuador and Nicaragua. The FTA with Chile has been upgraded, and similar negotiations are underway with Peru. FTA negotiations are progressing with Honduras, Panama and El Salvador. China undertook a joint feasibility study for an FTA with Colombia in May 2012 but did not complete it yet while China and Uruguay completed one in July 2022 without moving forward due

to internal political dynamics within Mercosur, a customs union (Ministry of Commerce of the People's Republic of China, 2012, 2024; Orbach, 2024; Cash, 2023). China's late but accelerated FTA negotiations with the region are contrasted with the U.S.'s early but slow ones in the same region, as shown in Table 1. To facilitate trade and investment, China has signed customs co-operation and administrative mutual assistance agreements with seven LAC countries, including Argentina, Brazil, Chile, Cuba, Mexico, Peru, and Uruguay (Office of the Leading Group for Promoting the Construction of the Belt and Road, 2023). China has tried to involve LAC participation in the construction of new multilateral financial institutions, such as the Asian Infrastructure Investment Bank (AIIB) in 2015. Brazil joined AIIB as a founding member, followed by Ecuador and Uruguay. Five other LAC nations, including Peru, Venezuela, Chile, Bolivia have shown interest in joining the AIIB, but their full membership status still may be pending (Office of the Leading Group for Promoting the Construction of the Belt and Road, 2023).

Table 1
Current Status of FTAs Negotiations between China vs. U.S. in LAC

<i>China</i>	<i>LAC</i>	<i>U.S.</i>
-	Mexico	1/1/1994. Effective (NAFTA) 1/7/2020. Effective (USMCA)
1/10/2006 Effective	Chile	1/1/2004 Effective
3/3/2010 Effective	Peru	1/2/2009 Effective
-	Guatemala, Dominican Republic	2006~2009 Effective (CAFTA-DR)
1/8/2011 Effective	Costa Rica	
1/1/2024 Effective	Nicaragua	
7/2023 Started negotiation after diplomatic switch from Taiwan (3/2023)	Honduras	
4/2024 Started negotiation	El Salvador	
5/2012 Started joint feasibility study	Colombia	15/5/2012 Effective
1/2018 Started negotiation	Panama	31/10/2012 Effective
1/5/2024 Effective	Ecuador	-
7/2022 Joint feasibility study completed	Uruguay	-

Sources: Authors' elaboration based on United States Trade Representative (2024); Ministry of Commerce of the People's Republic of China (2024).

While the economic complementarity between China and LAC offers opportunities for industrial synergies, there are also significant risks. Currently, loans from the China Development Bank (CDB) and the Export-Import Bank of China (CEXIM) account for about 75% of China's cross-border loans to LAC (21 Jingji Network, 2023). These mechanisms and initiatives have facilitated more convenient and efficient trade and investment channels and laid a strong economic foundation for the ongoing development of economic relations between China and LAC countries. However, the potential for economic dependency on China and the uneven benefits of such relationships have raised concerns among some LAC economists and policymakers, to be discussed below.

The Challenges in China-LAC Relations

Over the past decade, China and LAC have achieved significant progress in various fields, including politics, diplomacy and economy. To envision the continued development of bilateral relations, both sides have formulated and signed a series of agreements and institutional frameworks that would provide stability for these relations. Economically, under the strategic framework of the BRI, the two regions have actively promoted policy coordination, infrastructure connectivity, unimpeded trade, financial cooperation, and people-to-people exchanges. This has gradually led to a more integrated regional cooperation framework. However, while LAC countries have seen economic benefits from their relations with China, particularly in areas like investment and trade, these developments come with significant challenges or dilemmas. The potential for over-dependence on Chinese capital, coupled with the geopolitical risks of alienating traditional partners like the U.S., complicates the outlook for these relationships. Addressing these challenges is crucial for sustainability of China-LAC relations. If left unresolved, they could hinder the progress or even reverse the gains achieved over the past decades.

The Political Swings

One of the primary political challenges is the “political swings,” which refers to the cyclical alternation of left-wing and right-wing political forces in LAC countries. Its effect often results in fluctuations in political trust towards China, particularly among right-wing governments that may harbor skepti-

cism or distrust due to ideological differences or even external influences. The “China threat theory” claimed further exacerbates these challenges, increasing the institutional costs for China in formulating its policies towards LAC and creating obstacles to the development of bilateral relations.

A notable example is Argentina. In 2016, then-President Mauricio Macri remarked at the annual Allen & Company Sun Valley Conference in the U.S., while mentioning foreign investment in Argentina: “China has been aggressive... But I need a balanced situation in my country, with a great relationship with the [United] States..., with the European Union. We are mainly descendants of Europeans; it’s easier to deal with Europe than Asia” (Boorstin, 2016). Macri made efforts to diversify Argentina’s FDI sources, but his presidency saw mixed results, with Chinese investments continuing to play a significant role in the country’s economic landscape. Although there were some increases in FDI from Western nations, particularly in the early part of his administration, the continued economic instability, rising inflation, and eventual financial crises made it difficult to sustain momentum. By the end of Macri’s term, Argentina was still heavily dependent on Chinese investments, particularly in strategic sectors like energy and infrastructure (Alcalá, 2019). More recently, in November 2023, Javier Milei, the far-right candidate from the Liberty Advances coalition, was elected as Argentina’s new president to succeed a progressivist presidency of Alberto Fernandez. Upon taking office, Milei announced a radical economic policy of “shock therapy” and aligned Argentina more closely with the West, opposing Argentina’s participation in the BRICS and refusing to cooperate with China, Brazil, and Russia (Berg et al., 2023). This shift in Argentina’s foreign policy creates uncertainty in China-Argentina relations and could influence the broader LAC stance towards China, complicating China’s diplomatic endeavors in the region.

However, such political swings may be normal in democratic societies, in particular, in LAC where different political regimes hardly achieve their promised development goals, losing sustained support of the people. It may not be the political swings themselves but the lack of mutual trust between each LAC polity and China that may complicate bilateral relations after political regime changes in the region. In this sense, the Argentine case implies a lot. Despite his original stance to divert from China, Macri attended the first Belt and Road Forum in Beijing in May 2017, signaling Argentina’s further aligning with that initiative, and ultimately his successor Fernandez signed an MOU to join BRI on the sidelines of the Beijing 2022 Winter Olympics

(Deutsche Welle, 2022). Lanteigne (2022) focused on the timing because it was when the U.S. targeted Argentina and Brazil with aluminum and steel tariffs after President Trump accused both governments of currency manipulation. Thus, how China can accommodate political changes in the region to secure intertemporal agreements across regimes, particularly in the context of transformation of global governance, will matter.

Debt Sustainability and Investment Risks

The economic relations between China and the LAC region present a mix of opportunities and challenges. China's development financing has often involved large-scale infrastructure projects backed by loans, which can lead to debt accumulation, putting countries in a vulnerable position. While China's investments have made significant contributions to infrastructure development in the region, concerns about the long-term sustainability of these financial arrangements have become more pronounced. As China deepens its engagement in LAC through initiatives like the BRI, the potential for countries to fall into what has been termed a "debt trap" remains a critical issue. This risk has been widely discussed in Western media and serves as both a point of criticism and a cautionary tale for other nations considering deeper economic cooperation with China.

For instance, Ecuador's engagement with China offers a telling example of how debt restructuring has become necessary to avoid a deeper crisis. In February 2022, Ecuadorian President Guillermo Lasso's visit to Beijing resulted in a landmark \$4.4 billion-debt restructuring agreement in September 2022. This included renegotiating the terms of Ecuador's oil-backed loans, allowing the country more flexibility in selling oil at market prices, with an extended repayment period from 2024 to 2027. However, despite the renegotiation, the IMF reported that the agreement increased Ecuador's total debt principal and interest payments to China by \$386 million (Albright et al., 2023). This demonstrates how renegotiations, while offering short-term relief, can also lead to greater financial obligations over time.

Suriname presents another case where Chinese loan has posed substantial challenges. As of March 2022, Suriname's bilateral debt to China was approximately \$540 million, accounting for 18% of its GDP, exerting significant pressure on the country's financial system. In November 2024, Suriname and China finalized a debt restructuring agreement covering \$476 million owed to

the CEXIM, including \$140 million in arrears (Kuipers, 2024). This agreement is a crucial component of Suriname's broader efforts to address its mounting debt crisis and stabilize its economy. Without restructuring, countries like Suriname risk facing prolonged financial instability, which could limit their ability to meet their debt obligations and fund critical domestic initiatives.

The idea of a “debt trap”—whereby China allegedly entraps developing countries in unsustainable debt to gain political or economic leverage—has been a recurring theme in critiques of China's economic engagement with the developing world. This notion has been applied to China's relations with several LAC countries, although the specifics often vary. For example, China had to forgive about \$9.8 billion in debt from countries including Cuba and Guyana between 2000 and 2018, with \$6 billion being forgiven for Cuba in 2011, an additional \$2.83 billion of Cuba's outstanding debt obligations worth \$6 billion in 2016, and with \$35 million for Guyana in two tranches—\$20 million in 2003 and another \$15 million in 2007 (Rapoza, 2021; Oxford China Africa Consultancy, 2019; Kratz et al., 2019). Such instances highlight both the generosity and the risks inherent in China's debt diplomacy. While forgiving debt can improve China's standing in these nations, it also underscores the difficulties these countries face in repaying their obligations, raising questions about the sustainability of such financial arrangements.

Argentina stands out as a particularly significant case in China's debt diplomacy. Argentina is one of the largest recipients of Chinese aid and credit in the region, benefiting from around \$16.8 billion annually in financial commitments during the BRI period (2014–2021), compared to just \$4 billion annually in the pre-BRI period (2000–2013). China's financial engagement with Argentina includes major infrastructure projects like the \$4.71 billion Néstor Kirchner and Jorge Cepernic Hydroelectric Power Plants, which were financed through a syndicated loan (Parks et al., 2023). These projects have been integral to Argentina's development plans, but they have also contributed to the country's growing debt burden to China (Parks et al., 2023, pp. 224–238).

Parks et al. (2023) analyzed China's evolving strategies in global development financing. To mitigate these risks, China has shifted its approach in four key ways since 2018, by reducing risk exposure by introducing RMB-denominated emergency rescue loans, by relying more on commercial banks like Industrial and Commercial Bank of China (ICBC) and Bank of China

(BOC)⁵ instead of the policy banks like CEXIM and CDB, by collaborating with multilateral institutions like the International Finance Corporation (IFC), and by increasing the use of collateralized lending to ensure repayment security. These measures are particularly relevant in the LAC context. For example, Argentina's central bank has relied heavily on currency swaps with the People's Bank of China (PBOC) to stabilize its foreign reserves during periods of economic distress. By 2021, 51.47% of Argentina's foreign currency reserves were supported by PBOC swap lines, providing critical balance of payments relief. While these swaps have helped Argentina avoid deeper financial crises, they also illustrate the country's growing financial dependence on China. The swaps allow Argentina to maintain liquidity without turning to IMF. Similarly, Ecuador and Suriname may also see the benefits of China's strategic shift, particularly as Beijing works with multilateral institutions to better manage risk and reduce the likelihood of defaults.

However, these strategies also raise concerns about the transparency and long-term sustainability of China's financial engagements in the LAC region. For instance, In the case of Venezuela, which holds a massive debt to China, with its public and publicly guaranteed (PPG) debt reaching around 71% of GDP as of 2021, debt relief arrangements with China have primarily focused on oil-backed loans and debt rescheduling agreements. These methods have provided short-term relief for Venezuela, but they have not reduced the overall debt burden significantly. The oil-backed nature of the loan ties Venezuela's repayment ability to its fluctuating oil production and global oil prices, which makes the country's debt situation precarious (Monaldi, 2019; Soler, 2023). Furthermore, reliance on collateralized lending, such as escrow accounts that allow Chinese banks to directly seize funds when repayments are missed, can exacerbate financial pressures on LAC countries. This practice has already been noted in Suriname, where China has utilized escrow accounts to recover overdue payments, leading to a lack of transparency and increased political tension. In short, while China's investments in LAC present clear opportunities for infrastructure development and economic growth, the long-term risks associated with debt sustainability cannot be overlooked. Countries like

5. BOC is a commercial bank. It is one of the largest and oldest banks in China, founded in 1912. While it started as a central bank and later served as a foreign exchange bank, today it operates primarily as a commercial bank. ICBC is also a commercial bank. Founded in 1984, ICBC provides a wide range of commercial banking services, including retail banking, corporate banking, and investment banking.

Argentina, Ecuador, and Suriname have become heavily reliant on Chinese financing, creating potential vulnerabilities that could affect their economic sovereignty. As China continues to adapt its financing strategies in response to these challenges, it will need to strike a careful balance between providing much-needed financial support and ensuring that debt obligations do not lead to deeper economic dependencies or political instability in the region.

The Impact of U.S.-China Competition

In addition to the region's internal political and economic factors, China-LAC relations are shaped by broader international dynamics, most notably the ongoing competition between the U.S. and China. This global power struggle increasingly influences the development of China-LAC relations. LAC, geographically closer to the U.S., still may remain heavily influenced by U.S. political, economic, and security interests, despite its growing economic dependence on China. This creates a strategic balancing act for LAC countries, as they are caught between their economic ties and political and security dependence on both China and the U.S. LAC governments may seek to strengthen political or economic relations with China to develop their economies and alleviate poverty, but they must do so without provoking U.S. opposition. As the U.S.-China rivalry intensifies, LAC is likely to become a "frontline battlefield" in this global competition. The U.S. is unlikely to ignore the deepening China-LAC relationship, especially when it perceives threats to its regional dominance. As a result, U.S. security concerns could push LAC countries to align their foreign policies more closely with U.S. interests.

Longtime observers of LAC international affairs, such as Gerhard Drekonja Kornat (1986), have noted that LAC countries often find it difficult to pursue foreign policies that threaten U.S. interests. When U.S. interests conflict with those of LAC countries, the latter often succumb to U.S. pressure, leading to shifts in their policy direction (Hey, 1997, p. 640). This is largely due to the overwhelming power and influence of the U.S. in the region. The ongoing U.S.-China trade and technological war exacerbates the economic and political uncertainties faced by LAC countries. The shifting allegiances, particularly in nations like Argentina, can be seen as a direct consequence of this broader geopolitical competition. The two superpowers' rivalry has not only intensified economic competition but also forced LAC countries into precarious diplomatic balancing acts, complicating their engagements with both superpowers.

Currently, China-LAC relations are focused primarily on economic and trade cooperation, but its security cooperation also is on the rise. China's plan to build an intelligence base in Cuba was reported (Strobel & Lubold, 2023). China has provided military training, equipment, and technology to Venezuela, strengthening ties through arms sales and military exchanges. China has also established a space station in Neuquén Province, Argentina, which has raised concerns about its potential use for intelligence gathering. When these relations come into direct conflict with U.S. interests in the region, their inherent fragility could become true as evidenced in Richardson's argument for a proactive approach to counter Chinese influences (Richardson, 2024; Bouchard, 2023). This also suggests that China and LAC could rather accelerate expanding their cooperation into political and military spheres at any stage. Such moves, however, could provoke strong opposition from the U.S., potentially leading to an ultimate tension similar to the Cuban Missile Crisis in 1962 against the Soviet Union's attempt to install nuclear missiles in Cuba. The most prudent strategy for LAC countries to escape this dilemma is to adopt a "non-alignment" policy, balancing their relations with both China and the U.S. (Fortin et al., 2023). Successfully implementing such a policy will require substantial strategic wisdom and diplomatic skill from LAC leaders.

A notable example in this regard should be Ecuador in 2021 under the presidency of Lenín Moreno. While Ecuador received substantial loans from China, the country pursued strategies to refinance its debt through the U.S. Development Finance Corporation (DFC) loan. The U.S. move was part of a broader strategy aimed at reducing Ecuador's financial dependence on China. As part of the agreement, Ecuador was required to exclude Chinese companies from its telecommunications infrastructure, aligning with the U.S. "Clean Network" initiative, which promotes the exclusion of Chinese technology from 5G networks. The DFC structured the deal to provide Ecuador with a \$3.5 billion loan, which was intended to pay off the country's outstanding debt to China and inject capital into domestic development projects. In fact, Ecuador took advantage of a larger U.S. geopolitical strategy to counter China's influence in LAC through BRI. By offering refinancing options, the U.S. aimed to provide countries like Ecuador an alternative to Chinese financing, while promoting its interests in areas such as digital infrastructure and national security. Ecuador's government stated that it was a move to diversify financial relations and reduce the dominance of China as a creditor. Critics pointed out that the loan also came with significant conditions, including privatizing certain public

assets, which could lead to political and economic challenges for Ecuador in the future (El Diario, 2021; Latin America Advisor, 2021; The Cuenca Dispatch, 2021; Landers et al., 2021; Prashad, 2021; Torres, 2021). Despite the DFC's efforts, however, Chinese companies like Huawei and ZTE have maintained a strong presence in Ecuador's telecommunications infrastructure. Huawei remains an important provider of telecommunications infrastructure, including 5G networks, and has contracts with major Ecuadorian telecom operators like CNT, Claro, and Telefonica/Tuenti (Ellis, 2024).

Mexico's case during the Andrés Manuel López Obrador administration (2018-2024) exemplifies a pragmatic neorealist approach to maneuver between China and the U.S. Despite his leftist ideology and occasional criticism of U.S. policies, López Obrador maintained a careful balance that prioritizes its economic interests within the constraints of the international system. While Mexico elevated its relationship with China to a "comprehensive strategic partnership" and welcomed Chinese investments in infrastructure projects like the Tren Maya and metro systems, it notably declined to join China's BRI. This strategic restraint reflects Mexico's recognition of its structural position within North America and its deep economic integration with the U.S., as evidenced by the USMCA framework. By 2023, while Chinese investment announcements reached \$12.6 billion, this remained significantly lower than the U.S. investment stock of \$207 billion (Pfeiffer, 2024). Mexico's pragmatic approach is further demonstrated by its unilateral imposition of a 25 percent tariff on Chinese products in 2023, showing its alignment with U.S. economic interests when necessary (Chivvis & Geaghan-Breiner, 2024). This balancing act illustrates how even left-wing governments in LAC can pursue a realist foreign policy that acknowledges both the constraints of geographic proximity to the U.S. and the opportunities presented by Chinese economic engagement.

There is an opposite case, too. The same Argentine government of rightist Milei mentioned in the previous section later sought rapprochement toward China for economic interests, despite his initial ideological stance. After labeling the Chinese government as "murderers" and expressing refusal to engage with communist nations upon taking office (Brandimarte & Tobias, 2023), Milei's position evolved toward pragmatism by September 2024, describing China as a "very interesting trade partner" and announcing plans to visit Beijing in January 2025. This diplomatic shift culminated in November 2024 when Milei met with Xi during the G20 Summit in Rio de Janeiro to discuss enhancing bilateral cooperation and expanding trade relations (Buenos Aires

Times, 2024). The evolution from ideological opposition to economic pragmatism reflects Argentina's recognition of China's crucial role as a trading partner and investor amid pressing economic challenges, demonstrating how material interests can override ideological considerations in LAC countries' foreign policy choices.

Conclusion

From a Neorealist perspective, this study demonstrates how the intensifying U.S.-China strategic rivalry fundamentally shapes the development of China-LAC relations. The findings support our primary hypothesis that LAC countries' policy choices are significantly constrained by their position in the international system, particularly as they maneuver between Chinese economic engagement and U.S. political influence. The evidence suggests that while LAC countries have gained some leverage through engagement with China, their strategic autonomy remains limited by structural constraints, including geographic proximity to the U.S. and historical patterns of dependence. Such is true although China's economic engagements in LAC are not merely about trade but are strategic moves in a broader competition for influence with the U.S. and BRI serves as a strategic tool for China to assert its power in the LAC region.

The analysis validates our secondary hypothesis regarding the complex interplay between economic opportunities and strategic constraints. While China's BRI has provided LAC countries with alternative development pathways, their engagement can be demonstrably constrained by U.S. security guarantees and political influence, as exemplified by cases like Ecuador's debt refinancing through the U.S. DFC. Moreover, the effectiveness of China's economic diplomacy faces clear limitations from U.S. containment efforts and regional political volatility, particularly evident in the "political swings" phenomenon observed across several countries. However, those LAC nations that have successfully maintained balanced relations with both powers—pursuing what some scholars term "active non-alignment"—have shown greater ability to maximize economic benefits while preserving strategic autonomy. It was their strategic choices that they have actively pursued cooperation with China as an alternative economic partner to overcome their chronic economic challenges and achieve sustainable growth.

The contrasting cases of Mexico and Argentina illustrate how LAC countries manage these structural constraints. Mexico's pragmatic approach under López Obrador's leftist administration demonstrates successful balancing between ideological positions and strategic interests—maintaining strong economic ties with China while preserving its crucial relationship with the U.S. through USMCA. Conversely, Argentina's rapid shift under Milei from confrontational rhetoric to economic pragmatism toward China reveals how material constraints can override ideological preferences, forcing even the most ardently anti-China governments to seek accommodation with Beijing. These cases validate our theoretical framework that structural pressures in the international system, rather than domestic ideology, ultimately shape LAC countries' engagement with China amid U.S.-China competition.

While China-LAC relations have seen considerable economic growth, these ties face significant challenges, particularly when viewed through the lenses of Neorealism. Politically, the region's shifting political allegiances reflect the broader strategic competition between global powers, with China seeking to consolidate its influence against U.S. dominance. However, this power struggle can lead to instability in LAC countries that must maneuver between these two hegemonic powers. Right-wing governments tend to have less political trust in China, leading to inconsistent cooperation. Economically, China's investments and loans to LAC have raised concerns about debt sustainability in some countries, posing a significant challenge for China in managing its economic relations with the region. Furthermore, the development of China-LAC relations cannot be isolated from the broader international landscape, particularly the intensifying competition between China and the U.S. In this challenging international context, LAC countries further must address the difficult choice between aligning with China or the U.S. Rather, these countries may find it prudent to continue to adopt a “non-alignment” policy, balancing their relations with both China and the U.S.

Looking ahead, the future of China-LAC relations will depend on how well both sides manage the complex balance between economic benefits and the risks of dependency and political leverage. It is crucial for LAC countries to critically assess the long-term implications of their growing ties with China, ensuring that these relationships support sustainable and equitable development within the region. The diplomatic strategies of LAC countries often reflect the delicate balance they must maintain between China and the U.S. The increasing geopolitical tension, particularly considering China's BRI,

necessitates a more sophisticated approach to foreign policy in the region. Ultimately, the future development of China-LAC relations will depend on how well both sides manage these internal and external challenges, as well as their ability to address the complex international landscape shaped by the competition between two global powers. It will hinge on the ability of LAC leaders to traverse these complexities, leveraging the economic benefits from China while mitigating the risks of over-dependence highlighted in recent critiques.

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