discussion questions

1. President Trump has declared a national emergency at the southern border, deployed military forces to support U.S. immigration and customs officials, and diverted appropriated defense funds from infrastructure projects to improve physical barriers along the border. How great a threat to U.S. national security is the situation in the Northern Triangle and along the U.S.-Mexico border?

2. Consider the duration and the importance of U.S. foreign relations with the countries in the Northern Triangle. Do you regard these challenges to be immediate, more mid-term (three to six years), or long-term (seven years or more)? How would you judge the area's importance to U.S. foreign policy goals?

3. Which U.S. foreign policy instruments are most applicable to addressing these challenges? Consider diplomacy, information, military, and economic measures.

4. Given the importance you have ascribed to the region, consider the three principal factors the author suggests are driving immigration from the Northern Triangle to the U.S.:

•The lack of economic opportunity in the NCTA countries.

•The desire of immigrants to reunite with their family members.

•The widespread violence and criminality in the Northern Triangle.

5. Reflect on your policy choices. Did your group reach consensus on which factor is most important, and which instruments are likely to be most effective?

6. The author concludes that current U.S. immigration policy is "ineffective, morally wrong, and contrary to U.S. interests." Do you agree? If so, how will your recommendations improve the situation in the Northern Triangle and along the southern border of the U.S.?

suggested readings

Guadarrama, Irma N. **In the Shadow of the Half Moon: Struggles of Women From Central America in Search of a New Life**. 181 pp. Scotts Valley, CA: CreateSpace Publishing, 2018. Why do women from the Northern Triangle countries of Central America risk their lives along with their children's, traversing through the treacherous, dangerous Mexican corridor, full of chaos and not knowing if they will live another day, if delinquents will steal their last peso, hurt them, or kill them?

Kinzer, Stephen. **Blood of Brothers: Life and War in Nicaragua.** 450 pp. Cambridge, MA: Harvard University Press, 2007. *Blood of Brothers* is Kinzer's dramatic story of the centuries-old power struggle that burst into the headlines in 1979 with the overthrow of the Somoza dictatorship. It is a vibrant portrait of the Nicaraguan people and their volcanic land, a cultural history rich in poetry and bloodshed, baseball and insurrection.

McCullough, David. **The Path Between the Seas: The Creation of the Panama Canal.**. 698 pp. New York, NY: Simon and Schuster, 1978. From the Pulitzer Prize–winning author of Truman, here is the national bestselling epic chronicle of the creation of the Panama Canal. In *The Path Between the Seas*, acclaimed historian David McCullough delivers a first-rate drama of the sweeping human undertaking that led to the creation of this grand enterprise.

Martinez, Oscar. **A History of Violence: Living and Dying in Central America.** 288 pp. Brooklyn, NY: Verso Books, 2017. Martínez travels to Nicaraguan fishing towns, southern Mexican brothels where Central American women are trafficked, isolated Guatemalan jungle villages, and crime-ridden Salvadoran slums. With his precise and empathetic reporting, he explores the underbelly of these troubled places.

Arnson, Cynthia J. **In The Wake of War**. 320 pp. Palo Alto, CA: Stanford University Press, 2012. *In the Wake of War* assesses the consequences of civil war for democratization in Latin America, focusing on questions of state capacity. Contributors focus on seven countries Colombia, El Salvador, Guatemala, Haiti, Mexico, Nicaragua, and Peru where state weakness fostered conflict and the task of state reconstruction presents multiple challenges.

Mayers, Steven. **Solito, Solita: Crossing Borders with Young Refugees from Central American.** 336 pp. Chicago, IL: Haymarket Books, 2019. They are a mass migration of thousands, yet each one travels alone. Solito, Solita, ("Alone, Alone"), is a Voice of Witness collection of oral histories that tell the stories of youth refugees fleeing their home countries and traveling for hundreds of miles seeking safety and protection in the United States.

Don't forget: Ballots start on page 98!!!!

To access web links to these readings, as well as links to additional, shorter readings and suggested web sites,

GO TO www.fpa.org/great_decisions

and click on the topic under Resources, on the right-hand side of the page.

China and Latin America

by Margaret Myers

This photo taken on August 6, 2018 shows a truck unloading animal feed made from soybeans, which are imported from Brazil, at a port in Nantong in China's eastern Jiangsu province. (AFP VIA GETTY IMAGES)

China seemingly leaped onto the stage in Latin America in the past two decades, establishing a remarkable presence across countries and sectors in a matter of a few years. Chinese involvement in Latin America has of course dated back centuries, to at least the mid-1800s, when Chinese indentured laborers were shipped to Latin America build railroads and work on plantations. Others have pointed as far back as the 16th century as the genesis of the relationship, noting that the Manila Galleon trade routes established commercial contact between the Philippines, Mexico, and Macao, now a Chinese Special Administrative Region. A considerable degree of political engagement was also evident in the mid-20th century, during the Mao Zedong era, when the Chinese Communist Party (CCP) engaged with

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like-minded governments throughout the region. But the expansive commercial activity and investment characteristic of the current China-Latin America relationship is a relatively new phenomenon, and one that has been transformative for the region.

The recent boom in Chinese overseas engagement is generally associated with the implementation of China's "going-out strategy" in 1999. Part of China's broader process of "reform and opening-up," the policy promoted overseas engagement, mostly by Chinese state-owned enterprises, to promote the export of Chinese goods and services, supplement China's supply of natural resources, and foster the development of Chinese multinational companies. In their initial ventures abroad, most Chinese companies headed closer to home, to Asia or even Africa, but a number of companies made initial inroads in Latin America in the late 1990s and early 2000s. Some of China's earliest activity in the region included China National Petroleum Corporation's (CNPC) exploration project in Peru in 1994 and the company's sizable oil concession in Venezuela in 1997.

Many of China's overtures in Latin America over the past two decades have broadly supported the tenets of the going-out strategy. Through the efforts of Chinese companies, the region has become a valuable export destination for Chinese goods—trade grew from about $2 billion in 2000 to nearly $149 billion in 2018. China-Latin America trade ties intensified in the aftermath of the 2008 global financial crisis, as China faced decreasing demand from Europe and the United States for its exports. Chinese offerings in Latin America have also quickly expanded from mostly low-skill manufactures to a growing range of high-tech goods and services, including high-speed rail, 5G telecommunications infrastructure, and ultra-high-voltage electricity transmission.

! Before you read, download the companion **Glossary** that includes definitions, a guide to acronyms and abbreviations used in the article, and other material. Go to **www.fpa.org/great_decisions** and select a topic in the Resources section. (Top Right)

Latin America—especially South America—has also been a critical source of natural resources for China ever since Chinese firms first engaged the region. Chinese demand is increasingly concentrated in four Latin American commodities: soy, crude oil, iron, and copper. These four commodities accounted for 59.2% of all Chinese imports from Latin America from 2013–17, as Boston University's Rebecca Ray has demonstrated. High rates of Chinese demand for the region's minerals are linked to China's own model infrastructure-led economic growth. Periods of massive infrastructure investment across China, including as part of the country's fiscal stimulus after the Global Financial Crisis, have meant surging demand for construction materials, including Latin American iron and copper. Brazilian and Argentine trade in soy has also boomed alongside Chinese demand for animal feed, the result of an agricultural trade policy that prioritizes importation of soy and a rapidly expanding middle class that consumes more meat.

In addition to trade, Chinese investment in Latin American raw materials also gained momentum in the 2000s. For China's leadership, the 2008 global food price crisis highlighted the country's considerable dependence on foreign markets and companies for supply of agricultural goods. As they grappled with soaring food prices, Chinese policymakers formulated new guidelines for both overseas investment and domestic production. Chinese companies have since grown their presence across Latin American and other regions' agro-industrial supply chains to better control supply and pricing. In Latin America, this effort was led by COFCO, China's main grains trader, through targeted acquisitions in processing, storage, and trading. Chongqing Grain Group, Sanhe, China National Heavy Machinery Corporation and many others have also invested in factories, pressing plants, mills, and other agricultural infrastructure in Latin America. Chinese mining investment in the region is also prolific, but is mostly focused on extraction, rather than across the entire supply chain. Three Chinese companies—Shougang, Chinalco, and MMG—hold sizable and growing mining assets in Peru. Chinese mining activity, including of the illegal variety, is also evident elsewhere in the region, including in Bolivia, Colombia, Guyana, and Venezuela.

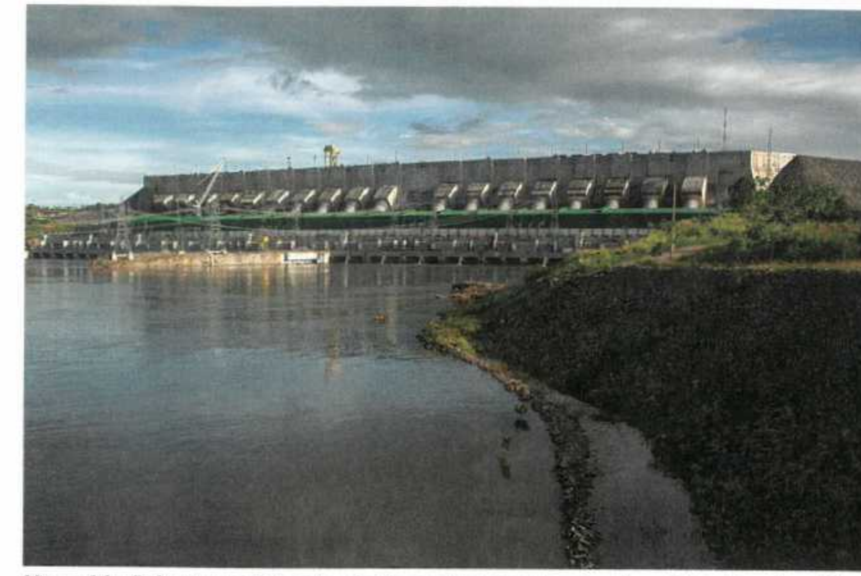
The Latin American region is comparatively marginal to China's energy security, supplying around 10% of China's oil and only a fraction of its imported coal and natural gas, but the region still factors into China's efforts to "hedge" its energy acquisition strategies and establish a balanced portfolio of suppliers and assets. Much of China's trade in oil with Latin America has been secured by oil-backed loans from China's "policy banks," China Development Bank and China Export-Import Bank, which has disbursed hundreds of billions in finance to Latin America and other regions since the early 2000s. Oil-backed loan agreements require countries such as Venezuela and Brazil to make all or a portion of loan payments in crude oil.

Although trade in commodities still underpins the economic relationship, the China-Latin America dynamic is also increasingly being shaped by China's efforts to revitalize its slowing economy. China's leadership views overseas engagement, especially through large-scale infrastructure investment, as supportive of certain domestic policy objectives, including economic upgrading, trade facilitation, and employment of excess capacity in steel and other sectors—the result of inefficiencies in some of the country's state-dominated industries.

With all of this and potential profits in mind, Chinese firms have expressed interest in developing about 150 transport infrastructure projects in Latin America and the Caribbean since 2002, including numerous road, rail, port, and other deals. Some of the more sizeable proposals, such as the $50 billion Bioceanic Railway, stretching between ports in Peru and Brazil, would aim to transport Brazilian soy and other goods to Peru, facilitating trade in key commodities. If backed by Chinese finance, the proposed railway could also provide opportunities for Chinese construction firms and for exportation of rail and other equipment to Latin America. Many of China's loans for infrastructure development in Latin America include procurement clauses requiring the use Chinese contracting firms and the importation of specified quantities of Chinese goods. These stipulations are intended to boost Chinese exports of goods and services, while also putting China's surplus dollar reserves to productive use, and even promoting Chinese currency internationalization in some cases. In Argentina, Brazil, Ecuador, and Venezuela, in particular, Chinese equipment exporters and construction companies have been key beneficiaries of projects backed by Chinese finance.

In the area of transport infrastructure, China has been most successful in negotiating port deals in Latin America, with about 20 port projects either in progress or already completed thus far, according to Inter-American Dialogue analysis. These vary considerably in type and scale, from dredging and expansion deals to construction and/or operation of entire ports. In other cases, Chinese companies have acquired existing port facilities. Two terminals of the Santos port in Brazil were acquired by Chinese shipping firm COFCO in 2014 and 2015, for example, as part of the company's purchases of a majority share in Dutch firm Nidera and all of Hong Kong's Noble Group's soft commodities arm.

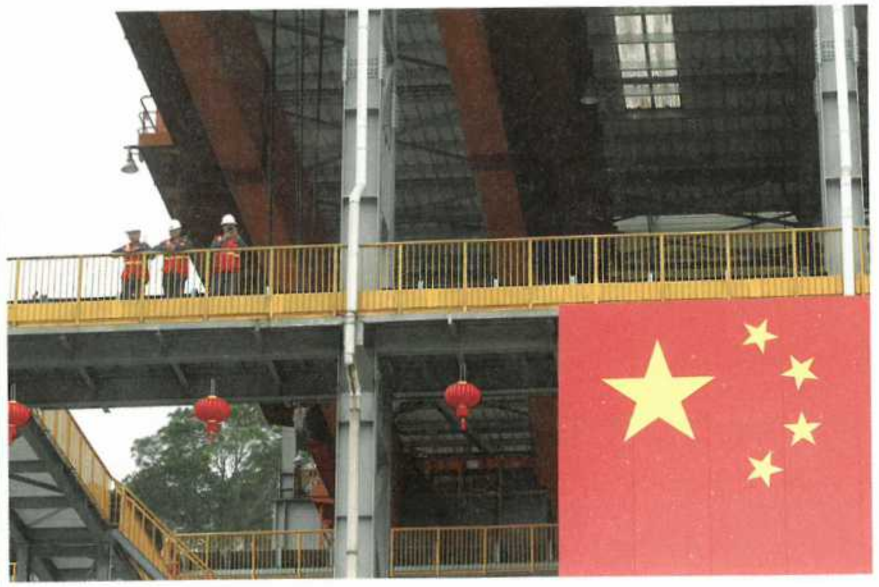
In addition to transport infrastructure, China has also pursued a number of high-profile energy infrastructure projects in the region, including numerous dams and electricity transmission projects. Some of these projects were viewed as important opportunities for Chinese infrastructure companies, such as Gezhouba, Sinohydro, and State Grid, to grow their market share in Latin America. In Ecuador alone, former President Rafael Correa and Vice President Jorge Glas signed seven hydropower construction contracts with Chinese firms, including for the Coca-Codo, Sopladora, Minas San Francisco, and Quijos dams, in an effort rid the country of power shortages and provide surplus power for export to neighboring countries. Chinese investment in electricity infrastructure is similarly extensive in Brazil. Having already constructed transmission lines from the country's Belo Monte hydroelectric dam to city centers such as Sao Paulo and Rio de Janeiro, Chinese state-owned power company State Grid has noted that it will invest an additional $38 billion in Brazil over the next five years, including in transmission, generation and other power industry segments.


View of the Belo Monte Hydroelectric Power Plant in Altamira, Para State, Brazil on March 11, 2019. (MAURO PIMENTEL/AFP VIA GETTY IMAGES)

Despite the rapid growth in Chinese trade with and investment in the region over the past two decades, China has also encountered its share of setbacks in Latin America. Latin America is cast as a "land full of vitality and hope" in China's official policy, but Chinese investors have for many years viewed the region's distance from Asia as prohibitive. Others have viewed the region's regulatory environments and bidding processes as exceedingly complex or taxing, especially as relative newcomers to the Latin America investment environments.

The region's perceived complexity is exacerbated by a lack of due diligence on the part of some Chinese companies in the region, leading to unforeseen conflicts and resulting project delays or cost overruns. In Bolivia, for example, the Rositas Dam project was stalled following protests about a lack of prior consultation with affected communities by the Chinese-Bolivian consortium tasked with the dam's construction. In Ecuador, the seven hydroelectric projects that are either partially or wholly owned by Chinese contractors have faced numerous delays, due in large part to engineering and environmental problems. Corruption allegations have also been problematic for Chinese companies. They led to the cancellation of a Querétaro railway concession in Mexico and inquiries into two hydroelectric dams in Argentina, among other challenges.

Venezuela has also become a regular source of stress for Chinese policymakers and the many banks and companies operating there, even as Beijing maintains strong ties to Nicolás Maduro's government. In 2018, China ended a critical grace period for Venezuela on its debt payments, which was interpreted as a sign of Beijing's growing impatience with Maduro's mismanagement of economic affairs. Chinese oil companies continue their work in the country, however, sometimes in partnership with Venezuelan national oil company PdVSA. National Assembly leader Juan Guaidó's claim to the Vene-



Workers are seen as copper output begins at the Chinese-owned Mirador mining project in Tundayme, Ecuador July 18, 2019. (DANIEL TAPIA/REUTERS)

zuelan presidency presents yet another challenge to Chinese decisionmakers, particularly if a new Venezuelan government were to restructure outstanding debt to China.

Despite its sometimes-rocky entrée into Latin America, and some enduring challenges, China has become a key economic partner for most every country in the region. Two decades since the implementation of the "going-out" strategy, China still looks to the region for markets, resources, and opportunities to compete internationally with global firms. Now, though, China is among the dominant players in in some of the region's most strategic markets. Chinese companies such as Huawei, ZTE, and China Mobile are poised to export far more in the way of goods and services as the region looks to adopt 5G and develop smart cities. Chinese surveillance technologies, though controversial element of China's growing export basket, have also grown in popularity in recent years. Variations of the technology are evident in Bolivia, Guyana, Panama, Uruguay, Venezuela, and other countries in the region.

In terms of raw materials, Brazil has become an increasingly critical market for Chinese soy importers, especially after China placed tariffs on U.S. soy exports as part of the ongoing U.S.-China trade war. In 2018, Brazil exported 66.1 million tons of soybeans to China, far more than the U.S., and will export even more to China in 2019. Chinese investors are also actively expanding their investments in the region's minerals. In addition to copper and gold, Chinese companies have invested extensively in various lithium projects. Chinese company Tianqi Lithium paid more than $4 billion to become the second-largest shareholder in Sociedad Química y Minera (SQM), a Chilean mining company. The deal gives the company control over nearly half the current global production of lithium, a main component in battery manufacturing. In addition, China's Ganfeng Lithium bought SQM's 50% stake in the Cauchari-Olaroz lithium project, located in Argentina's Jujuy Province. Chinese companies will also likely be active in a number of Bolivian lithium projects in the coming years.

China's interest in infrastructure development also continues unabated, especially as the Belt and Road, Xi Jinping's signature, infrastructure-based foreign policy initiative, makes its way to Latin America. China's over $110 billion in cumulative foreign direct investment in the region through 2018 has focused extensively on infrastructure development. Newly articulated agreements, including Chinese participation in the construction of the Bogotá metro, suggest continued interest in transport and other infrastructure projects. Companies have also demonstrated interest in moving beyond short-term construction contracts toward equity investments in Latin America, meaning longer-term interests in projects beyond the initial construction phase, to include in project operation and maintenance.

The volume of Chinese activity in Latin America in the coming years will largely depend on China's own economic health. China's economic

Trucks are seen as copper output began at the Chinese-owned Mirador mining project in Tundayme, Ecuador July 18, 2019. (DANIEL TAPIA/REUTERS)

Chinese Policy toward Latin America and the Caribbean

China's most recent strides in Latin America are due in large part to a series of carefully crafted policies that advance China's own interests while addressing some of Latin America's development priorities. China's 2016 Policy Paper on Latin America and the Caribbean—an upgrade to the 2008 version—highlights the various ways in which China intends to cooperate with the region (e.g., on financial integration, space cooperation, and educational exchange), while also casting China and Latin America as critical partners in a shifting global order. The policy calls for alternative approaches to global governance, in which the countries of the Global South feature more prominently, and proposes cooperation with Latin America on a wide variety of both region-specific and global challenges, including climate change and trade protectionism.

Other policies, such as the "1+3+6 cooperation framework"—first announced during President Xi Jinping's trip to Fortaleza, Brazil, for the 2014 BRICS (Brazil, Russia, India, China, and South Africa) Summit—were crafted in response to calls for diversification of Chinese trade and investment. The "1" in the title means one plan, referring to the China-CELAC Cooperation Plan (2015–19), which was published after the China-CELAC ministerial meeting in Beijing in January 2015. The "3" refers to the economic "engines"—trade, investment, and financial cooperation—that will drive China's relations with the region in the coming years. And the "6" in this framework refers to the six industries in which China plans to focus its attention: energy and resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, and information technologies.

Though less frequently cited by Chinese officials, Premier Li Keqiang also introduced another numerical policy—the "3x3" model for Sino-Latin America economic cooperation—during his visit to the region in 2014. This policy proposes cooperation between Chinese and Latin American enterprises, societies, and governments (3) in logistics, power generation, and information technology (3). Li simultaneously proposed a $30 billion special fund to develop production capacity in these and other industries.

China's numerical policies for Latin America aren't promoting of a fundamental shift in Chinese engagement, considering that Chinese entities are already active in all of the above-mentioned sectors, to varying degrees. They are instead intended to communicate China's commitment to more and increasingly diversified engagement and to a "systematic upgrading of the relationship," as Zhu Qingqiao, director general of the LAC division at the Chinese MOFA, explained during a 2014 meeting at the Inter-American Dialogue in Washington, DC. As China contends with economic shifts at home, these frameworks also pave the way for China's top communications, infrastructure, IT, and other high-tech firms to establish new markets, contracts, and partnerships in Latin America—a goal clearly articulated in China's overseas investment policies.

China's has demonstrated some commitment to alternative forms of global governance, as articulated in its 2016 policy paper, by creating the Asian Infrastructure Investment Bank (AIIB) and other fora for multilateral cooperation. Brazil is a founding member of the AIIB and several other Latin American governments are in the process of seeking membership. Cooperation on climate change and other global issues is less apparent, despite China's interest in positioning itself distinct from the United States on these matters.

challenges, which Beijing attributes to a structural deleveraging after years of debt-intensive growth, will make it difficult for China to achieve 6% economic growth in the coming months, according to Chinese Premier Li Keqiang. This situation will only be exacerbated by a protracted U.S.-China trade war. If China's growth slows considerably, Latin America should expect some tapering of Chinese interest in certain sectors. Mergers and acquisitions and greenfield projects already dropped from a record level of $17.5 billion in 2017 to just $7.6 billion in 2018. China's policy banks have also issued comparatively low levels of finance to Latin American governments over the past two years, although other Chinese financial actors (e.g., commercial banks and regional private equity funds) are also increasing their activity in the region to a certain extent.

Regardless of Beijing's GDP growth projections, it would be reasonable to expect a more focused approach to investment from Chinese companies and banks in the coming years—with investment and finance funneled toward those industries that are most supportive of China's domestic policy objectives. These include strategic sectors such as telecommunications and electricity transmission, where China has demonstrated considerable competitive advantage. As China continues to grapple with its food and energy security challenges, trade will also remain concentrated in primary commodities, with limited interest from China in importing more expensive, processed or refined variations. Amidst mounting economic uncertainties at home or abroad, Chinese construction and other companies may begin to take reputational and financial risk more seriously when selecting projects in Latin America, leading to a possible tapering of overall infrastructure investment in the region.

The Belt and Road Initiative

Backed by the Silk Road Fund, China's policy banks, and the Asian Infrastructure Investment Bank (AIIB), the Belt and Road Initiative (BRI) is the signature foreign policy initiative of Chinese President Xi Jinping, and one with wide-ranging economic, diplomatic, and geopolitical aims. When initially conceived in 2013, the Initiative imagined the development of a multi-trillion dollar web of infrastructure and other projects across Eurasia, to promote trade and other forms of connectivity while improving prospects for economic development among partner nations. The BRI was described at the time as supporting five avenues (*wu tong*) for cooperation, including on policy, finance, trade, infrastructure, and people-to people exchanges.

Over the past six years, the project has evolved from two specific geographical routes—an overland Silk Road Economic Belt and a sea-based 21st-century Maritime Silk Road—toward an increasingly global ambit. Latin America was officially included in the BRI in 2018, following China's inclusion of the Arctic region. Prior to that, Chinese officials had highlighted a few Latin American countries as likely participants in the BRI. Mexico was singled out as an "important node" in the Initiative's extension during the September 2017 BRICS Summit, for example. Panama became a "natural extension" of the BRI during Chinese Foreign Minister Wang Yi's visit to the Central American nation that same year.

Though not well understood in Latin America, and subject to varying definitions even in China, the BRI and the opportunities it represents have been attractive to Latin American governments. As a result, 19 countries in the region have signed bilateral Belt and Road Cooperation Agreements with China since 2017. Panama, which broke ties with Taiwan in 2017, was the first country in the region to sign one of these agreements, which are in the form of a memorandum of understanding. As former president of Panama Juan Carlos Varela indicated in a speech in Hong Kong in 2019, the BRI is "all about connectivity and Panama is one of the most connected countries in the region." He added that his country saw a "big opportunity" in the BRI.

Now that the China-backed Belt and Road Initiative has taken root in the Latin American and Caribbean region, hopes are high that Chinese investment will address some of the region's most pressing transportation and other infrastructure needs. So far at least, China-backed infrastructure deals are indeed in the works throughout the region, including in the three countries that recently established diplomatic ties with China. China bid on and won a number of construction contracts in Panama over the past year and a half, and has also discussed a possible railway with Panamanian officials, which would run from Panama City to the border of Costa Rica. The railway, for which an initial feasibility study was recently completed, was among the first ventures in the region to be officially affiliated with the BRI.

Unpacking China

Of importance when analyzing China's approach to the region is an understanding that China is not a monolithic presence in Latin America, but instead consists of multiple actors with diverse interests and motivations. It is important, as political scientist Ariel Armony has written, "to unpack the idea of the Chinese state." There are indeed occasions when China acts as a unitary state, with very clear national goals. But there are also instances when China acts in a seemingly fractured and divergent manner. Although China upholds a centralized hierarchy, variations in interpretation and implementation among different institutions and at different levels of Chinese government have led to wide-ranging outcomes in China's overseas activity.

The interests and motivations of Chinese companies also vary considerably depending on their size and ties to the Chinese government. For example, Chinese investors in Latin American agriculture range from massive state-owned enterprises, such as COFCO, which has invested extensively in Latin American agro-industry with support from the Chinese state to small firms, such as Zhejiang Fudi, which was created by 50 farmers from Huafeng village in China's Zhejiang province. Faced with land limitations at home, the villagers explored the possibility of pooling their individual financial resources to buy Brazilian land for soy production. After establishing Zhejiang Fudi Agriculture Group, they purchased 16,800 hectares in Rio Grande do Sul and Tocatins for the production of soy.

Whether directly supportive of China's national interests or not, the cast of Chinese characters is also changing somewhat in Latin America. An increasingly diverse group of Chinese firms, lenders, and investors is now engaging with the region. China's commercial banks, such as ICBC and Bank of China, are playing a more prominent role in the region, for example. They are in some cases issuing more credit to Latin America than China's major policy banks, China Development Bank and China Export-Import Bank.

Chinese companies and funds are also increasingly active in Latin American private equity. Chinese firm Didi's acquisition of 99, the Brazilian ride-share company, is one such example. As China becomes increasingly active in the tech space, a wide variety of Chinese technology companies are also looking to invest in the region, including in information and communications technologies (ICT). Chinese ICT investment in Latin America would presumably provide opportunities not only for providers of ICT services and infrastructure, but also for the development of increasingly advanced technologies (e.g., artificial intelligence platforms and applications) that are catered to local populations.

The political dimension

Members of the military and journalists (R) gather on the dock as the 'Feng Chia' (L-1115) and 'Ming Chuan' (C-1112) navy frigates are pictured during a ceremony to commission the two Perry-class guided missile frigates from the US into the Taiwan Navy, in the southern port of Kaohsiung on November 8, 2018. - President Tsai Ing-wen vowed on November 8 that Taiwan would not "concede one step" in defending itself as she inaugurated two frigates bought from the US aimed at boosting the island's naval capabilities against China threats. (CHRIS STOWERS/AFP VIA GETTY IMAGES)

When China began investing more extensively in the region in the early 2000s, the Chinese government sought support from Latin American governments for a handful of fairly straightforward foreign policy objectives, including recognition of China's "market economy" status and support on questions of territorial integrity (e.g., China's views on Taiwan, Tibet, the South China Sea, and Xinjiang).

Taiwan, in particular, has been a prominent factor in China's political dealings with the region for a number of decades, dating back to the establishment of the People's Republic of China (mainland China) in 1949. After many years of diplomatic competition with China and numerous, often controversial, examples of "checkbook diplomacy," Taiwan had achieved 15 diplomatic allies in Latin America and the Caribbean at the end of 2008, including Paraguay, some Caribbean nations, and most of the countries in Central America. That same year Taiwan's newly elected president, Ma Ying-Jeou, proposed a "diplomatic truce" with China, effectively halting the practice of providing financial assistance to small nations in exchange for diplomatic recognition. For the next eight years, China and Taiwan largely refrained from grandiose diplomatic gestures.

Competition quickly reignited following the May 2016 election of Democratic Progressive Party candidate Tsai Ing-wen, however, and concerns in China about her perceived pro-independence agenda. Since President Tsai's election, Chinese officials have been increasingly active in those countries that continue to support Taiwan, touting the economic benefit of stronger ties with China. As a result, over the past two years alone, three countries in the region—the Dominican Republic, El Salvador, and Panama—shifted their diplomatic recognition from Taiwan to China.

China reportedly offered the Dominican Republic a package worth \$3 billion in exchange for diplomatic recognition, over half of which was destined for infrastructure projects. The Dominican Republic is also in the process of securing a \$600 million loan from China's Export-Import Bank to upgrade its power distribution systems, and Dominican President Danilo Medina has flagged additional projects for possible Chinese support, including the modernization of the Port of Arroyo Barril. El Salvador's former ruling Farabundo Martí National Liberation Front (FMLN) tentatively negotiated at least two major projects with China—renovation of the La Union port and a possible special economic zone, which would account for about 14% of Salvadoran territory and much of the country's coastline—before siding diplomatically with Beijing. These proposals are currently under review by El Salvador's new government. Panama is the process of negotiating a free trade agreement with China and has negotiated a number of infrastructure deals with the Asian nation, including the development of two port facilities.

As the Dominican Republic, El Salvador, and Panama navigate their new ties with China, Taiwan's remaining allies in the Latin American and Caribbean region—Haiti, Guatemala, Honduras, Nicaragua, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines—are no doubt weighing their options. Some may fear that cutting ties with Taiwan would lead to retaliation from the U.S. U.S. senators have indicated a strong preference that Guatemala and Honduras remain steadfast in their diplomatic support for Taiwan. In September 2019, the Senate Foreign Relations Committee passed the Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act to engage more extensively with governments that support Taiwan's diplomatic recognition while downgrading ties with countries that do not, and possibly suspending or altering U.S. foreign assistance to the latter.

In addition to Taiwan, South-South cooperation is another enduring feature of Chinese foreign policy in the region, and one that is consistent with China's long-standing self-identification as a developing country. China's grants and concessional lending in Latin America and the Caribbean, in addition to factoring in China-Taiwan competition, can also be interpreted as a function of Beijing's South-South policy. China's support for developing country interests in international climate and trade forums are also supportive of the China's South-South agenda. Though a top polluter itself, China called on rich countries to "pay their debts" on climate change during the COP24 meetings in December 2018, for example, criticizing developed countries for not doing enough to reduce greenhouse gas emissions and provide finance to help poor countries do the same.

Beyond these decades-old features of Chinese foreign policy is an increasingly complex political and diplomatic agenda. Beijing has focused extensively on the power of diplomacy since the Mao Zedong era, but China has focused with greater intensity on the development of soft power under the leadership of Xi Jinping. In 2014, at the beginning of his presidency, Xi proclaimed a need to "increase China's soft power, give a good Chinese narrative, and better communicate China's message to the world." More recently, during the 2017 19th Party Congress, Xi called on China to expand its "capacity for engaging in international communication so as to tell China's stories well, present a true, multi-dimensional and panoramic view of China, and enhance our country's soft power."

In response to these calls, and as part of broader BRI-related, people-to-people diplomatic efforts, China has employed an array of actors to improve China's image and advance its interests abroad. These range from Confucius Institutes and International Department delegations to foreign language media outlets, think tank missions, and cultural troupes, for instance. As Chinese scholars Zhao Kejin and Gao Xin have noted, "Diplomacy is no longer confined to the domain of foreign affairs, but it has become a multiplayer, multi-task undertaking for China—transformed from a mere governmental function under the control of the Ministry of Foreign Affairs to one that includes the work of the Party, the government, the National People's Congress, the Chinese People's Political Consultative Conference, the People's Liberation Army (PLA) and so forth."

China has also sought to develop productive relationships within Latin American regional organizations for a number of years, including by establishing observer status at the Organization of American States, becoming a member of the Inter-American Development Bank, engaging with IDBInvest and CAF-Development Bank of Latin America, and working at times with the Santiago-based United Nations Economic Commission for Latin America and the Caribbean (ECLAC). China also established the China-CELAC Forum in 2015, utilizing the nearly defunct Community of Latin American and Caribbean States (CELAC), established by Venezuelan President Hugo Chavez in 2011, as a vehicle for the new China-led regional platform. The Forum has since been used to articulate Chinese policy toward the region, including on the Belt and Road Initiative, and to develop a five-year plan for China-Latin America cooperation.

Another important dimension of the political relationship is the effect of Chinese economic engagement on regional politics and democratic governance. China maintains a strict policy of non-interference in the domestic affairs of sovereign nations, but even a strictly economic agenda in Latin America can have political and governance-related implications for the region. There are concerns, for example, that Chinese engagement may be facilitating corruption in certain countries. China's policy banks have often extended finance though credit lines with no publicly specified purpose, limiting the availability of information for domestic constituencies and for corruption prevention. In Venezuela, for example, these arrangements have stoked allegations that Chinese funds have essentially disappeared, without much benefit to the Venezuelan population.

Minister of Foreign Affairs and State Counselor of the People's Republic of China, Wang Yi (R) and the Dominican Republic Foreign Minister Miguel Vargas Maldonado (L), uncover the inauguration plaque during the inauguration ceremony of the Chinese Embassy in Santo Domingo, on September 21, 2018. (ERIKA SANTELICES/AFP VIA GETTY IMAGES)

China also continues to rely on the project preferences of individual governments when considering infrastructure projects. This occasionally has led to the selection of national leaders' "pet" or "prestige" projects, such as the Nestor Kirchner and Jorge Cepernic dams in Argentina, which were thought to have benefited former President Cristina Kirchner and her associates, but were deemed of low relative priority for energy sector development in studies conducted by the Argentine Energy Ministry. Other national development finance institutions operating abroad, including Brazil's BNDES, have also tended to rely on government "wish lists," but as indicated by the BNDES-linked *lava jato* scandal, this approach is often linked to corruption in Latin America.

The extent to which China exerts any influence over election outcomes in the region is less clear, but China has certainly been accused, especially by the U.S. government, of "propping up a failed regime" in Venezuela through the extension of multi-billion-dollar lines of credit. In other cases, China's influence is less direct. The decision by El Salvador's former government to cut ties with Taiwan came just months ahead of that country's presidential elections. The FMLN may have hoped that China's two large-scale offerings—renovation of the La Union port and a massive special economic zone—would boost their standing in the polls, but the party was voted out of office in February 2019.

As China becomes a dominant economic partner for many countries in the region, whether in terms of trade or as a source of investment or finance, Chinese entities are increasingly capable of influencing host country decision-making, whether they do so intentionally or not. The same is of course true of the region's other major economic partners and there


Members of the Chinese Confucius institute take part in a Lunar New Year celebration in Vina del Mar city, about 121 km (75 miles) northwest of Santiago, February 3, 2011. The Lunar New Year begins on Thursday and marks the start of the Year of the Rabbit, according to the Chinese zodiac. (ELISEO FERNANDEZ/REUTERS)

is no shortage of examples of U.S. and other external influence on the region's politics, for example. China's effect on regulatory and other decision-making is likely to be increasingly pronounced in the coming years, however. Extensive investment in some of the region's most critical economic sectors has already led some governments in Latin America to change investment-related regulations to promote continued Chinese engagement. China also hopes for broad-based support in international organizations for a series of agenda items, including in global debates on internet governance. In addition Chinese company efforts to engage more extensively in the tech space in Latin America, including through grants for smart cities and surveillance equipment, will give China growing influence over the region's broader tech-related decisionmaking.

A "win-win" relationship?

China is an increasingly critical partner for the Latin American region. The country is South America's top trade partner and comes in second to the U.S. for the rest of the region. Chinese finance and investment has also been transformative, especially in specific countries and sectors. But the nature of Chinese engagement—especially a trade relationship based on the extensive import of specific primary commodities from the region and export of increasingly high-value-added manufactured goods—is thought to be problematic for the region from a development perspective. Although commodity production is not inherently inferior in terms of value-added potential, as World Bank and other economists have indicated, weak diversification of exports exposes the region to price and demand shocks. For South America's resource rich economies in particular, China-Latin America trade dynamics have resurrected development debates from the 1960s abut "unequal exchange," the "resource curse," and heightened "dependency." Indeed, South American countries' reliance on exports of certain primary commodities left some in difficult circumstances when global commodity prices dropped in 2014.

China has also been linked to decreases in market share for some of the region's manufacturers. Industries in Brazil, Colombia, and Mexico all face competition from China in their own markets. According to a study from the United Nations Economic Commission on Latin America and the Caribbean (ECLAC), Mexico in particular has faced sizeable growth in consumption of imports from China—from 3.3% to 6.4% between 2005 and 2010. The most affected sectors in Mexico were the textile and apparel industry, auto parts, industrial machinery and equipment, and metals and derivatives. Sectors such as industrial machinery and equipment, office machinery, electrical equipment and metal products in Argentina, Brazil, Colombia, and Mexico have also faced considerable competition in third markets.

Controversy has also surrounded the presence of low to mid-skilled Chinese workers in Latin America and the Caribbean, centered on a perception that low-skill Chinese laborers are being employed instead of capable local labor. One prominent example was China's investment in the Baha Mar hotel in the Bahamas. China Construction Americas signed a contract that allowed for the employment of up to 7,000 Chinese workers over a specified period of time, although fewer actually arrived. The Bahamian Contractors' Association objected to the use of Chinese construction workers, indicating that they were not consulted about opportunities for highly experienced Bahamian. Tensions generated by the use of Chinese labor have also surfaced elsewhere in the Caribbean, as well as in Central America, Venezuela, Guyana, and Suriname, among other countries. Chinese companies have tended to limit their use of Chinese low-skill labor in recent years, perhaps in response to negative reactions from local populations.

The environmental effects of Chinese engagement are also of growing concern. China is heavily invested in infrastructure and extractives—sectors with outsize environmental impact. China-backed infrastructure projects are in some cases transforming the region's delicate ecosystems. Sinohydro's dredging project in Peru will reportedly alter the dynamics of the affected rivers and their capacity to sustain lakes in natural parks like the Pacaya Samiria. Chinese companies have also sometimes struggled to meet the region's ambitious environmental and social standards, leading to social conflict or environmental damage. This is especially common where enforcement has been lacking from national governments in Latin America. Moreover, of China's pipeline of proposed transport and other infrastructure projects, many are located in especially biodiverse parts of the region. Future development could therefore further degrade the region's ecosystems.

China's effect on job growth, social inequality, and on a wide variety of other development issues have been studied to a degree, but are not yet well understood. Progress toward sustainable development in the region will require enhanced commitment from the Chinese ministries, embassies, banks, and companies to sustainable development goals and international standards on corporate social responsibility. Some Chinese companies and institutions are making strides in this respect, but others still lag behind their peers.

The extent to which China's engagement is promoting of the development interests of Latin America will depend to an even greater degree on the actions of Latin American governments and stakeholders. Research suggests that the performance of Chinese companies comes down to the political will of local governments to maintain hard-fought standards and ensure accountability, whether on labor issues, environmental matters, prior consultation, or in other areas. Pervasive Sino-Latin American trade imbalances also demand creative policy responses from Latin American governments and trade blocs. New thinking on this issue will be critical not only to balance relations with China, but also to enhance competitiveness and strengthen the region's economic standing as it competes in what is now a very different economic order, with new markets and expanding sources of competition.

The U.S.-China-Latin America "triangular" relations

Over the past two years, the United States has sought a more direct role in shaping the evolution of China-Latin America relations. At the beginning of 2018, then Secretary of State Rex Tillerson voiced his—and presumably the broader Trump administration's—concerns about China's rise in the region. Tillerson warned Latin America about its ties to China, stating, "China's offers always come at a price," and describing Beijing's ambitions as imperialistic. When current U.S. Secretary of State Mike Pompeo assumed the position, he took a similar message to the region. During a trip to Mexico City Pompeo stated, "China has invested in ways that have left countries worse off." While in Chile he noted that Chinese deals in Latin America generally introduce corrosive capital or generate corruption. Warnings about the perils of engaging with China were also delivered by U.S. officials in Argentina, Chile, and other countries, referencing China's effect on Latin American governance, security, corruption, regulatory capacity, and financial stability, and in a range of other areas.

While some of the U.S.'s articulated concerns certainly resonate with Latin American audiences, the Trump administration's efforts to portray China as a relative bogeyman in Latin America have generally been criticized or countered by scholars and officials in the region. Peru's foreign trade minister, Eduardo Ferreyros, responded to Secretary Tillerson's initial comments, noting that China is a "good trade partner" and that Peru is "careful with all of its trade relations." U.S. scholars and policy professionals have also lobbied for a more productive response to China's rapid growth in Latin America and other regions.

Although it has been the most vocal on the topic, the Trump administration isn't the first to fret over China's rise in the region. In fact, the U.S. government has been taking stock of Chinese interests in Latin America and the Caribbean since the 1990s. Concerns surfaced around 1998 about Hong Kong firm Hutchinson Whampoa's involvements in the Panama Canal. Chinese billionaire Wang Jing's canal adventures in Nicaragua were also closely monitored in Washington starting in 2013. And China's interests in Venezuela, including Chinese financial support for the governments of Hugo Chavez and Nicolas Maduro, continue to aggravate U.S. officials. The U.S. has also pointed to possible dual (civilian-military) use infrastructure investment as an example of China's broader strategic interests in Latin America, and as a possible response to U.S. engagement in the South China Sea. Among other areas of concern are China's growing cyber operations in the region, which have been in place for a number of years in an effort to increase positive sentiment toward China in the region, often in support of economic objectives, but are increasingly sophisticated.

This photo taken on May 23, 2019 shows workers checking aerosol in a factory which produces for export to Brazil, Argentina, Chile, Egypt, India and other countries, in Dongyang, in China's eastern Zhejiang province. (AFP VIA GETTY IMAGES)

Behind all of this is a broader—possibly warranted—concern that the U.S. risks losing influence, competitiveness, and control in Latin America as China grows its presence in the region. According to the Pew Research Center's Global Attitudes Survey, nearly all of the region's top economies now have a more favorable view of China than the United States. Some, such as Brazil, have favored China for a number of years, whereas Mexico and Peru began viewing China more positively in 2017. U.S. companies are also going head to head with increasingly experienced and capable Chinese firms in Latin America, including in areas such as tech, finance, and agriculture, where U.S. firms have been active for many decades.

To "level the playing field" in Latin America and other regions, the Trump administration has engaged in a year-and-a-half-long trade war with China, and a so-called "tech war," wherein the U.S. has sought to limit China's access to American technology and markets. Both "wars" will have prolonged economic consequences for China and the U.S., certainly, by unraveling long-established supply chains. But Latin America and other regions are expected to fair badly as well. Brazil benefitted in 2019 from a boost in soy exports to China—the result of tariffs placed on U.S. soy. Mexico has seen some benefits, too, as international companies relocate their production from China to cut mounting costs from the trade war. But protracted U.S.-China tensions are expected to have lasting negative effects on the global economy. The IMF estimates slowing global growth in 2019, including in third markets, based in large part on U.S.-China trade tensions. Ongoing economic uncertainty could also weaken Latin American currencies if populations there invest in U.S. dollars to avoid the effects of local currency devaluation. A decoupling of the tech sector will also affect options and prices for tech consumers across the globe.

U.S. concerns about China have increasingly "real world" implications for Latin American countries, whether in terms of rising prices for the region's consumers, or as regional governments are encouraged to avoid engagement with China in favor of partnership with the U.S. and other traditional allies. There are indeed some drawbacks associated with the Chinese model, including evidence of a continued lack of due diligence in certain China-financed infrastructure projects, for example. China's environmental impact is also sizable given the extent of Chinese trade and investment in extractives and infrastructure. But U.S. pressure to limit the region's economic options and partnerships could also have unfortunate consequences for Latin America's economic growth and well-being.

U.S. interests in Latin America—including vis-à-vis China—are best served by strengthening U.S.-Latin America ties rather than highlighting China's flaws. As China approaches the region with extensive investments and attractive, cooperation-based policy, the U.S. must take a similar approach to the region, focusing on areas in which the U.S. can make a real and "mutually beneficial" difference while working with the region to ensure that procurement and other processes are fair and transparent. Despite the geographic distance, China recognizes the appeal of inclusive rhetoric and development-oriented policy to Latin American governments—maybe better than the U.S. at this juncture.

discussion questions

1.The U.S. has a long and sometimes troubled relationship with Latin America. In what ways does China's engagement with the region differ from that of the U.S.? Is China likely to be viewed as an imperialist or hegemonic power in the region?

2. How might China's economic partnerships in South America affect China's relations with the U.S., especially amidst ongoing trade negotiations? In what ways will shifting trade patterns affect U.S. ties to the region?

3. Huawei is well positioned to sell 5G and other technology to many countries in Latin America and the Caribbean. The company is unlikely to be banned from forthcoming 5G roll-outs despite U.S. warnings about the security implications of Chinese telecommunications technologies. Are there any realistic measure that the U.S. could use to limit the sale of Chinese 5G infrastructure in the region? Should it use those measures?

4. As China's economic engagement deepens Latin America, Beijing's potential influence over regional affairs is likely to expand. To what extent has China already affected political outcomes in the region? Should China be held accountable for economic and political turmoil in Venezuela?

5. To what extent does Chinese economic engagement result in support for China's interests in international organizations, such as the United Nations?

6. China maintains a policy of non-interference in the domestic affairs of sovereign nations. This extends to the provision of credit to Latin American governments. China's loans have few policy conditions in comparison to loans from major international financial institutions. Chinese state banks have also lent extensively to countries in the region with limited access to international financial markets. To what extent is China's model of lending beneficial to Latin American governments? Is China responsible for high rates of sovereign debt in Latin America?

suggested readings

Myers, Margaret and Wise, Carol. **The Political Economy of China-Latin America Relations in the New Millennium.** 302pp. London, UK: Routledge, 2016. In this book, China-Latin America relations experts Margaret Myers and Carol Wise examine the political and economic forces that have underpinned Chinese engagement in the region, as well as the ways in which these forces have shaped economic sectors and policy-making in Latin America.

Jenkins, Rhys. **How China is Reshaping the Global Economy: Development Impacts in Africa and Latin America.**. 432 pp. Oxford, UK: Oxford University Press, 2019. *How China is Reshaping the Global Economy* looks at the factors which led to rapid economic growth in China and the way in which this has affected global manufacturing, commodity markets, the international presence of Chinese companies, and financial glows.

Gallagher, Kevin P.. **The China Triangle: Latin America's China Boom and the Fate of the Washington Consensus.** 256 pp. Oxford, UK: Oxford University Press, 2016. In *The China Triangle*, Kevin P. Gallagher traces the development of the China-Latin America trade over time and covers how it has affected the centuries-old (and highly unequal) U.S.-Latin American relationship.

Denoon, David B. H. **China, The United States, and the Future of Latin America: U.S- China Relations Volumn III.** 432 pp. New York, NY: NYU Press, 2017. This volume draws upon a variety of policy experts, focusing on the viewpoints of South American and Caribbean scholars as well as scholars from outside states. China's new global reach and its ambitions, as well as the U.S. response, are analyzed in detail.

Ray, Rebecca, Gallagher, Kevin and Lopez, Andres. **China and Sustainable Devlopment in Latin America: The Social and Environmental Dimension.** 382 pp. New York, NY: Anthem Press, 2017. *China and Sustainable Development in Latin America* documents the social and environmental impact of the China-led commodity boom in the region.

Roett, Riordan and Paz, Guadalupe. **Latin America and the Asian Giants: Evolving Ties with China and India.** Washington, D.C.: Brookings Institution Press, 2016. In the years since China has adopted a "going global" strategy to promote its overseas investment, expand export markets, and gain much-needed access to natural resources abroad, Sino–Latin American relations have both deepened and broadened at an unexpectedly rapid pace.

Don't forget: Ballots start on page 98!!!!

To access web links to these readings, as well as links to additional, shorter readings and suggested web sites,

GO TO www.fpa.org/great_decisions

and click on the topic under Resources, on the right-hand side of the page.