

#15 China's economic and political role in Latin America

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Key Takeaways

- Economic goals are the central driving force of China's engagement in the LAC region, with interests expanding from mining and oil to infrastructure, energy transition, telecommunications and digital technologies.
- China has become a major economic partner for the LAC region alongside the US and Europe; while cultural, educational and medical diplomacy have built goodwill in the LAC region.
- Political and economic elites in the LAC region appreciate the lack of political conditionalities in relations with China, although this has also provided non-democratic and autocratic regimes with economic room to survive.
- Europe and the Netherlands should actively engage with LAC actors to protect and strengthen human rights, democracy, and the international rule of law, while responding to concerns about surveillance technologies and China's growing influence in the region.

Recommendations

1. Since Europe's economic relevance for the region has somewhat decreased, its political and diplomatic efforts towards LAC governments and civil societies will have to revitalize the linkages. In addition, the bi-regional relations with CELAC require intensified efforts.
2. The EU needs to continue to play an active role in international standard-setting. Strong partnerships with the LAC region could support these renewed international efforts.
3. The Netherlands' economic prominence can be used to support and devise policies that incentivize inclusive and sustainable investments in the LAC region – even in instances of weak local or national institutions – and to actively support Latin American governments in strengthening their institutional capacity and frameworks to deal with crucial issues of transparency, labour rights and environmental protection.
4. The Netherlands needs to support human rights and democracy more actively (including democratic actors and institutions), both in cooperation with government institution and civil society organizations in Latin America.

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Executive Summary

This report examines the development of China's economic and political role in Latin America and the Caribbean (LAC), and the implications for the region's relations with Europe and the US. The analysis finds that economic goals are the central driving force underwriting Chinese engagements in the region. China-LAC relations have developed predominantly through bilateral and market channels, expanding from mining and oil towards infrastructure projects, electricity generation and distribution, energy transition, telecommunications and digital technologies. The Chinese government has supported the ambitions of Chinese companies and banks through active bilateral diplomacy and large development loans.

Economic relations with China are of great importance to the LAC region. China is now the primary export market for many South American countries, Chinese companies are among the main foreign investors, and Chinese banks have provided major development loans. At the same time, increased imports of relatively cheap Chinese manufactured goods have partly harmed national industries, while benefiting low-income consumers. National experiences with China differ greatly: Brazil and China maintain a long-standing collaboration, countries such as Colombia and Mexico have shown rapprochement towards China, while Venezuela's partnership with China became a disillusion when it could no longer meet its obligations with Chinese lenders.

Contrary to some claims, Chinese economic activities do not exclusively focus on Belt and Road Initiative countries, nor do they show a preference for authoritarian regimes. Political and economic elites in the LAC region appreciate the lack of policy conditionalities in relations with China, although this has also offered non-democratic and autocratic regimes economic room to survive. In bilateral relations with China there is an evident power asymmetry, while there is not yet a joint regional agenda capable of counterbalancing China's role.

China's soft power has expanded through diplomatic, cultural and educational activities, as well as medical diplomacy during COVID-19, which has built goodwill in the region. Chinese initiatives come at a time when Europe and the US have reduced funding for development activities, cultural programmes and academic cooperation in LAC. Concerns nevertheless remain about corruption, environmental damage and the use of Chinese surveillance technologies, which may support monitoring and repression of civil society organizations and social movements.

The report argues that Europe and the Netherlands should actively engage with LAC actors to protect and strengthen human rights, democracy, transparency and the international rule of law. Europe's political and diplomatic efforts should focus on revitalizing partnerships with the region, while supporting stronger institutions, sustainable investments, digital security and social cohesion in response to China's growing influence.