



# China, Latin America, and the Global Economy

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Economic, Historical, and National  
Issues

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*Edited by*  
Aaron Schneider  
Alessandro Golombiewski Teixeira

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# China, Latin America, and the Global Economy

“The extraordinary expansion of China’s ties to Latin America marks a turning point in the region’s engagement in the international arena, and this timely volume illuminates the implications across key countries and sub-regions as well as different economic and strategic domains. This study considers how best to maximize opportunities that an increasingly multi-polar order affords to Latin America, emphasizing the need to balance growing relationships with China alongside continuing engagement with the United States.”

—Eric Hershberg, *Professor of Government, American University*

“This volume not only presents a rich and comprehensive analysis of China-Latin American relations, it also offers important insights into China’s overall economic, foreign policy and geopolitical strategies and limitations as an emerging global power. Required reading for anyone interested in a deep and contextual analysis of China and world order.”

—Amitav Acharya, *Distinguished Professor of International Relations, American University*

“This collection of clearly written and original works by noted scholars examines China’s engagement in Latin America. Taking a unique position, it explores how the global powers can coordinate and work collaboratively with regional players to shape the regional and global order. The volume makes an important contribution to the literature on China’s rising power behavior in one of the most important regions of the world. Strongly recommended for anyone who is interested in Chinese foreign policy, great power relations, and regional dynamics in Latin America.”

—Suisheng Zhao, *Professor, Josef Korbel School of International Studies, University of Denver, and Editor of Journal of Contemporary China*

Aaron Schneider ·  
Alessandro Golombiewski Teixeira  
Editors

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# CONTENTS

<b>1</b>	<b>Introduction</b>	<b>1</b>
	Alessandro Golombiewski Teixeira and Aaron Schneider	
<b>Part I Sectoral and Historical Issues</b>		
<b>2</b>	<b>History: The Long Trajectory of a Relationship yet to Be Fulfilled</b>	<b>19</b>
	Rafael R. Ioris and Marco Cepik	
<b>3</b>	<b>Chinese Foreign Investment Policy: Internationalization in LAC and Future Perspectives</b>	<b>39</b>
	Mathilde Closset, Cecilia Plottier, and Zebulun Kreiter	
<b>4</b>	<b>Chinese Economic Development: Impact on LAC Countries</b>	<b>71</b>
	Menghuai Xiang and Mingyuan Li	
<b>5</b>	<b>China's Foreign Policy Toward Latin America: Context, Decision, Implementation</b>	<b>87</b>
	Cui Shoujun and Marco Cepik	
<b>6</b>	<b>Infrastructure: The Belt and Road Initiative in Latin America</b>	<b>113</b>
	Alessandro Golombiewski Teixeira and Nicolás Azócar	

<b>7</b>	<b>China-LAC Trade: Competition or Complementarity?</b>	<b>141</b>
	Alessandro Golombiewski Teixeira, Wenyin Cheng, and Zhenyu Jiang	
<b>8</b>	<b>Conflict, Competition, or Collaboration? China and the United States in Latin America the Caribbean</b>	<b>163</b>
	Louis W. Goodman and Aaron Schneider	
<b>Part II Regional and National Questions</b>		
<b>9</b>	<b>China and Central America</b>	<b>189</b>
	Henrique Estides Delgado and Aaron Schneider	
<b>10</b>	<b>The Mexico–Queretaro Train, Dragon Mart, and the Ups and Downs of Mexico–China Relations</b>	<b>219</b>
	Luz María Gallardo Castro and Juan Carlos Morales Marcucci	
<b>11</b>	<b>Sino-Brazilian Relations</b>	<b>245</b>
	Jorge Arbache and Gabriel Condi	
<b>12</b>	<b>A Comparative View of Chinese Relations with Peru</b>	<b>275</b>
	Victoria Chonn Ching and Alvin Camba	
	<b>Index</b>	<b>295</b>

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## LIST OF FIGURES

Fig. 3.1	Stock of outward foreign direct investment, by country and region, 1990–2020	42
Fig. 3.2	Foreign direct investment flows from China and Hong Kong (SAR of China), 1990–2020	43
Fig. 3.3	Announcements of foreign direct investment and cross-border mergers and acquisitions of China and Hong Kong (SAR of China), by region of destination, 2005–2020	45
Fig. 3.4	Participation of Latin America and the Caribbean in investments abroad by China and Hong Kong (SAR of China), according to modality, 2005–2020	46
Fig. 3.5	Latin America and the Caribbean (selected countries): Foreign direct investment (FDI) inflows from China and Hong Kong (Special Administrative Region, SAR, China)	48
Fig. 3.6	Investment of companies from China and Hong Kong (SAR of China) in Latin America and the Caribbean, according to modality, 2005–2020	51
Fig. 3.7	Investment of companies from China and Hong Kong (SAR of China) in Latin America and the Caribbean, by modality, 2005–2020	52
Fig. 3.8	Foreign investment in Latin America and the Caribbean, main origins, 2005–2018 and 2019 ( <i>millions of dollars</i> )	53

Fig. 3.9	Chinese Foreign investment in Latin America and the Caribbean, by host country, 2005–2020 ( <i>percentages of total amount</i> )	54
Fig. 3.10	Latin America and the Caribbean: mergers and acquisitions by Chinese firms, by industry ( <i>percentage of the deals value</i> )	56
Fig. 3.11	Latin America and the Caribbean: announced investments by Chinese firms, by industry ( <i>percentage of the deals value</i> )	58
Fig. 5.1	China’s policy-making matrix	98
Fig. 7.1	GDP (left) and GDP per capita (right) of China and LAC	149
Fig. 7.2	Trade between China and LAC	150
Fig. 7.3	Trade by items and LAC countries: <b>a</b> China-Brazil Trade by Items; <b>b</b> China-Argentina Trade by Items; <b>c</b> China-Mexico Trade by Items	155
Fig. 7.4	Ranks of both China and LAC among each other’s trade partners	158
Fig. 7.5	China and LAC product AHS/MFN weighted average	158
Fig. 7.6	Trade complementarity index: China, LAC, and US	159
Fig. 9.1	Export value from Central America to China, by country (2001–2020)	195
Fig. 9.2	Reported imports from Costa Rica of electrical and electronic equipment (HS code 85), in billions of US\$	203
Fig. 10.1	Mexico: Exports and Imports from China	220
Fig. 10.2	Mexico: Exports and Imports from China and the United States (USD Million) (Own elaboration: 2010–2016 period based on World Integrated Trade Solution (WITS) [2017]: <a href="http://wits.worldbank.org/">http://wits.worldbank.org/</a> ; 2017–2019 period based on Comtrade [2021])	221
Fig. 10.3	China’s Foreign Direct Investment in Mexico (Millions of US dollars)	227
Fig. 10.4	Foreign Direct Investment in Mexico 1999–2020 (Millions of US dollars)	228
Graph 11.1	Chinese investment stock in South America (%)   2005–2020	248

Graph 11.2	(a) Chinese investments in Brazil by value (2007–2020)—US\$billion (b) Chinese investments in Brazil by number of projects (2007–2020)—US\$billion	249
Graph 11.3	Modes of entry of Chinese investments in Brazil (2007–2020). By value—By number of projects	250
Graph 11.4	Brazil’s main trade partners—US\$billion (a) Brazil’s main export destinations (b) B—Brazil’s main origins of imports	253
Graph 11.5	Main export destinations of Brazil’s agribusiness (2015–2020)—in %	255
Graph 11.6	Number of projects in Brazil financed by China by sector (2007–2020)	261
Graph 11.7	China’s and Brazil’s GDP—US\$trillion	263

# LIST OF TABLES

Table 4.1	China outbound direct investment flows 2010–2019	78
Table 4.2	Disposable income of chinese residents 2013–2019	78
Table 4.3	Chinese direct investment flows to Latin America, 2010–2019	79
Table 9.1	2020 international trade reported by Central America with main trading partners	193
Table 9.2	Panama’s top 10 export destinations, from 2007 to 2018. Values are Free on Board (FOB) in Balboas (1 Balboa = 1 US\$)	200
Table 9.3	Inequality, land inequality, and population density	205
Table 9.4	Rural Earnings, Environmental Vulnerability, and Food Sovereignty	208
Table 9.5	Services, value-added in exports, existing infrastructure, and Chinese commitments	213
Table 10.1	Mexico–China Meetings and Strategic Agenda (2013–2021)	223
Table 10.2	China’s foreign trade in selected Latin American countries (Millions of US dollars)	225
Table 10.3	High-speed train infrastructure project: investment costs (in 4 years)	232
Table 11.1	Brazilian investments in China from 2006 to 2019—US\$million	251
Table 11.2	China-Brazil bilateral trade (US\$billion)	252

Table 11.3	Tariff regime for agricultural products exported by Brazil and subjected to tariff quotas, price controls, and participation of STEs	256
Table 11.4	Degree of commercial openness of the Chinese market for selected commodities exported by Brazil	257
Table 11.5	China's urban and rural population trends, 1950–2050	263
Table 11.6	Cooperation projects between China and Brazil	267





# Introduction

*Alessandro Golombiewski Teixeira and Aaron Schneider*

China has sought to occupy a more prominent global position without upsetting existing international relationships. This has been especially true in Latin America, where the US continues to dominate regional relations as a result of geographic proximity and historical engagement, among other reasons. Still, China is already the top trading partner or among the top trading partners for every country in the region, especially as Chinese growth outpaced the West in the aftermath of the 2008 financial crisis, and China has continued to act as the motor for the international economy after the onset of the 2019 pandemic. Increasingly, Chinese capital rivals Western-dominated multilateral, bilateral, and private lenders and investors in the region. To make sense of Chinese “going out” and the response from Latin America, the current project

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invites experts on China and Latin America to engage with the meaning of Chinese engagement, the responses from Latin American countries, and the potential scenarios moving forward. In particular, the project argues that room exists for positive-sum outcomes, but only under certain conditions that depend on the actions of China, the United States, and especially countries and subregions within Latin America.

Some have viewed Chinese integration with Latin America as a threat to US influence. Others have argued that China threatens to repeat the most extractive and interventionist elements of neocolonial relations. Some portray China loosening traditional conditions on trade and capital, while others note that Chinese engagement is not without its own conditions, different but no less significant, than those of traditional partners. The current project argues that a complete understanding of the future of Chinese-Latin American engagement will depend on the particular patterns of economic and political integration that occur with each country and subregion, and within particular sectors. Increased interconnection with China is bound to happen, and its exact form will depend on actions by China, the US, and each Latin American country.

Because they have different endowments and histories, the countries of Latin America present varied images when engaged with China. In economic terms, Brazil, Argentina, and Mexico represent larger and more complex actors, while Andean countries present particularly commodity-dependent export profiles. The small countries of Central America present unique geopolitical challenges given their proximity and historical relation to the US, while the Caribbean offers a subregional dynamic that surpasses the characteristics of each individual country. Further, swings in government and electoral cycles, including pendulum swings to the right during the previous decade, and more recent swings back to the left, alter the political scenario in ways that shape and complicate short-term trends across the continent.

This edited volume seeks to offer sectoral, subregional, and national accounts of the ways in which Chinese engagement with Latin America will shape the regional and global order. What is happening in terms of trade? What is happening in terms of infrastructure? What is happening in terms of finance? In what ways can major regional actors, such as Brazil or Mexico, shape their relationship with China, and what room do smaller actors, such as Andean countries, Central American countries, and the Caribbean have to secure relationships beneficial to all parties? Finally,

how can deeper engagement between China and Latin America occur in ways that the US does not perceive as threatening?

Under the right conditions, the rise of China can promote shared solutions to thorny global problems as well as a world order characterized by genuine cooperation among great powers. By making this argument, the current volume stands apart from many contemporary analyses of Chinese emergence. The crux of the argument depends not on any singular actor alone, but rather the new relationships between great powers, such as China and the US, and lesser powers, such as the countries of Latin America and the Caribbean. To achieve a cooperative world order, countries like those in Latin America and the Caribbean are essential contributors, as they can help to temper unnecessary competition between great powers like the US and China. Yet, Latin American and Caribbean countries can only fulfill this function if they act collectively and with a degree of autonomy, shaping a new world order that includes agency for lesser powers and cooperation and positive-sum outcomes among great powers.

Before making this argument in the rest of this volume, it is important to examine the economic and geopolitical changes that have occurred in recent decades, as well as the particular position of peripheral and semiperipheral countries such as those in Latin America and the Caribbean. This discussion will be the focus of the next section, followed by a brief review of current literatures on Chinese relations with Latin America and the Caribbean. Next, this chapter emphasizes the methodological leverage obtained with attention to three elements: Chinese economic and policy development, variations across the countries and subregions of Latin America and the Caribbean, and key historical and sectoral characteristics of Chinese engagement. An overview of the organization of the book ends this introductory chapter.

## ECONOMIC AND GEOPOLITICAL CHANGE

The last several decades have been characterized by a heightened period of international integration, creating space for the emergence of new economic and political actors, foremost among them, China (Li 2012). Integration has been driven by policy changes, such as deregulation and liberalization; technological changes, such as information and communication technologies; and geopolitical changes, such as the fall of the Soviet Union and the incorporation of former Soviet states and China into the

world market economy (Fukuyama, 1992). Raw materials extracted in one place were transformed into intermediate goods in another, assembled into commodities in another, and consumed in yet another, creating a chain of value that encompassed the globe. Globally integrated value chains drew far-flung geographic regions closer together, increased flows of capital, expanded trade, and generated immense wealth. Among the greatest beneficiaries of the expansion, in terms of a shifting global role, was China, which had opened its economy in the 1980s and reoriented toward export-oriented industrialization, rapidly becoming among the largest economies on the planet.<sup>1</sup>

Yet, the period of globalization was also fraught with challenges. A transnational capitalist class came to coordinate global value chains, creating a globalized world for the rich, but excluding most of humanity from the benefits (Robinson 2015). Soaring inequality left consumers unable to absorb the commodities generated in the newly productive global without ever larger infusions of credit (Piketty 2017). For a time, Chinese trade surpluses were recycled in Western financial centers to sustain consumer credit, but the crisis of 2008 exposed the vulnerability of bubbles to sustain global value chains dominated by finance (Varoufakis 2015).

The early 2000s also exposed the fragility of the unipolar moment of US hegemony after the end of the Soviet Union. Almost as predicted by great power theorists (Kennedy 1989), the US succumbed to a paroxysm of imperial overreach in Afghanistan and Iraq, exhausting its capacity to act unilaterally across the globe. China came to occupy a pivotal role in several regions, certainly in its near neighborhood of East Asia (Li 2010), and quickly came to be among the most important trading partners and sources of capital for regions farther afield, including Latin America (Gallagher and Porzecanski 2010).

The world order taking shape since 2009 is marked by several elements of significance when considering Chinese relations with Latin America. First, while China recovered quickly by raising domestic incomes and reorienting some of its production to the home market, Western central

<sup>1</sup> The exact placement of China among the top economies of the world depends on the use of nominal GDP, real GDP, GDP at purchasing power parity, or other measures. It is not our interest here to lead the reader into a discussion that has agitated the current academic circles, but to say China has grown significantly and markedly among all countries in recent decades.

banks sought to prop up finance-dominated value chains and stock markets with massive infusions of credit. Second, much of this cash went into new technologies, as platforms and data came to dominate drivers of growth, with questionable impacts on democracy (Zuboff 2020) and employment (Acemoglu 2021). By reinvesting its trade surpluses, China joined in the reorientation toward technology, lifting research and development to bring its own economy to the edge of the tech frontier and investing in infrastructure to link other countries, including Latin America, into value chains coordinated and led by Chinese actors (Wen 2020).

It is in this context that Latin American and Caribbean relations with China fit into a new world order. It is not clear that China poses or wishes to pose a challenge to US dominance in Latin America, and it would appear that China most of all does not wish to challenge the capitalist order in the region (Bernal-Meza and Xing 2020: 4). Yet, Chinese development has propelled its relations with Latin America in two ways that cannot help but alter international relations. First, Latin America and the Caribbean have increased their trade, especially the export of raw materials, to satisfy expanding Chinese industrialization and consumption. Second, by penetrating Latin America, China occupies space that the United States previously dominated but has neglected in recent decades (Ellis 2009).

In the last decade, Chinese GDP per capita has expanded an average of 9.9% annually. This expansion has drawn on Latin American and Caribbean raw materials, and engagement has rapidly deepened in other ways as well. In addition to becoming the top or among the top trading partner of the countries in the region, China is also one of the most important investors. Part of the expansion in investment can be understood as China's need to "go out," with an important result that Latin American countries have alternative sources of finance, bearing different conditionalities, and perhaps providing greater policy space for individual Latin American and Caribbean governments (Jenkins 2019).

President Xi Jinping signaled Chinese eagerness to deepen relations with Latin America during the inauguration of the Forum of China and the Community of Latin American and the Caribbean States (China-CELAC Forum) in 2014 in Brasilia. He promised Chinese commitment to boost trade, investment, and technological cooperation, noting that China's demand for agricultural products, mining, and investment in industry, infrastructure and energy will remain high in the coming

years. In total, 24 bilateral forums between China and Latin America and the Caribbean have occurred, and eight more are proposed.<sup>2</sup> Of particular note, the ministerial meeting of the China-CELAC Forum of 2018 included the presentation of the Belt and Road Initiative and a Joint Chinese, Latin American and Caribbean States Action Plan 2019–2021. As proffered to Latin America and the Caribbean, the Belt and Road Initiative prioritized computer technology, network communication, internet of things, and artificial intelligence, accelerating the development of digital connectivity in the region. Similar to the dynamic provoked with its regional neighbors, China seeks to project the image of “flying geese,” in which a lead economy pulls along its partners, shifting technological advances to them to raise their productivity and living standards and pressuring home economy firms to upgrade further (Akamatsu 1961).

## EXISTING LITERATURE AND MISCONCEPTIONS

Despite the growing Chinese interconnectedness with Latin American and Caribbean, scholars, professors, researchers, businessmen, and diplomatic personnel lack reliable, in-depth, high-quality analysis of the relations between China and Latin American countries. In particular, there has yet to be a nuanced consideration of the socioeconomic variations within Latin America, and what those variations mean for Chinese engagement (Serbin 2022). Southern Cone countries are different from Andean countries are different from Central America are different from the Caribbean are different from Mexico. Further, each of the countries and subregions varies in terms of its existing integration with the

<sup>2</sup> The ongoing Forums are China-LAC Infrastructure Cooperation Forum, China-LAC Business Summit, High-Level China-Latin America Investment and Cooperation Forum, China-CELAC Infrastructure Cooperation Forum, China-Caribbean Economic and Trade Cooperation Forum, China-CELAC Forum of Ministers of Agriculture, China-CELAC Science, Tech, and Innovation Forum, China-CELAC Digital Technology Anti-Epidemic Cooperation Forum, China-CELAC Poverty Reduction and Development Forum, China-LAC Martial Arts Exchange Forum, China-LAC Think Tanks Forum, China-CELAC High-Level Academic Forum, China-CELAC Local Government Cooperation Forum, China-LAC People’s Friendship Forum. The newly proposed ones are China-CELAC Space Cooperation Forum, China-LAC Legal Forum, China-CELAC Digital Technology Cooperation Forum, China-CELAC Transportation Cooperation Forum, China-CELAC Private Sector Cooperation Forum, China-CELAC University Dean Forum, China-LAC Youth Development Forum, and China-LAC Media Forum.

US, calling for additional nuance in terms of the triangular relationship between China, the US, and Latin America. To fill this gap in understanding, we have collected contributions from Chinese, Latin American, and North American scholars addressing historical, sectoral, regional and national dimensions of Chinese-Latin American engagement.

The growing role of China in Latin America and the world is one of several momentous changes facing the international system. In the past two decades, China has become a motor of international growth, increasing its need for raw materials and commodities, strengthening the integration of China and Latin America, and promoting growth in the region (Santiso 2007). Further, the last decade has seen a rapid expansion in other forms of integration, as Chinese investment in much-needed infrastructure and production has interwoven Chinese capital with Latin American ventures (Gallagher 2016; Ray et al. 2017). While the beginnings of a political economy understanding of Chinese relations with Latin America are coming into view, there remains limited coverage of the variations within Latin America and what that means (Stallings 2020).

To understand the factors driving Chinese engagement with Latin America, one aspect that deserves attention is the evolution in China's own development and foreign policy strategy. As China's growth and modernization has accelerated, it has needed to "go out," forcing it to seek inroads in Latin America (Roett and Paz 2008). At least part of that is a need for natural resources, and that has certainly shaped Chinese foreign trade and investment patterns (Xu 2017). But, there is also increasing diversification in the nature of Chinese engagement, reflecting a maturing of Chinese development and its engagement with Latin America (OECD/CAF/UN 2015). As Chinese engagement has become more complex, it has adopted a more complex set of strategies and relationships with the region (Fornés and Philip 2012; He 2012).

Chinese emergence also reshapes Latin American relationships with other parts of the world, especially the US, which has a long history in the region. China has generally avoided direct confrontation with the US in the region, looking for opportunities to engage without upsetting existing international relationships (Strauss and Armony 2012). In recent years, China has been less quiet in its engagement, and some in the US have been convinced all along that Chinese engagement represents a threat to the US (Ellis 2005, 2009, 2014). Still, there is evidence to demonstrate

that Chinese capital offers alternatives to capital from the West, particularly in terms of the kinds of conditions attached to loans and investment (Kaplan 2021).

## METHODOLOGY

This book explicitly seeks historical, sectoral, national, and subregional perspectives, and it is worth considering the methodological considerations that entered the choice of cases and comparisons. Contact between China and Latin America and the Caribbean may have entered a qualitatively new phase, but it is not completely unprecedented. We include a historical chapter at the start to frame the current moment in its historical context. In particular, Chinese engagement with Latin America and the Caribbean builds on decades of South–South and semiperiphery–periphery contacts. While this history has the potential to mobilize norms of solidarity in international relations, such an ideology has not yet resonated significantly among Latin Americans (Katz 2021).

The sectoral comparisons emphasize the need for a relational understanding of Chinese–Latin American engagement.<sup>3</sup> Instead of the bilateral and subregional actors that take center stage in the second section, the sectoral focus emphasizes the relation between China and Latin America in critical sectors, in which the unit of analysis is the relation that characterizes economics, development models, infrastructure, trade, foreign policy, and the geopolitical triangle with the US. By looking across sectors, we come to an understanding of the overall relationship between Latin America and the Caribbean and China. We believe that the historical and sectoral stories told in this volume change the narrative on China–Latin American relations and the implications for regional and global order. Chinese engagement is happening, and it cannot be prevented or reversed, nor should it be. Improved outcomes for China, for Latin American and Caribbean countries, and for the US are possible. Certain problems can only be solved through international collaboration, and relationships built on cooperation among the great powers in the Latin

<sup>3</sup> International relations has increasingly elaborated relational approaches, in which the specific characteristics of actors (such as countries) can be read and understood through “connections, ties, transactions, and other kinds of relations among entities” (Jackson and Nexon 1999).



American context could be a boon to cross-regional issues such as poverty, peace, and climate.

We also dedicate the second half of the volume to national and subregional case studies. We recognize the variations that exist within Latin America and the Caribbean, and we select cases to offer representative coverage of subregions, even as we emphasize individual cases. From the Southern Cone, we explore Brazil. From the Andes, we explore Peru. In North America, we choose the only Latin American country, Mexico. Central America includes case studies of individual countries but treats the subregion as a whole. Because the section focuses on individual country and subregional cases, it emphasizes the policy and strategic actions to be taken to achieve collaborative and positive-sum benefits. Two seemingly contradictory behaviors stand out for Latin America: coordination and autonomy. Latin American and Caribbean countries can exert the greatest degree of leverage and present the most attractive partnership to great powers if they coordinate their actions. Further, while many have worried about renewed dependence as great power rivalry plays out in the region, Latin American and Caribbean countries have most to gain if they can maintain a degree of autonomy. Indeed, the chapters argue that it is in the interest of the great powers to encourage Latin American and Caribbean countries to both coordinate among themselves and retain a degree of autonomy such that they can check the worst excess of great powers in the international arena.

By exploring historical and sectoral issues, the volume offers analysis and advice to improve Chinese policy, US policy, and Latin American policy. By understanding regional and national differences, the volume tailors advice to specific contexts. Together, the chapters offer coherent social science analysis, policy frameworks, and empirical detail to understand and navigate increased Chinese engagement with Latin America and the Caribbean.

## ORGANIZATION OF THE BOOK

After this introduction, the book is organized into two sections: (I) Sectoral and Historical Issues and (II) Regional and National Issues. We believe there are multiple ways of looking at the nature of Chinese engagement with Latin America and Caribbean, and it takes the partial views available from different sectoral and national vantage points to

understand both the particularities of each case as well as the sum of the parts.

The first section begins with a historical chapter written by Rafael Ioris and Marco Cepik. Ioris and Cepik argue that Chinese contacts with Latin America and the Caribbean long predate US dominance within the hemisphere, and the current uptick in Chinese engagement occurs atop this prior contact. As a result, the chapter argues that despite the important potential for rivalry between a rising Chinese power and existing US power in the region, a recuperation and appreciation of Chinese history in the region can soften the perceived inevitability of conflict. Further, an understanding of Chinese trade, migration, and South-South historical contact can orient engagement toward positive-sum outcomes for China, the US, and the region.

The next chapters maintain the general observation that sector by sector, the potential for collaborative outcomes of interest to China and Latin America are possible under certain scenarios. In a number of cases, these scenarios also require a shift in approach toward and from the United States. Chapter two focuses on Chinese Economic Policy, in which Mathilde Closset, Cecilia Plottier, and Zebulun Kreiter especially highlight the role of Chinese Foreign Direct Investment (FDI). They trace the increase in FDI to shifts in Chinese international economic strategies, including also a shift from an initial focus on extractive industries to a wider breadth of sectors and countries. The chapter ends with an identification of the challenges and the opportunities presented to Latin American and Caribbean countries by shifts in China's development strategy, the Belt and Road Initiative, and its Health, Green, and Digital Silk Road components.

Chapter 3, by Menghuai Xiang and Mingyuan Li, considers relations with Latin America in terms of shifting Chinese development models. After the reform and opening up of the 1970s and 1980s, China vigorously implemented an export-oriented trade strategy and achieved economic take-off in a relatively short period of time, achieving a qualitative leap in relations with Latin American, especially after China's accession to the WTO. In response to the crisis of 2008, China shifted away from a purely export-oriented model and toward a "double-cycle" development model including technological development and focus on its own domestic market, and this shift was quickly followed by an international complement in the Belt and Road strategy in 2013. Current relations with Latin America and the Caribbean include strengthened

cooperation especially around the infrastructure of the Belt and Road, opening room for China to disseminate its development strategies to Latin American countries. Consistent with this view, the next chapter on Chinese foreign policy by Marco Cepik and Cui Shoujun notes that Chinese foreign policy has become more comprehensive and assertive since 2014. The chapter explores China's grand strategy and the institutional setting for foreign policy definition in China. Contextual analysis with a principal-agent model analyzes implementation costs, especially with respect to the case of the CELAC-China Joint Plan of Action for Cooperation on Priority Areas (2019–2021). Of particular note, the chapter echoes a theme that will reappear in several cases and sector, regional integration and coordination, through regional multilateral institutions, remains an important and uncertain condition to positive-sum outcomes in relations with external great powers, including China.

The next chapters address issues of infrastructure and trade. Alessandro Teixeira and Nicolas Azocar explore in depth the Belt and Road Initiative (BRI). They argue China's Belt and Road Initiative has arrived in Latin America and the Caribbean, provoking changes to international cooperation, with potential improvements in connectivity and reductions to infrastructure gaps. However, the BRI raises concerns about the lack of information and transparency, the asymmetrical dependent relationship, and the potential lack of coordination and competition among countries rather than exploring cross-regional projects. The chapter begins with a consideration with why the BRI is crucial for China and explores the extent to which Latin American regional cooperation might influence the Chinese approach to the region.

Wenyin Cheng and Zhenyu Jiang evaluate trade patterns between China and Latin American economies, with a specific focus on three periods: the period before the opening up of China's economy; 1978 to the year of China's accession to the WTO; and the period after 2001. The chapter explores major policies and mutual visits of political leaders during these periods to show the subjective motives of the governments to build mutually beneficial relations. In weighing the empirical evidence, the chapter finds more evidence of trade complementarity than competition, including evidence that exchange is moving toward a "flying geese" model, with China as the head pulling along Latin American and the Caribbean.

Finally, the section ends with an exploration of the geopolitical relations organized by the triangular relation between China, the US, and

Latin America by Louis W. Goodman and Aaron Schneider. This chapter argues that China and the United States have important opportunities to collaborate in Latin America to advance the fortunes of countries in the region and to find shared outcomes on issues such as climate, peace, and development. Yet, achieving these outcomes will require a change in perspective on the part of all actors within the triangle. The current moment is characterized by relatively conflictual relations between China and the US and major divisions among Latin American and Caribbean countries. Consistent with the themes raised in previous chapters, countries in the region can achieve more significant advance if they operate collectively and if the US and China cooperated around those issues on which they share goals.

The second section of the book focuses on regional and national issues, including five chapters selected to capture distinct dynamics operating in different parts of the region. The chapter on Central America, from Aaron Schneider and Henrique Estides Delgado, takes a subregional approach, addressing all six of the Central American countries, while the other chapters draw a single example from various regions, including North America (Mexico), the Southern Cone (Brazil), and the Andean region (Peru). On Central America, Schneider and Delgado argue that shared economic and strategic interests lie in a medium-term approach focused on structural change. Central America needs to upgrade the value of its exports, increase domestic consumption, especially for the most vulnerable, and advance regional integration. China could help by absorbing more Central American exports and helping to balance trade; invest in infrastructure, firms, and activities to encourage higher value-added exports; encourage the structural changes that raise domestic consumption, especially by the poorest; and invest in infrastructure that contributes to greater regional integration. Similar to earlier chapters, to take advantage of opportunities requires integration and collaboration among the Central American countries and can come to resemble the flying geese model that has served East Asia so well.

In a chapter on the vicissitudes of Mexico-China relations, Luz María Gallardo Castro and Juan Carlos Morales Marcucci review changes over the last decade, with an emphasis on the canceled Mexico-Queretaro Train and the Dragon Mart Project. Chinese infrastructure projects have represented a particular level of socioeconomic interaction and complexity, with potential for cooperation and development for the future, but the potential for trade and investment engagement must

be understood in the context of these significant cancelations. During the twenty-first century, the People's Republic of China has intensified its relationship with Mexico; becoming Mexico's second largest trading partner after the United States, but Mexico's close relationship to the US perhaps complicates the possibilities of any deeper interaction.

In their chapter on Sino-Brazilian relations, Jorge Arbache and Gabriel Condi note that China has been Brazil's largest trading partner since 2009, with a growing level of foreign direct investment. The chapter includes an historical perspective, discussing the range and nature of China-financed projects in Brazil over time, as well as the impact of the Chinese economic growth for Brazil. The study identifies strategic sectors with greatest potential to strengthen bilateral relations, including, but not limited to, value-added manufacturing production, green growth, education, science, technology, and innovation. The chapter is relatively optimistic in terms of positive-sum outcomes for Brazil and China but acknowledges the ongoing dispute for influence between the United States and China in Brazil and throughout Latin America, as exemplified by the experience with the COVID-19 pandemic.

The book ends with a final chapter taking a close look at Peru with comparisons to a host of similarly positioned countries from other regions, including the Philippines, Malaysia, and Indonesia. The chapter builds on the growing consensus among scholars that national and subnational dynamics in host countries matter to BRI projects and the different inflows of Chinese capital in general. By examining China's investments in Peru's extractives sector and a growing number of Chinese infrastructure projects, the chapter illustrates host country agency when interacting with the Chinese state and its firms. Despite China's overwhelming economic weight, host country actors have always mattered and play a role in shaping the progression or cancelation of deals, forcing Chinese leaders and firms to negotiate and seek agreement from national and subnational leaders, agencies, and communities in host countries.

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