

China's Expanding Interests in Latin America

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Hearing co-chairs Joshua Hodges and Reva Price and distinguished Members of the Commission, thank you for the opportunity to testify today.

China's economic engagement with Latin America and the Caribbean has undergone a meaningful transformation over the past several years. For much of the first two decades of the twenty-first century, China's presence in the region was defined by an expanding portfolio of sovereign lending, large-scale infrastructure development, and surging bilateral trade. That era has now given way to a more selective, strategically calibrated posture. It is one in which Beijing is retreating from some of the more visible, headline-generating forms of engagement while pressing forward with targeted activity in sectors it regards as central to its own economic future.

This shift is evident across multiple dimensions of the relationship. Although Chinese finance continues to support engagement across industries, the era of large-scale policy bank lending is largely behind us. After peaking at approximately \$29 billion in 2015, lending from the China Development Bank and China Export-Import Bank to the region fell to roughly \$1.1 billion in 2019—the lowest level since 2008—and has not meaningfully recovered. New regulations introduced in 2023 by China's National Financial Regulatory Administration, imposing stricter risk management standards on Chinese banks operating abroad, have reinforced this more cautious approach. As a result, over time, the commodity-backed loan agreements that once defined Beijing's financial engagement with the region have given way to a more selective, risk-aware approach to cross-border finance.

Chinese FDI flows to the region have also slowed. Growth in mergers and acquisitions and greenfield projects, which reached a record \$17.5 billion in 2017, have notably declined. Latin America's relative share of investment under China's signature Belt and Road Initiative also fell in recent years. The region received little more than one percent of Beijing's global BRI construction spending and 0.4 percent of outbound investment in the first half of 2025.¹ The decrease in FDI flows is due in part to an apparent shift by Chinese companies away from large infrastructure initiatives toward a focus on smaller, often market-seeking projects specific sectors of Chinese interest, especially at the higher end of the value chain.²

Recent Chinese policy will likely reinforce China's interest in selective and focused investment, whether at home, in Latin America, or in other regions. The 2025 Government Work Report underscored the development of "new quality productive forces" as a top national priority for the year, pledging state support for emerging technologies, such as biomanufacturing, quantum technology, embodied AI, and 6G telecommunications, and backing that commitment with a RMB 1 trillion national-level venture capital fund. The same report promised expanded support

for Chinese firms operating abroad, particularly in cross-border logistics and overseas production, as Beijing actively encourages its companies to diversify away from the United States and deepen ties with other markets. Latin America remains an important market for redirected activity.

The shift in China's overall approach also reflects lessons learned by Chinese companies and Latin American partners over more than two decades of engagement in the region. Chinese companies operating abroad are monitored more closely as Beijing, in the language of its own 2024 Third Plenum decisions, "braves uncharted economic waters." At the same time, concerns about strategic overextension, troubled high-profile projects, and labor and environmental controversies have nonetheless tempered Chinese actors' appetite for risk.

Demand among Latin American governments for certain forms of Chinese engagement has also moderated in parts of the region, reflecting political shifts, evolving assessments of national interest, and a growing recognition across governments and publics alike of mixed returns following decades of deepened economic relations with China. In some countries, prior negative experiences have prompted greater scrutiny of incoming projects. Elsewhere, as in Mexico, certain Chinese investments have been perceived as a threat to domestic industries. China's policy banks have pulled back from large-scale lending, as noted, but appetite for such financing among borrowers is equally subdued. Traditional recipients of Chinese state lending, such as Ecuador and Argentina, are in many cases no longer in a position to take on additional sovereign debt exposure, and some have actively sought to restructure existing obligations. More broadly, in an uncertain global environment, Latin American governments have grown increasingly deliberate about avoiding overdependence on any single partner.

The Effect of Current U.S. Policy

As domestic pressures and Latin American headwinds push Chinese actors toward greater selectivity, U.S. policy in the region is adding another layer of complexity to that calculus.

U.S. actions in the region, most consequentially in Venezuela, are likely to exert downward pressure on certain categories of Chinese engagement, particularly in domains that Latin American governments perceive as triggering red lines for U.S. policymakers, including critical infrastructure, surveillance technology, intelligence-adjacent partnerships, and projects that could be construed as generating vulnerabilities in the event of a future conflict. In many cases, host governments and Chinese actors alike would appear to be adopting a wait-and-see posture pending greater clarity or a change of direction in U.S. policy. Indeed, in China, debates about the appropriate scope and pace of engagement in Latin America have resurfaced in a way not seen since the Hu Jintao and Wen Jiabao era.

That said, the underlying drivers of China's engagement with the region have proven durable and continue to sustain the relationship. As it has for the better part of three decades, China continues to rely on the region as a supplier of key commodities and as a market for growing quantities of exports. High-technology goods are entering Latin American markets with growing intensity, as are lower-value consumer products, moving through e-commerce platforms and other channels. Latin America also remains central to China's food and broader supply chain security. The region

supplied approximately 75 percent of China's total soybean imports and approximately 98 percent of its lithium carbonate imports in 2024 and accounted for roughly one third of China's mineral imports in 2023. The region's reserves of lithium, copper, and other critical minerals have become an increasingly important part of China's upstream supply chain strategy.

If anything, trade is deepening, and remains, in my view, the primary vehicle of China's influence across the hemisphere. For many commodity exporters, Chinese demand is not just large, it is load-bearing. Some countries have built significant portions of their productive capacity around it, and genuine diversification, whatever its appeal, is a longer and harder road than often imagined. Chinese goods, some of which are produced with substantial state subsidies, are also embedded in regional supply chains and consumer markets in ways that are not easily unwound. Investment continues as well, if at a more moderate pace. Deals span technology, energy, infrastructure, and extractive industries, and are driven in no small part by the search for new markets for Chinese goods and the need to hedge against trade pressures elsewhere. Many of these projects are negotiated at the subnational level, well below the threshold of visibility that tends to attract U.S. and even national government attention.

China is not withdrawing from Latin America, in other words, even as U.S. positioning in the region calls certain Chinese projects into question. Anchored by the structural ties described above, Beijing remains a deeply embedded regional partner, even as the character of the partnership undergoes meaningful change. Pressure from Washington, the evolving interests of Latin American capitals, and China's own shifting domestic priorities will instead drive an active recalibration of China-Latin America engagement. Understanding this shift fully and across all its dimensions is a necessary foundation for any effective U.S. response.

Toward a More Competitive U.S. Posture

1. Ground U.S. policy in a full understanding of Chinese engagement.

Effectively addressing China's positioning in the Western Hemisphere requires a comprehensive and continually updated understanding of the full range of Chinese activity in the region. The debate in Washington has naturally gravitated toward the most visible and quantifiable forms of that activity, including port infrastructure, diplomatic recognition campaigns, BRI membership, for instance, but attention should also be paid to dimensions of engagement that are less legible and, over time, no less consequential, such as technology integration, venture capital positioning, supply chain development, and the patient cultivation of bilateral political relationships through exchanges and technical cooperation.

A framework calibrated to China's engagement in 2015, characterized by large-scale infrastructure lending and BRI branding, is ill-equipped to fully capture China's engagement with the region in 2025, which is in many cases outcompeting U.S. and other foreign firms across key sectors, deeply embedded in public works throughout the region, accumulating positions in the venture capital ecosystem, and leveraging technical cooperation to establish a presence across key industries. China's activity in the region is also dynamic and multi-dimensional, so that a policy lens narrowed specific, one-off projects and other discrete concerns captures only a fraction of its implications for U.S. interests. An overly narrow policy lens also

risks inverting the priority, or orienting U.S. policy around constraining China rather than around the harder, more important work of deepening U.S. engagement with the region.

2. Move beyond “sticks.”

Recent U.S. efforts to derail projects of concern, including through the sanctioning of officials in Chile and elsewhere, have in some cases achieved their immediate objective. And, as noted above, broader uncertainty about the boundaries of U.S. policy is likely to dampen Chinese deal-making in the near term. A strategy built predominantly around coercive instruments is unlikely to prove sustainable, and still less likely to yield the durable outcomes that U.S. interests and those of regional partners ultimately require. Pressure can alter behavior at the margins, but it cannot substitute for the deeper foundations of a competitive presence. Nor is it viable to ask countries to choose between accommodating U.S. demands and protecting their own economic interests, as recently established framework trade agreements aim to do. These and other measures are unlikely to produce the kind of willing, stable partnerships that durable hemispheric engagement requires.

It remains my view that constructive engagement, deployed through the widest possible range of economic and diplomatic instruments, is an indispensable component of any serious hemispheric strategy. Foreign assistance, educational exchange, security cooperation, and diversified economic engagement have historically distinguished the United States from China in the region, not as ancillary programs, but as expressions of a long-term commitment to hemispheric stability and shared prosperity. Subordinating or sacrificing these tools in favor of a predominantly coercive approach risks undermining the foundation on which American influence in the region has rested. It also cedes to China precisely the ground that the United States has worked to build over the course of many decades.

Among the most consequential investments the United States can make in the region is in supply chain integration that creates genuine and lasting value for Latin American partners. What the region needs, and what would bind it most durably to the United States, is investment in local production capacity, technical assistance, and skills development, or the kind of deep supply chain integration that allows Latin American countries to move up the value chain rather than remain suppliers of raw materials—a role often-reinforced by China's engagement model.

The critical minerals sector illustrates the opportunity. Some of the world's most significant reserves of lithium, copper, cobalt, and other materials, all essential to the energy transition and to advanced manufacturing, are based in Latin America. China has already established dominant positions in processing and refining these materials, replicating in critical minerals the same playbook it executed in strategic infrastructure, telecommunications, and energy transmission. The United States has the opportunity to partner with Latin American governments and companies to develop not only extraction but also domestic processing and value-added manufacturing capacity, creating the kind of integrated, resilient supply chains that serve both American industrial policy objectives and regional development goals. This is precisely the kind of engagement that would differentiate the United States from China, which has promised much in this respect, but delivered relatively little.

There is already institutional architecture in place to support this kind of engagement. The Inter-American Development Bank and CAF-Development Bank of Latin America, bring unmatched regional expertise, established relationships, and considerable deployment capacity. Through a collaborative capital model led by the U.S. International Development Finance Corporation, the United States can create a pathway to deploy and crowd in institutional capital, including that of IDB Invest, at a fraction of the cost of unilateral action. The IDB's scaled projects are, in most all cases, squarely aligned with U.S. interests, and its reputation and operational depth in the region are assets the United States would be poorly advised to overlook at this moment.

Through this model, the DFC can create targeted vehicles in sectors of strategic interest to both the United States and its regional partners, including transport infrastructure, venture capital, and critical minerals. The DFC's investment in Techmet's Brazilian nickel and cobalt project, which was aimed at supplying the electric vehicle industry, is an instructive example of what this mechanism can accomplish. Scaling efforts of this kind, and crowding in additional regional financial institutions such as CAF, would generate meaningful returns for the region—and would do much to reassert U.S. economic leadership at a moment when that leadership is increasingly in question.

Central to these propositions is a recognition that a stable and prosperous hemisphere is a direct U.S. national interest in its own right—that is, that economic stability reduces irregular migration, limits the space for transnational criminal networks, anchors democratic governance, and creates markets for American goods and investment. These are outcomes worth pursuing on their merits, independent of any calculus about China. Still, at present, the U.S. approach to Latin America is broadly perceived in the region as a China policy implemented in Latin America, and one in which the countries of the region figure primarily as theaters of competition rather than as partners with legitimate interests and priorities of their own. Active, sustained, and reciprocal engagement across domains would help to shift that perception, reassert U.S. positioning across the hemisphere, and generate the kind of long-term goodwill that coercive tools cannot produce and cannot replace.

3. Seize the moment.

On balance, recent U.S. actions in the region have generated an unfavorable reception, notwithstanding the efforts of some governments to signal alignment with Washington. Aggressive rhetoric, trade actions, and demands for deference on questions of sovereignty have, in general, done little to win over Latin American publics or governments.

Yet China's position in the region is not without its own tensions. Latin American countries with significant industrial capacity, such as Brazil, Mexico, Colombia, are confronting the consequences of Chinese industrial policy with increasing concern and directness. China exported a record 110 million tons of steel in 2024, a surge of nearly 23 percent from the prior year driven by weak domestic demand and state-subsidized overcapacity. The Latin American steel sector has responded with a wave of trade defense actions. Mexico, Brazil, Chile, Colombia, and Peru have all imposed duties or opened investigations on Chinese steel products. Mexico launched anti-dumping investigations into hot-rolled steel, aluminum products, adult bicycles, and footwear from China in 2025, and has been debating significant additional tariff

hikes across automobiles, textiles, and plastics. These are not the behaviors of countries that regard China as a straightforward economic partner with aligned interests.

The pattern now extends well beyond steel and will increasingly affect new sectors. The flood of Chinese cars, consumer electronics, and manufactured goods has prompted anxiety across Latin American industrial sectors that had hoped Chinese engagement would support, rather than displace, domestic productive capacity. There is little reason to expect that pressure to ease. Overcapacity at home and trade barriers elsewhere are pushing certain Chinese exporters ever further into Latin American markets, and the competitive squeeze on regional producers is likely to intensify before it relents.

This moment presents the United States with a genuine opening. Growing regional unease about the displacing effects of Chinese trade and market-seeking investment creates demand for an alternative model, defined by a commitment to supporting industrial development, building value chains rather than drawing from them, and engaging seriously with the region's own economic aspirations.

¹ Christoph Nedopil, "China Belt and Road Initiative (BRI) Investment Report 2025" (Griffith Asia Institute and Green Finance & Development Center, FISF, January 2026), <https://greenfdc.org/wp-content/uploads/2026/01/Nedopil-2026-China-BRI-Investment-Report-2025.pdf>.

² Margaret Myers, Ángel Melguizo, and Yifang Wang, "New Infrastructure: Emerging Trends in Chinese Foreign Direct Investment in Latin America and the Caribbean," Inter-American Dialogue, January 2024, <https://www.thedialogue.org/wp-content/uploads/2024/01/Emerging-Trends-in-Chinese-Foreign-Direct-Investment-in-LAC.pdf>.