Testimony before the U.S.-China Economic and Security Review Commission

Hearing on "China's Expanding Interests in Latin America: Development, Leverage, Coercion, and Crime"
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Commissioner Joshua Hodges and Commissioner Reva Price, and other esteemed members of the Commission, thank you for the opportunity to testify on China's evolving strategies to build influence in Latin America and the Caribbean (LAC). I have spent more than a decade dedicated to the examination China's commercial and investment exchanges with LAC countries, identifying trends and strategies used by Chinese firms, state and non-state actors and, most importantly, the diverse views and responses from Latin America.

While I am affiliated with The Atlantic Council as a Non-resident Fellow, the information provided in this written testimony and during the hearing are my own and are not representative of the organization's views or positions. I also take individual responsibility for any unintended mistakes and/or misrepresentations. I hope this testimony helps the Commission in the creation of policy recommendations and actionable plans that lead to productive, sustainable, and constructive engagement with LAC countries in today's changing global and regional systems.

The following information includes some observations and data from my research and from other scholars.

1. **China's economic influence in the LAC region has been consolidated through a pragmatic, strategically selective, and adjustable approach**

The LAC-China relationship is one that has experienced gradual and yet significant changes in the last twenty-five years, facing periods of quick development, expansion, stagnation, and re-engagement. In some instances, ties with China did not even develop as it is the case of Paraguay. The country has remained as the only South American state without official diplomatic ties with China. In 2023, the establishment of diplomatic relations with China became an important election topic, yet Paraguay's foreign policy toward the Asian country did not change post-elections.[1] This shows that Chinese engagement in the LAC region and the latter's responses have not been homogeneous. Since the year 2000, China has opted for an approach that is pragmatic, strategically selective, and adjustable—whether at a regional level or at a bilateral level—when engaging with the LAC region. In fact, some LAC

[1] Julierta Heduvan, "Paraguay's new government remains loyal to Taiwan," *East Asia Forum*, 15 August 2023. https://eastasiaforum.org/2023/08/15/paraguays-new-government-remains-loyal-to-taiwan/

experts and scholars indicate that China's capacity to adjust to each LAC country has played an important role in supporting the consolidation of its influence in LAC.[2]

China's pragmatism has helped the country in building networks and economic structures that respond to many of the development interests pursued by the LAC countries China engages with, including infrastructure investment, greater national and regional connectivity, as well as green technology and renewable energy. In other words, China is playing a long game and has presented itself as a *mutually beneficial partner* that provides new and/or alternative deals, and which prioritizes economic diplomacy and economic statecraft instead of using coercive pressure and dominance to conduct diplomacy in the region.[3] Yet for LAC countries, some interactions with China are more constructive than others, depending on how they balance their national economic interests with their foreign economic policy.

China's main economic interactions in LAC during the last two decades have centered on the same group of countries, mainly in the South American bloc including Argentina, Brazil, Chile, and Peru, which are also among the largest and most active economies in the region.[4] Ties with other LAC countries are more limited and/or have been developed more recently when compared to their regional counterparts. While Mexico is China's largest partner in Central America, its closer ties with the United States have curtailed deeper bilateral exchanges. More recently, increased economic ties with Uruguay and Colombia, for example, reflect that bilateral dynamics are not driven by just how China may benefit but also, what factors led these countries to engage more with China.

For Uruguay, China has become an important market for its soy and beef exports, which in the second semester of 2025 represented about 42% and 20% of exports share, respectively. China is also a key source of imports for Uruguay's auto (tourism transportation) and technology (mobile phones) sectors.[5] For Colombia, the U.S. longstanding ally in the Southern American bloc, increased engagement with China has garnered criticism and scrutiny from Washington. However, it did not stop Colombian officials from welcoming Chinese companies in the construction of and the supply of trains for Bogota's metro system as the city seeks to ease traffic bottlenecks.[6]

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[2] See "La diplomacia de asociación de China y América Latina" [China's Partnership Diplomacy with Latin America], *Historia Actual Online*, 68 (3), 2025, pp. 191-210.

[3] See Gerarldo Torres Valdes, "Vis-à-vis: las estrategias de cooperación de China y los Estados Unidos con América Latina" [Vis-à-vis: The cooperation strategies of China and the United States with Latin America], *Mundo Global*, 27 February 2026. https://mundoglobal.org/vis-a-vis-las-estrategias-de-cooperacion-de-china-y-estados-unidos-con-america-latina/

[4] See Margaret Myers, Angel Melguizo, and Yifang Wang, "New Infrastructure: Emerging Trends in Chinese Foreign Direct Investment in Latin America and the Caribbean," *The Dialogue*, China-LAC Report, January 2024.

[5] "Relaciones Comerciales Uruguay-China" [Commercial Relations Uruguay-China], *Instituto de Negocios Internacionales y la Universidad Católica de Uruguay*, Report No. 29, Year 14, July – December 2025, 4 March 2026.

[6] See Richard Emblin, "First Metro Train for Bogotá Arrives in Colombia," *The City Paper Bogota*, 2 September 2025. https://thecitypaperbogota.com/bogota/first-metro-train-for-bogota-arrives-in-colombia/

To note, greater and/or increased Chinese economic influence does not automatically indicate unilateral control. As seen in the case of Costa Rica, although it officially established diplomatic relations with China in 2007 and signed a free trade agreement (FTA) with China in 2010, what was viewed as the beginning of Chinese dominance in Costa Rica's market and key sectors, over time, the reception and perception of Chinese investments and trade were mixed, such that commercial ties stagnated. To an extent, this was due to the country's size, the number of economic sectors China was interested in, and geography. Moreover, for Costa Rica, exchanges with its Central American partners and the United States were of greater priority.[7]

In this sense, deeper engagement with China in LAC was not only dependent on China. LAC countries were also active participants in the exchanges. China's capacity to adjust to the responsiveness of its Latin American partners, which can vary depending on changes of administration and ideological shifts, institutional challenges, or internal crises, helped China maintain a constant presence—sometimes more active and other times more passive—in the region. Even amid increased military U.S. action in LAC, China has indicated that it will remain a *friendly partner* regardless of a country's ties with the U.S.[8] To an extent, it seems that this response from China is reciprocated. Venezuela's newly sworn interim President, Delcy Rodriguez, indicated that Venezuela and China are engaged in a "iron sisterhood, based on mutual respect and development."[9] Yet as LAC countries are faced with more pressures of whether to maintain or deepen ties with China, the regional response is not expected to be homogenous. As highlighted in the Associated Press, this will result in a Latin America caught up in (and divided by) a zero-sum game of choosing between two powers.[10]

2. **Trade and investment in raw materials continue to be important drivers in China's economic exchanges, particularly those related to energy transition**

Due to Latin America' natural endowments, the region is well positioned to supply critical raw materials and commodities to international markets. Most recently, following global trends, the region has also gain prominence as a source of materials for clean energy technologies, including copper (Chile and Peru), lithium (Chile, Argentina, Bolivia), nickel (Brazil, Colombia, Guatemala), silicon and rare earth metals (Brazil). LAC exports to China reflect this global demand as well.

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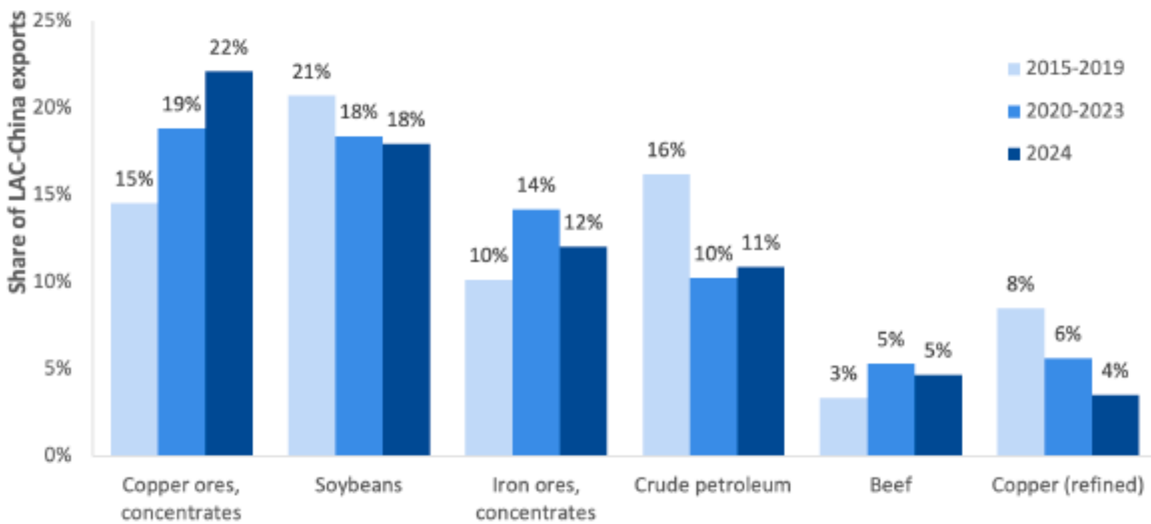
[7] See Carol Wise and Victoria Chonn Ching, "Conceptualizing China-Latin America relations in the twenty-first century: the boom the bust, and the aftermath," *The Pacific Review*, Vol. 21, Issue 5, pp. 553-572.
[8] Michael Martina, Trevor Hunnicutt, and David Brunnstrom, "With Venezuela raid, US tells China to keep away from the Americas," *Reuters*, 11 January 2026. https://www.reuters.com/world/china/with-venezuela-raid-us-tells-china-keep-away-americas-2026-01-11/
[9] "La relación de Venezuela con China "es una hermandad de hierro", dice Delcy Rodríguez" [The relationship between Venezuela and China "is an iron sisterhood", says Delcy Rodríguez], *RT*, 8 January 2026. https://actualidad.rt.com/actualidad/581257-rodriguez-relacion-venezuela-china-hermandad-hierro
[10] Didi Tang, "Trump takes forceful steps to pressure Latin American leaders to reduce China ties," *Associated Press*, 5 March 2026. https://apnews.com/article/china-trump-latin-america-peru-chile-panama-4ffccc6a6ab67cb82e038fda664ec759?utm_source=substack&utm_medium=email

Trade

According to the most recent China-LAC Economic Bulletin by Boston University Global Development Policy Center (GDPC), the export of raw materials and commodities to China from the region has remained consistent during the last two decades.[11] Yet, in the last five years, the LAC region has solidified its importance in China's own plans in energy transition. As observed in Figure 1, copper ores and concentrates have increased their export share to China from 2015 to 2024. Other commodities such as soybeans, iron, and crude oil have maintained their top positions, remaining unchanged in the last decade.

Figure 1: Main LAC Exports to China, 2015 – 2024



Source: Rebecca ray and Enrique Dussel Peters (2025). "China-Latin America and the Caribbean Economic Bulletin 2025 Edition," *Boston University Global Development Policy Center*, Figure 5, p. 11.

The increase of raw material exports with no value added reinforces long-standing discussions about deindustrialization concerns in the region. Just in 2024, one-third of LAC mining exports were destined to China and the regional deficit with the Asian country increased to 1.4% of the region's GDP.[12] However, at an individual level, bilateral trade with China can be more complex.

In Uruguay, a country with scarce minerals, the increase of soy and beef exports to China due to the redirection of trade caused by the global tariffs imposed by the U.S. contributed

[11] Rebecca Ray and Enrique Dussel Peters, "China-Latin America and the Caribbean Economic Bulletin 2025 Edition," *Boston University's Global Development Policy Center*, 2025. https://www.bu.edu/gdp/files/2025/12/GCI-China-LAC-Bulletin-2025-EN-FIN.pdf

[12] Ibid, p. 9.

to Uruguay's surplus in its bilateral commercial ties with China from 2024 to 2025.[13] Increased trade exchanges with China also helped the South American country create a new market for related beef products. In Peru, which has an FTA with China since 2009 and is one of China's top commercial and investment partners in LAC, asymmetric trade exchanges and re-primarization concerns have not undermined the search for more diverse market opportunities in China to reach more balanced commercial ties. For example, Peru has targeted niche sectors (e.g., quinoa, alpaca) to sell to China. Although the volume is not significant, it has opened the path for medium-sized and smaller Peruvian businesses interested in the Chinese market.

Nevertheless, China's trade patterns in LAC during the last two decades reflect China's own economic goals which, according to its 15th Five-Year Plan, it now prioritizes green technology and green transition.[14] For the region, while it reinforces the export of raw materials, it is also creating opportunities for economic and investments projects that can respond to LAC's own energy transition needs and objectives. Yet, whether the region can seize this opportunity also depends on each country's institutional and governance capacity and infrastructure.

Investments

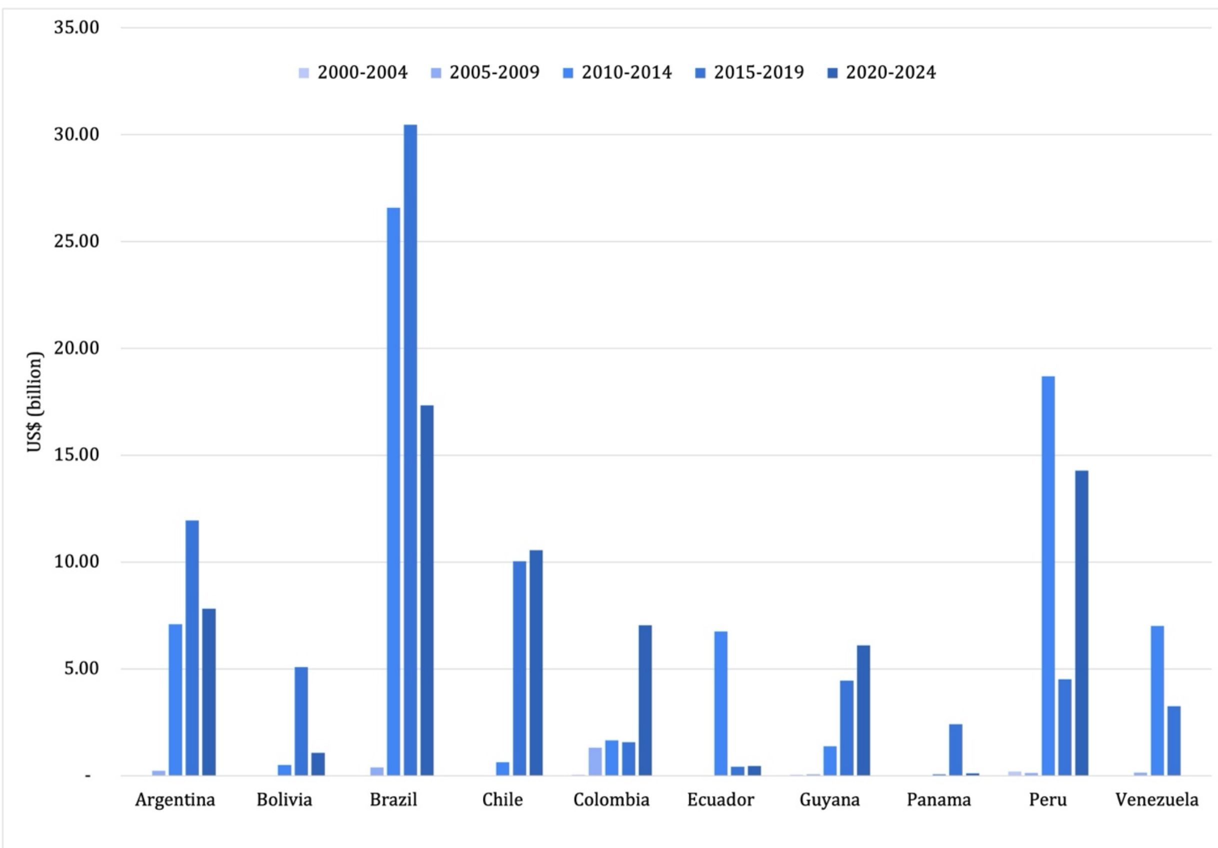
Compared to the early 2000s up until the mid-2010s, China has shifted its attention from mega investments to projects that are smaller and more focused on strategic areas.[15] This has led to the slowing down of investments at a regional level. Using data from the Regional Repository of Chinese investment in Latin America by ICLAC, the period between 2015 and 2019, Chinese foreign direct investment (FDI) in LAC reached over US$ 70 billion, whereas the period between 2020 and 2024 saw a decrease—mainly driven by Brazil—where investment reached about US$ 68 billion.[16] The GDPC's economic bulletin observes the same trend, with a variation in the amount invested: US$ 69 billion for the first period (2015-2019) and US$ 62.9 billion for the latest period (2020-2024).[17] This variation in investment totals is due to challenges in tracing Chinese investment in LAC with precision. In some instances, databases use different categorizations for Chinese investments—while some sources record announced investments, others only consider investments in which actual financing has occurred and/or which have reached a completion stage. In other cases, it is unclear whether an investment is of Chinese origin due to the use of tax havens,

[13] Instituto de Negocios Internacionales y la Universidad Católica de Uruguay, "Commercial Relations Uruguay-China," 2026 (see footnote 5).
[14] See Xinhua, "China's adoption of green code paves way for sustainable future," 12 March, 2026. https://english.news.cn/20260312/efa955e89a004eeb98a74a765d0128c7/c.html
[15] Myers et al., "New Infrastructure," 2024.
[16] Francisco Urdinez and Margaret Myers, "Trends in Chinese FDI in South America: Findings from the Regional Repository of Chinese Investments in Latin America," *ICLAC*, 2025.
[17] In this instance, the GDPC uses investment data from the Red ALC-China Monitor OFDI. See https://redalc-china.org/monitor

subsidiaries, or third-party financing.[18] In this section, my observations rely on ICLAC's database.

Like trade, Chinese investments are centered on a group of countries, namely, the largest economies of the region and/or those that help China meet its development and national interests (see Figure 2). This means that countries like Brazil, Peru, Chile, and Argentina have, on average, been the main recipients of Chinese investment in the LAC region. This echoes the observations in the previous section, in which China can be strategically selective in how it engages with LAC as well as which countries to prioritize. In this case, the main LAC destinations of Chinese FDI coincide with the main LAC country-exporters to China, indicating a degree of complementarity between China's investments and trade. Earlier assessments of the nature of Chinese FDI in the region highlight how some Chinese investment projects—particularly those in the extractive sectors—have provided support for the more efficient trade of minerals to China (e.g., transportation infrastructure).

Figure 2: Main recipients of Chinese FDI in LAC, 2000-2024



Source: Author's elaboration using data from Francisco Urdinez and Margaret Myers

[18] For further discussion, see Rhys Jenkins, "Chinese Foreign Direct Investment in Latin America and the Caribbean: What We Know and What We Don't Know" in *China's Overseas Foreign Direct Investment in Latin America and the Caribbean* (ed. Enrique Dussel Peters), Red ALC-China, 2025, pp. 7-41.

(2025). "Regional Repository of Chinese Investments in Latin America," ICLAC and Inter-American Dialogue.

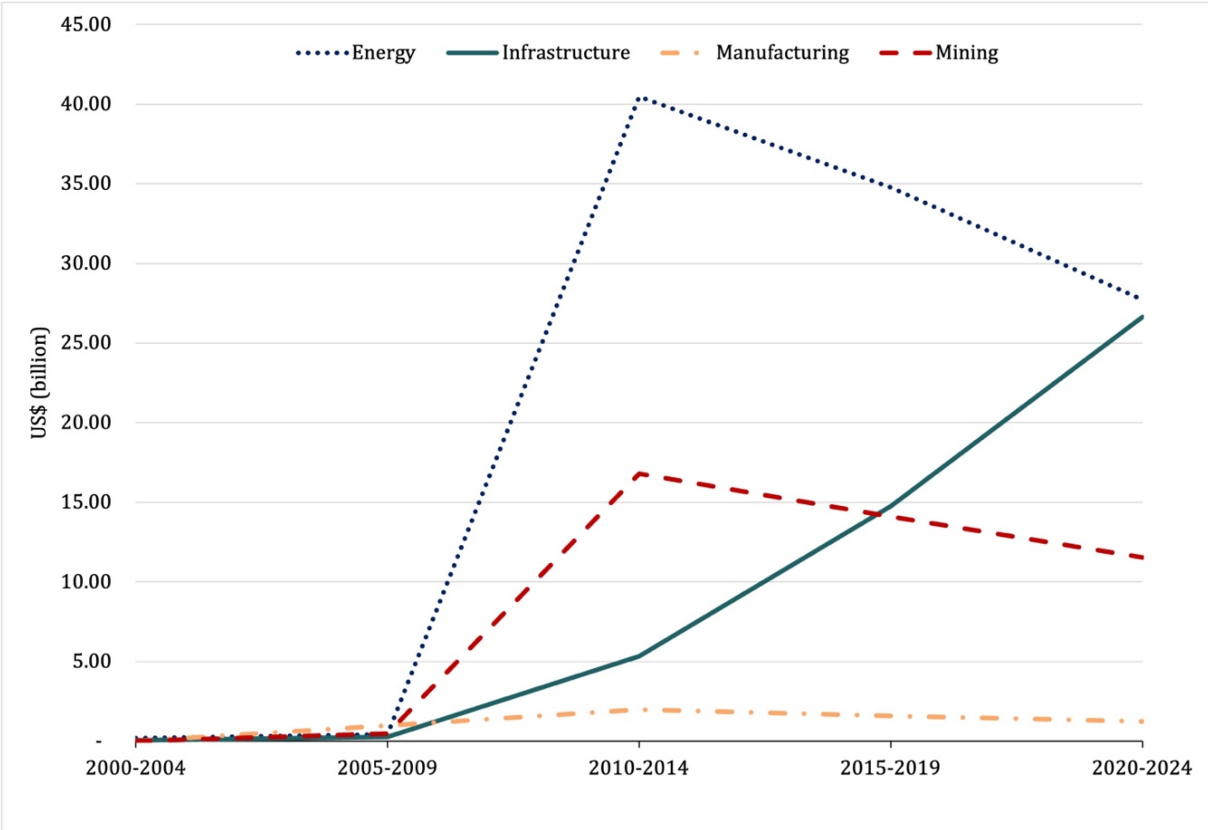
Notes: The data excludes investments that have not moved beyond the announcement phase.

The main sectors Chinese firms have invested in LAC include the mining and energy sectors. Yet the shift in development and national goals to center on green technology, innovation, and increased connectivity has led to the gradual expansion to these areas. This has meant a growth in energy transmission and energy transition projects as well as infrastructure, with greater interest in cross-regional connectivity and green transportation. Projects in the energy sector (renewable energy and energy transmission) dominated Chinese FDI in region up until the mid-2010s. Since then, LAC countries have seen an increase in infrastructure projects centered on transportation (see Figure 3).

The GDPC records that, since 2015, an increased number of Chinese companies have engaged in transportation projects in Mexico and other Central and Caribbean countries. In South America, Colombia and Chile have used Chinese contractors to build their metro systems and purchased Chinese electric vehicles for public transportation, respectively. In Panama, which is the first LAC country to participate in and also leave the Belt and Road Initiative (BRI) after seven years, planned the development of a metro system using the China Railway Design Corporation and China Railway Tunnel Group. The most recent cancellation of the port-deal with Hong Kong's CK Hutchinson by the Panamanian government captures the balancing act LAC countries face as they navigate competition between two key partners with the pursuit of national interests and the need to address infrastructure gaps.[19] One question in this scenario is, what are the existing and viable alternatives—not given China's absence, but when China is also present? Are these options sustainable and not temporary fixes?

[19] For the cancellation of CK Hutchinson's deal, see Anniek bao, "Panama cancels China-linked port deal, hands canal terminals to Maersk, MSC," *CNBC*, 23 February 2026. https://www.cnbc.com/2026/02/24/panama-officially-voids-annuls-ck-hutchison-contracts-interim-control-maersk-msc-canal-dispute.html

Figure 3: Main Sectors of Chinese FDI in LAC, 2000-2024



Source: Author's elaboration using data from Francisco Urdinez and Margaret Myers (2025). "Regional Repository of Chinese Investments in Latin America," ICLAC and Inter-American Dialogue.
Notes: The data excludes investments that have not moved beyond the announcement phase. Sectors that have received Chinese FDI but remain significantly small (e.g., real estate, ICT) have been excluded.

In terms of modality, the majority of Chinese FDI in the region is through mergers and acquisitions (over 40%). Greenfield investments, or those investments that required to be built from the ground up, represent about 29%, while joint ventures share less than 10% of the total Chinese FDI in LAC.[20]

3. When given the opportunity, China fills in existing gaps and/or gets involved in areas where it has comparative advantage

In her work on Chinese strategies to become a global power, Oriana Skylar Mastro argues that China seeks opportunities and exploits areas with gaps or where other players are not active, and gets involved where it has competitive advantage.[21] This can be seen in the LAC

[20] Francisco Urdinez and Margaret Myers, "Trends in Chinese FDI in South America: Findings from the Regional Repository of Chinese Investments in Latin America," *ICLAC*, 2025.
[21] See Oriana Skylar Mastro, *Upstart: How China Became a Superpower*. Oxford University Press, 2024.

region, where the presence of Chinese companies in important investment projects has underlined the absence and the exit of U.S. companies as well as from other countries.

One example is the purchase of Brazilian Odebrecht's assets after the 2014 money laundering scandal that brought down Brazilian government officials, including then President Lula da Silva, and prominent figures in other LAC countries. They were accused of accepting bribes to bypass regulations and policies in different infrastructure and construction projects.[22] In this instance, Chinese firms made their entry into the hydropower sector following the exit of other foreign firms. The Chaglla hydroelectric plant project in Peru, initially owned by Odebrecht, was acquired by China Three Gorges in 2017. During this same year, a 30-year concession of the San Gaban III power station was awarded to a consortium formed by China Three Gorges and Energía de Portugal (EDP).[23]

Another example is the acquisition of U.S. firm, Sempra Energy, actives by China Yangtze Power Co., a subsidiary of China Three Gorges, in 2020.[24] The assets divested by Sempra included the ownership of Luz del Sur, which provides energy to about 29% of Peru's market.[25] Three years later, Italian state-owned enterprise (SOE) ENEL also left the Peruvian market and was acquired by the Chinese firm China Southern Power Grid. With this transaction, two Chinese SOEs were poised to have control over 100% of the energy supply in Peru's capital, Lima, and an important share of the country's power generation and distribution industry, creating concerns of a monopoly.

According to Peruvian law, no more than one company from the same economic group can participate in the same tender or sector to ensure fair competition.[26] Yet in 2017, as explained by researchers from CECHAP, an exception was granted to SOEs that belonged to countries classified as having investment-grade ratings.[27] Moreover, the purchase of ENEL led to two phases of investigations, after which INDECOPI—Peru's agency to ensure fair competition and the protection of property rights—approved a conditional sale.

[22] Jonathan Watts, "Operation Car Wash: Is this the biggest corruption scandal in history? *The* Guardian, 1 June 2017. https://www.theguardian.com/world/2017/jun/01/brazil-operation-car-wash-is-this-the-biggest-corruption-scandal-in-history
[23] "China Three Gorges acquires hydroelectric project from EDP Peru," *Red Global*, 1 August 2022. https://reglobal.org/china-three-gorges-acquires-hydroelectric-project-from-edp-in-peru/
[24] "Peru clears the sale of Sempra's power assets to China Yangtze Power," *Enerdata*, 14 April 2020. https://www.enerdata.net/publications/daily-energy-news/peru-clears-sale-sempras-power-assets-china-yangtze-power.html#:~:text=Sempra%20Energy%20has%20received%20all,an%20agreement%20in%20October%202019
[25] Ibid.
[26] Per Peruvian law, SOEs listed under China's State-owned Assets Supervision and Administration Commission (SASAC) are categorized as belonging to the same economic group.
[27] Cynthia A. Sanborn, Amanda Pareja, and Diego Quispe, "De Marcona a Chancay: La presencia económica y empresarial china en el Perú, 1992-2003" [*From Marcona to Chancay: The Chinese Economic and Entrepreneuria Presence in Peru, 1992-2023*], *Universidad del Pacífico Fondo Editorial,* Research Document No. 28, 2024.

Over the years, the dominance of Chinese firms in important sectors in the region has led to the questioning of whether they may receive special treatment. The above cases led to discussions about the precedent that these cases may have set for future investment transactions—whether with Chinese or non-Chinese firms—in Peru, and whether better investment frameworks may need to be created in the categorization of companies investing in the countries, the nature of the investment, as well as the importance of an investment deal for national interests. However, this discussion also needs to be accompanied with the strengthening of institutions as well as governance improvement—both of which are areas that the country, and most of the region, face long-term challenges.

Nevertheless, in the last ten years, China has made headway in investing in areas key to the region's development goals and in which the U.S. and other traditional partners have not focused on—namely, closing infrastructure gaps and green technology and mobility, as also explained by economists specialized in green investments.[28] The recent purchase of Chinese electric buses in Chile for public transportation makes China a key partner in the country's energy transition process and its goals of reaching zero-emissions targets. At the same time, it also supports the expansion and competitiveness of Chinese electric vehicle (EV) brands like BYD in Latin American markets.[29]

To note, the seizing of opportunities has not been limited to the investment sector or solely to Chinese firms. Following the onset of the U.S.-China trade war in 2018, the establishment of global tariffs by the U.S., and current shifts in global trade, LAC agro-exporters have benefitted from greater sales to the Chinese market. For instance, despite the closer relationship between its president, Javier Milei, with the current U.S. administration, Argentina has seen its highest levels of trade with China: exports to China increased 61% in 2025, with agricultural products representing about 88% of exports share.[30]

4. **There is a variety of Chinese firms operating in LAC countries, from large central SOEs to medium-sized firms that respond to subnational governments, as well as private firms—some of which are part of the Chinese diaspora**

When discussing the presence of Chinese firms in the LAC region, the automatic assumption is that most firms are SOEs that mainly respond to China's central government—in this case, led by the Chinese Communist Party (CCP). While key projects are usually dominated by these central SOEs, there is also a significant participation of provincial and even municipal SOEs, as well as privately owned firms. A study by CECHAP in Peru shows, for example, that 36% of Chinese companies registered in Peru are SOEs owned by the central government, 13% are owned by subnational governments, and 32% are considered as having private ownership.[31] Does this differentiation matter?

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[28] See Tang, "Trump takes forceful steps to pressure Latin American leaders to reduce China ties," 2026.
[29] Joh Bartlett, "Chile looks to charge ahead in the switch to EVs," *Dialogue Earth*, 13 November 2025. https://dialogue.earth/en/energy/chile-looks-to-charge-ahead-in-the-switch-to-evs/
[30] Maria Cervantes, "Exportaciones de Argentina a China se disparan 61% en 2025 y alcanzan récord de US$ 9.765 millones," *China en las Américas*, 4 March, 2026. https://chinalasamericas.com/2026/03/04/exportaciones-argentina-china-record-2025/
[31] Sanborn et al., "From Marcona to Chancay," 2024, pp. 13-4.

Although there is a scarcity of studies examining these different SOE categories and the extent to which they could be relevant to the development of bilateral economic ties, some analysts point out to the lack of empirical evidence to confirm that these Chinese firms mainly prioritize political interests over market needs. According to Rhys Jenkins, Chinese SOEs in the LAC region have some autonomy from the Chinese central government, especially those from subnational governments. While they generally respond to national interests such as resource seeking, others center on pursuing market interests and expansion.[32]

Chinese private firms have also participated in significant investment projects and economic deals in LAC, such as Junefield in Peru's mining industry and Zhongrong Xinda in energy. Yet sometimes, depending on the sector, the Chinese state remains present by having someone at a top position who has an affiliation with the CCP.[33] This raises questions of the impact this presence may have on how a firm prioritizes its market objectives; however, there is no clear evidence that these firms are mainly driven by ideological or political objectives.

Another smaller category of private firms in the region are companies that are from the Chinese diaspora. There are limited studies on the significance that this group may have on bilateral relations with China; however, their participation in different business associations and chambers of commerce indicates their relevance in the complex economic networks that support China's influence and especially image in different LAC countries.

5. **Chinese firms' compliance and accountability depend on the host country's ability and capacity to enforce policies and ensure transparency**

Research on Chinese firms' compliance in the extractive sectors and other industries indicate that they will do as much or as little as it is demanded by the host country.[34] During the last two decades, there are visible efforts among LAC countries in demanding the following of international standards and the compliance of local labor and environmental policies and regulations, resulting in the coordination and negotiation between and with multi-level government actors, as well as local businesses, civil society, and local communities.

The earlier example of Chinalco in Peru during the relocation of the Toromocho mining town in 2013 showed that not all Chinese firms behave the same. When faced with local demands and the need to ensure the construction of an open pit mine, Chinalco held roundtable discussions with local residents and community leaders, and took responsibility

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[32] Rhys Jenkins, "Chinese Foreign Direct Investment in Latin America and the Caribbean: What We Know and What We Don't Know" in *China's Overseas Foreign Direct Investment in Latin America and the Caribbean* (ed. Enrique Dussel Peters), Red ALC-China, 2025, pp. 7-41.
[33] Ibid., pp. 27-30.
[34] See Cynthia A. Sanborn and Victoria Chonn Ching, "Chinese Investment in Peru's Mining Industry: Blessing or Curse?" in *China and Sustainable Development in Latin America: The Social and Environmental Dimension*, edited by Rebecca Ray, Kevin Gallagher, Andrés López, and Cynthia Sanborn, Anthem Press, 2017.

for the construction of a new town.[35] Although dissatisfaction in the new town emerged years later due to less economic activity in the new location, this case is characterized by Chinalco's responsiveness and its due diligence in the early stages of the project. Conversely, the case of Coca Codo Sinclair in Ecuador encapsulates the challenges of balancing the pursuit of national infrastructure and energy interests with local socio-environmental concerns, conducting proper due diligence, and economic, financial, as well as political institutional weaknesses.

Initially a project that focused on the construction of a hydroelectric plant by China's Sinohydro, Coca Codo Sinclair was expected to transform energy supply in Ecuador. However, today it is a costly mega project filled with structural issues, and which has spanned at least four different administrations to become operational. It has also put at odds Ecuadorian government officials with Chinese companies and Chinese finance institutions. Until last year, what was disputed was whether the Ecuadorian state or the Chinese firm, PowerChina (Sinohydro's parent company), was responsible for the management and control of the plant, as well as its maintenance and operation.[36] Since its inception, experts have pointed out to the lack of transparency of the deal, which includes a study that failed to assess the seasonal changes in water flows by the host country, and the inadequate examination of the financing conditions initially set by the Chinese parties.

Generally speaking, Chinese firms follow local regulations and standards insofar as the host country has the institutional structures and architecture to monitor and ensure compliance from all investments. This means that the demand for transparency and accountability is not solely dependent on Chinese stakeholders but also, the degree to which host country stakeholders decide to treat Chinese firms differently or enforce the rules across the board.

6. **In the current global juncture, characterized by geopolitical rivalries and slowed growth, China has positioned itself as a "complementary competitor" in the LAC region**

China's presence and influence in the LAC region is founded on economic ties, initially centered on trade exchanges and supported by investments that complemented commercial dynamics. China's own economic, industrial, and development needs have expanded the areas of engagement in the region, including global initiatives such as the BRI. As indicated earlier, Chinese influence has been supported by its economic diplomacy and statecraft, building networks of partnerships that adjust according to what China wants, what it can offer, as well as what the host country wants, when, and under what conditions. Doing business with China or negotiating investments with China then involves dynamics with multiple actors, sometimes at different government levels. This echoes some of China's economic engagements in other regions where the success or failure of a

[35] Ibid.
[36] Allen Panchana, "Ecuador drops dam dispute with China, but project remains contentious," *Dialogue Earth*, 2 September 2025. https://dialogue.earth/en/energy/ecuador-drops-dam-dispute-with-china-but-project-remains-contentious/

deal—or the approach toward China—involves the negotiation between government officials, political and economic elites, bureaucrats, as well as civil society.[37]

In LAC, countries began joining BRI in approximately 2018, when the region was explicitly invited to be part of this Chinese international development strategy. One question that emerged, however, was what would be different between the investments that had already been taking place for over a decade in the region and the projects under BRI. It is thus not surprising that two of the largest economies in the region (Brazil and Mexico), one of which is the top recipient of Chinese investments in LAC, has yet to join BRI. According to a recent study by Albright et al. that examines the factors that drive countries to join this initiative, BRI membership is attractive among smaller states not because it provides *better* deals. Instead, its symbolism legitimizes the policy decisions by host country leadership, and it addresses domestic audiences, particularly when referring to 'why China'.[38]

For countries like Chile and Peru being part of BRI has reinforced their economic policy goals, which are centered on increasing their economic integration with Asia (and not just China), improve connectivity, and playing a greater international economic role. By attaching the BRI label to projects that are viewed as key to achieve these objectives, it justifies their national prioritization, for example, and/or it positions them as part of this greater global network.

The port of Chancay in Peru has been touted as part of Peru's BRI aspirations. Yet, as also highlighted by local scholars, the project has, since its inception, been considered a steppingstone in the country's decades-long goals of becoming a key connector between the Pacific and Asia, deepen Peru's economic integration especially in global supply chains, and expand the flow of exports.[39] A year since its inauguration, the port has shown its usefulness as it has already cut the shipping time to less than 25 days, compared to usual up to 45 days that it would take from Peru to China. However, these successes overshadow the socio-economic needs that have yet to be addressed in the town of Chancay.[40]

Furthermore, the legal controversies between the operating company, Cosco, and one of Peru's agencies to monitor private investment in the transportation sector, OSITRAN, reflect Peru's own challenges in creating a clear legal framework that could effectively govern mega projects such as Chancay. In fact, as highlighted by CECHAP, many of the policies created to manage the effects of increased traffic of ships, ensure price competitiveness, and port governance were approved just months before Chancay's inauguration, reflecting the government's rush in creating the conditions for the port's

[37] Alvin Camba and Victoria Chonn Ching, "The Complex Dance Around China's Overseas Projects," *New Security Beat*, 6 October 2022. https://www.newsecuritybeat.org/2022/10/complex-dance-chinas-overseas-projects/
[38] See Zara Albright, Diego Telias, and Tom Long, "Latin American small states in the Belt and Road Initiative: Narrating status amidst US-China tensions," *Cambridge Review of International Affairs,* 4 March 2026, pp. 1-20.
[39] Universidad del Pacífico, "Puerto de Chancay en su primer año: Conectado al mar, ¿de espaldas a la ciudad?" [Port of Chancay in its first year: Connected to the sea, with its back facing the city?], *Observatorio de Chancay*, Report No 3, January 2026.
[40] Ibid.

operability.[41] But what does this mean for the role that China—or in this case, a Chinese firm—plays?

Chancay's legal challenges have fueled the perception of Chinese companies as non-compliant of local regulations and standards. They have also triggered the more alarmist perceptions of the port as a potential tool for military use. Yet this underestimates Peru's own agency and sovereignty amid geopolitical rivalries, and the country's own efforts in creating the institutional architecture needed to navigate the complexities of greater global economic integration.[42] This does not mean that Peruvian officials are unaware of other security concerns that may exist when engaging with China. Then, one question worth examining is 'why still China'?

As indicated earlier, Chinese investments in some key projects in the LAC region have been characterized for being the *better,* cheaper, or only alternative given the absence and/or the exit of firms from other countries. This has made China an economic partner that has filled in some gaps in sectors that are relevant to countries' development aspirations and goals. Yet for countries like Brazil and Mexico, China is also a competitor in the sale of intermediate goods to the region, thus making China an actor that competes and that also generates competition.

Recommendations

- **Recentering of Latin American and the Caribbean stakeholders and interests.** LAC countries are not passive actors in the LAC-China relationship as well as in current conditions of strategic competition. To assume that they fall in only two ends of the spectrum (compliant to China's demands or actively rejecting China) undermines the agency of LAC actors and deprioritizes the factors that lead them to partner with China in the pursuit of different economic, development, and even political interests. As the U.S. recalibrates its foreign policy toward the LAC region, its plans and strategies should consider what LAC countries are interested in not necessarily in the absence of China, but with China as a competitive actor, thus underlining 'why not choosing China.'

- **U.S. policymakers need to indicate what benefits LAC countries will gain from choosing the U.S. and from distancing themselves—and not by the absence—from China.** A framework commonly used by U.S. officials when discussing LAC-China engagement is to underline the risks and the costs that LAC countries may face. However, these cautionary assertions do not usually include U.S. alternatives that are compelling. For the U.S. to be considered a partner of choice, the economic benefits for LAC countries need to be explicit, indicating their credibility and

[41] Ibid.
[42] For more on the debate of Chancay's potential military use see Zenel Garcia, "Peru and the Limits of Alarmism About Chinese Investment," *The Diplomat*, 4 March 2026. https://thediplomat.com/2026/03/peru-and-the-limits-of-alarmism-about-chinese-investment/

sustainability, and that they are not just temporary proposals or fixes.[43] Due to the lack of political continuity and consistent instability in many LAC countries, it is also important to build sustainable networks and structures that will support U.S. plans beyond the tenure of an administration. In this instance, non-coercive economic and political diplomacy play substantial roles.

- **Identification and development of areas where the U.S. has a historical advantage—and gradually carving opportunities in sectors that are important to the region.** Compared to China, the U.S. has a historical tradition of supporting different facets of development and economic growth in the region, including initiatives by USAID. During the last ten years, U.S. activity in these areas appear to have stagnated or flatlined. A recalibration or reshaping of these initiatives, such that they can also support new strategies, would contribute to the strengthening of the U.S. as an all-encompassing partner.

- **Incentives for private sector participation as well as public-private partnerships (PPP).** There is a growing interest among Latin American countries in the establishment of public-private partnerships (PPP) in large infrastructure projects to share financial responsibilities. This could also help greater U.S. participation in sectors where U.S. presence has been scarce, including energy transition, clean energy, and digital connectivity.

[43] This also echoes the points raised by Garcia, who examines how Chinese infrastructure is usually framed in the region. He highlights that mainly relying on an approach that cautions and warns can in fact create more incentives to seek partnership diversification. See Garcia, "Peru and the Limits of Alarmism About Chinese Investment," 2026.