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China's Involvement in Latin America and Possible Ramifications for the United States

by

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Over the years, China has spread its economic and political tentacles throughout all areas of the world. With President Xi Jinping, China's dreams have flourished in unexpected ways and unexpected places. China's main goal is to use initiatives like the Belt and Road Initiative and other partnerships to rapidly gain economic clout on the world scene. The Belt and Road Initiative is a carefully developed plan by President Xi Jinping to make China a predominant power on the world scene. One of the regions in which China's economic clout has expanded is Latin America. As the United States begins to isolate itself from Latin America, China has begun to dramatically increase its role by offering loans, creating infrastructure projects, selling weapons and more. Latin America is a region that has always had a complicated history behind it. With China's investment, complications could worsen and cause negative implications for the United States. For example, Latin American countries could fall into debt traps because governments request more loans than they can pay off. The debt could lead to instability in the region and cause governmental structures to collapse. China is also not concerned about the overall well being of the regions it invests in. Therefore, it does not monitor if the investments end up being beneficial. There are times where money from the Belt and Road Initiative has gotten entangled in money laundering schemes. Since Latin America is a hotspot for money laundering, the investments China makes could worsen this problem. Latin America has always been dependent on foreign investments, by relying on China, it is only swapping out one bad business partner for another. As a result, the United States has lost its role as the main actor in Latin America which could cause severe implications for both the United States and Latin America if China's business is not properly conducted.

In the remainder of this essay, I will examine China's mission to increase its clout on the world scene, the history of US-Latin American relations, and China's increasing role in Latin

America. The paper will examine five Latin American countries that highlight specific initiatives that China has undertaken in Latin America. These countries include Brazil, Panama, Ecuador, Venezuela, and Argentina. Although Brazil and Argentina are not a part of the Belt and Road Initiative, they receive the most monetary aid from China to conduct projects that are similar to the Belt and Road Initiative projects. Ecuador, Venezuela, and Panama are members of the Belt and Road Initiative and receive loans for projects to enhance their regions. Furthermore, the essay will cover negative implications that will arise or have arisen from China's involvement with Latin America and how these negative implications could pose a threat for the United States' relationship with Latin America.

Xi Ping's Vision for the Future of China

Unlike previous Chinese presidents, Xi Jinping's vision for the role China plays as a world power is more complex and ambitious. During the last two decades, Chinese foreign policy revolved around keeping a low profile in world affairs. However, once Xi Jinping rose to power, the focus of Chinese foreign policy became more elaborate with an end goal to make China a proactive leader in world affairs.¹ Previous Chinese leaders had adhered to a common saying by Deng Xiaoping, a prominent former Chinese politician, who stated that China's politicians should "hide one's capabilities and bide one's time."² Unlike these leaders, Xi Jinping wants to "take an active part in reforming and developing the global governance system" and warns that "no one should expect [China] to swallow anything that undermines [its] interests."³

¹ Wenjuan Nie, "Xi Jinpings Foreign Policy Dilemma: One Belt, One Road or the South China Sea?," *Contemporary Southeast Asia* 38, no. 3 (2016): pp. 422-444, <https://doi.org/10.1355/cs38-3c>⁴

² Mobley Terry. "The Belt and Road Initiative : Insights from China's Backyard." *Strategic Studies Quarterly* 13, no.

³ (2019): 52. <https://search-ebscohost-com.libezp.lib.lsu.edu/login.aspx?direct=true&db=edsjsr&AN=edsjsr.26760128&site=eds-live&scope=site>.

³ Ibid., p.3

Xi Jinping's foreign policy revolves around central core interests which include: Chinese sovereignty, national reunification, development security, territorial integrity, and the centrality of the Chinese Communist Party.⁴ Through these core interests, Xi Jinping has developed a foreign policy plan that will reassert China's dominance on the world scene.

The Belt and Road Initiative: A Pathway to China's Success

In 2013, Xi Jinping announced a plan that would make China a dominant player on the world scene. The Belt and Road Initiative (BRI) is a part of Xi Jinping's overall "Chinese Dream." The Chinese Communist Party developed the initiative to increase education standards, create stable employment, provide higher incomes, improve social security, enhance medical care, improve the environment, and work to create a more suitable life for Chinese citizens. The BRI is inspired by the ancient Silk Road; both initiatives revolve around connecting people on a global scale and the continuation of global development through Chinese aid. The initiative includes the "Silk Road Economic Belt" and the "Twenty-first Century Maritime Silk Road." The BRI initiative is China's way of responding to the broken global economy and the multilateral trading system. Over the past couple of years, China has been suffering from slow economic growth and has decided that it is time to change its path. The initiative aims to boost China's economic status through heavy investment in strategic regions and create new trade opportunities.⁵

One another note, China sees the United States losing interest in global affairs and multilateral systems. An example is the United States' disengagement in Latin America.⁶ The Trump administration has also expressed its interest to pull out of the Paris climate agreement

⁴ Ibid.,p.3

⁵ Mobley, p.3

⁶ Ibid.,p. 4

which is an agreement aimed to reduce climate change through global cooperation. If his wish comes true, the United States would be out of the Paris agreement a day after the 2020 presidential election.⁷ The Trump administration has taken a firm anti-globalization stance. For example, at a UN General Assembly meeting in 2019, Donald Trump stated that global leaders should reject globalization and look after their interests. The Trump administration wants countries to use nationalism instead of multilateral agreements for diplomatic efforts.⁸ China sees these actions as an opportunity to rise and replace the United States as the dominant figure in world affairs. Eventually, this could damage the United States' status as a world power.

The Belt and Road Initiative was officially incorporated into China's national development agenda in 2014, and its ideas were implemented into its constitution at the 19th Party Congress in 2017. The constitution now states that China is "following the principle in achieving shared growth through discussion and collaboration, and pursuing the Belt and Road Initiative."⁹ By putting the initiative into the constitution, the Chinese central government can have direct control of the plan instead of the Chinese companies, banks, and the regional governments doing business with them.¹⁰

The Belt and Road initiative is designed to create joint development and cooperation between China and the countries that partner with it. China has also used this initiative to create international rules and norms that best align with its values. At the same time, the BRI is aimed to influence the global economy (one of Xi Jinping's main goals in achieving the "Chinese

7 Keith Johnson, "Is the United States Really Leaving the Paris Climate Agreement?," *Foreign Policy*, November 5, 2019, <https://foreignpolicy.com/2019/11/05/paris-climate-agreement-united-states-withdraw/>)

8 Ayesha Rascoe, "Trump To U.N. General Assembly: 'The Future Does Not Belong To Globalists,'" *NPR* (NPR, September 24, 2019), <https://www.npr.org/2019/09/24/762351729/president-trump-to-address-u-n-general-assembly>)

9 Jane Golley and Adam Ingle, "The Belt and Road Initiative: How to Win Friends and Influence People," *China Story Yearbook 2017: Prosperity*, September 2018, <https://doi.org/10.22459/csy.04.2018.02>)

10 Mobley, p.8

Dream”).¹¹ The initiative wants to create connections by “investing in infrastructure, opening transport and economic corridors”, and connecting China to other countries ‘physically, financially, digitally, and socially’.¹² Since its birth, the BRI has gained widespread support from countries in Africa, Asia, Europe, the Middle East, and Latin America because of the substantial benefits it offers. Unlike the Silk Road, the BRI has no geographical constraints and is designed to expand in areas that increase China’s security and provide vital resources.¹³ As of 2020, more than sixty countries are involved in the initiative, which is roughly equivalent to two-thirds of the world’s population.¹⁴

It is estimated that China has spent around 900 billion U.S. dollars on the initiative. The main portion of these investments has gone towards the enhancement of infrastructure in these regions. The main sectors of infrastructure China funds are transport, power, and water supply. The regions that it invests in are often lacking the financial resources to be able to fund infrastructure projects themselves. Therefore, China offers loans that enable these countries to begin building critical infrastructure. China seeks to fund infrastructure programs in places that will offer long term benefits. President Xi Jinping stated in the 2017 Belt and Road Forum that:

“Infrastructure connectivity is the foundation of development through cooperation. We should promote land, maritime, air and cyberspace connectivity, concentrate our efforts on key passageways, cities and projects and connect networks of highways, railways and seaports... We need to seize opportunities presented by the new round of change in energy mix and the

¹¹ Nie, p.3

¹² Mobley, p. 3

¹³ Ibid., p.3

¹⁴ Andrew Chatzky and James McBride, “China's Massive Belt and Road Initiative,” Council on Foreign Relations (Council on Foreign Relations), accessed March 5, 2020, <https://www.cfr.org/backgrounders/chinas-massive-belt-and-road-initiative>

revolution in energy technologies to develop global energy interconnection and achieve green and low-carbon development. We should improve trans-regional logistics networks and promote connectivity of policies, rules and standards so as to provide institutional safeguards for enhancing connectivity.”¹⁵

China benefits from building infrastructure because it is able to build relationships with places that offer vital resources. The African continent is an example of an area in which the BRI initiative has taken off. For example, Zambia is a country that is rich in copper. Currently, Zambia has stopped borrowing money from the World Bank and African Development Bank and instead borrows through commercial mediums like the EXIM Bank and Chinese Development Bank. Many scholars believe that China’s investment in Zambia is a geostrategic plan to get access to its rich copper resources and perhaps even establish export-oriented industries in that region that will bring rich resources back to China.¹⁶ The same pattern can be seen with China’s investment in Ecuador which also possesses copper.

China plans to use the initiative to secure access to energy supply sources and routes. The securing of energy sources is key to protecting China’s national security. For example, the MERICS (Mercator Institute for Chinese Studies) BRI database estimates that over two-thirds of the BRI spending for projects are on the energy sector (an estimated 50 billion dollars). Latin America is the leader in the number of projects in the energy sector being led through BRI funding.¹⁷ Meanwhile, the funding of the energy sector is diversified and not concentrated in a

¹⁵ David Dollar , “UNDERSTANDING CHINA'S BELT AND ROAD INFRASTRUCTURE PROJECTS IN AFRICA,” Brookings.edu, September 2019, https://www.brookings.edu/wp-content/uploads/2019/09/FP_20190930_china_bri_dollar.pdf

¹⁶ Howard W. French, *Chinas Second Continent: How a Million Migrants Are Building a New Empire in Africa* (New York: Vintage Books, a division of Random House LLC, 2015))

¹⁷ Thomas S. Eder and Jacob Mardell, “Powering the Belt and Road,” Mercator Institute for China Studies, accessed March 5, 2020, <https://www.merics.org/en/bri-tracker/powering-the-belt-and-road>

single energy source. However, renewable energy projects are the lead recipients of the BRI's energy investment of over 20 billion dollars.¹⁸ China mainly funds these projects in underdeveloped regions and markets in which it can surpass tenders and have its companies work directly with the region's government to begin the projects.¹⁹

President Xi Jinping also wants to revolutionize the way China trades with other countries by promoting multilateral regional cooperation and shaping economic order. It does not seek to restructure the existing economic system but rather to reshape it in a way that best suits China's economic interests. The Chinese government wants to form international trade rules, become a leader in globalization and regional integration, and influence the price formation process of important commodities.²⁰ Xi Jinping is extremely critical of the protectionist policies that have been taking over the economic order. According to him, these policies are like "locking oneself in a dark room. While wind and rain may be kept outside, that dark room will also block out light and air. No one will emerge as a winner in a trade war."²¹ China has pledged to divert from protectionist trade policies and instead offer "open, transparent, and win-win regional free trade agreements."²² Xi Jinping wants a system that will offer development, fair and equitable trade, transparency of trade, and investment rules. This transformation of the economic system will help China reshape the status quo of the economic system that is mainly shaped by Western institutions.²³ This restructuring of trade comes at a time in which the United States is doing the opposite as China. Instead of promoting multilateral regional cooperation, the United States has

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Hideo Ohashi, "The Belt and Road Initiative (BRI) in the Context of China's Opening-up Policy," *Journal of Contemporary East Asia Studies* 7, no. 2 (March 2018): pp. 85-103, <https://doi.org/10.1080/24761028.2018.1564615>

²¹ Golley and Ingle p.6

²² Ibid., p.6

²³ Ibid., p.14

pulled out of trade agreements like the North American Free Trade Agreement and the Trans-Pacific Partnership. As of 2017, the total imports and exports between China and members of BRI were 7.38 trillion renminbi which was a 17.8 percent increase from 2016. At the same time, China became the number one trading partner with ten neighboring countries. Meanwhile, the countries that are partnered with China only account for 12-18% of China's outward investment. However, as China continues to generate effective and resourceful investments with the BRI countries, its economic growth will also continue to blossom.²⁴

Funding an Ambitious Program

Xi Jinping's vision for completing "China's Dream" required a serious restructuring of China's banking system. In 2014, China's State Council said that its banking system would focus on three levels of finance: commercial, policy, and development. These different kinds of finances would allow China to construct capital-intensive infrastructure.²⁵ China has placed a lot of capital into the Chinese Development Bank and Export Import Bank of China which have low borrowing costs, access to lending from the People's Bank of China, and their bonds are seen as government debt with low-interest rates. These factors enable the banks to lend to Chinese companies involved in the BRI at a low-interest rate. Chinese state-owned enterprises can offer competitive bids due to their financial flexibility and can outcompete foreign companies who are also seeking to invest.²⁶ The China Development Bank has some influence on what projects get funded. Therefore, projects they deem as failing will no longer receive funding and thus will relieve China from the burden of funding a crippling project. China's Development Bank has

²⁴ Ohashi, p.94

²⁵ Li Xing, "China's Pursuit of the 'One Belt One Road' Initiative: A New World Order with Chinese Characteristics?," *Mapping China's 'One Belt One Road' Initiative*, 2018, pp. 1-27, https://doi.org/10.1007/978-3-319-92201-0_1

²⁶ "How Will the Belt and Road Initiative Advance China's Interests?," ChinaPower Project, October 18, 2019, <https://chinapower.csis.org/china-belt-and-road-initiative/>

referenced the World Bank in many of its financing projects and shows how some of its core values align with the International Monetary Fund (IMF). However, there are discrepancies that set apart China's Development Bank from Western organizations like the World Bank and the IMF.

The first discrepancy is that China's Development Bank is solely designed to serve China's overall mission to enhance its power on the world scene. In contrast, the IMF and the World Bank are institutions designed to advance the interests and needs of developing countries and the global community.²⁷ The second discrepancy is that China does not look into a country's system of governance when providing loans. With institutions like the IMF and the World Bank, the government has to be stable and show no signs of corruption to receive a loan. China does not emphasize good governance as a means to receive a loan; instead, it has entered poverty-stricken and corrupt areas and has attempted to grow its wealth from these weak institutions.²⁸ Furthermore, the United States and wealthy European countries have enormous clout over multilateral institutions like the IMF. These countries have control over what country receives lending and the measures that country has to abide by to get the money. Oftentimes, these measures benefit the foreign policy agenda of the countries with power over the IMF and damage the countries that need the funding. The IMF and World Bank have shown to support the Washington Consensus and have specific economic requirements that a country has to adhere to that may not be the most beneficial for that country. Argentina is a country that experienced significant economic turmoil in 2002 due to deficiencies in its business partnership with IMF. The IMF had supported Argentina's exchange rate policy which pegged the peso to the United States' dollar. As a result, Argentina experienced high rates of inflation which led the country to

²⁷ Ibid.

²⁸ Xi, p.9

spiral into debt and declare the largest sovereign debt default in Argentina's history.²⁹ The IMF had failed Argentina because it had increased its lending to around 22 billion USD from 2002 to 2001 even though it had been warned by economic analysts of the debt the country was accumulating. This is one example of the IMF failing to help a country's needs and causing damage instead.³⁰ Many countries have become skeptical of the IMF because they either fail to prevent economic catastrophes like Argentina's or do not want to follow its measures. As a result, countries that do not want to follow measures that will damage their countries may seek other partners like China to attain loans.³¹ Since the United States has clout over the IMF, countries that do not want to abide by the Washington Consensus choose to partner with countries or institutions with less stringent terms.

The Dangers of BRI

Although the BRI seems like a dream come true for the countries receiving these critical infrastructure projects, there are risks that come from accepting these projects because they often lack transparency in the building's contracts which can pose a risk for both China and the recipient country.³² Many scholars believe that China is making these countries dependent on their loans and therefore, making them vulnerable to debt and market traps. The countries China chooses to partner with are often in an economically vulnerable state which causes them to fall into the trap of dependency and economic coercion. China looks past countries' economic and governmental failures and still chooses to do business with them (something other multilateral

29 Todd Benson, "Report Looks Harshly at I.M.F.'s Role in Argentine Debt Crisis," *The New York Times* (*The New York Times*, July 30, 2004), <https://www.nytimes.com/2004/07/30/business/report-looks-harshly-at-imf-s-role-in-argentine-debt-crisis.html>)

30 *Ibid.*

31 Mark Weisbrot, "The IMF Is Hurting Countries It Claims to Help | Mark Weisbrot," *The Guardian* (*Guardian News and Media*, August 27, 2019), <https://www.theguardian.com/commentisfree/2019/aug/27/imf-economics-inequality-trump-ecuador>)

32 Golley and Ingle, p.16

financial institutions do not do). The Chinese loans usually force these countries to use Chinese companies to build their projects and use 50% or more of Chinese material, equipment, technology, and other services.³³ The companies that are contracted often inflate the costs of the construction which results in the recipient government being unable to fund the project and can be forced to cancel it. Because China seeks to do business in places that are often ignored, the countries are given little room to negotiate deals that would best suit their interests.³⁴ Some countries have already fallen into the trap of accumulating large debt to fund these infrastructure projects. Other times, countries are forced to repay China with large sums of oil or other natural resources.³⁵

Another risk is corruption from mismanaging investments. According to the Transparency International 2011 Bribe Payers Index, the areas of investment that are most vulnerable to corruption are construction, higher works programs, and public works. The risk for corruption increases when a country is underdeveloped. This is in part because places that are underdeveloped face more difficulty in having a stable government and rule of law. The Corruption Perception Index (CPI) suggested that corruption in the Belt and Road recipient countries was higher than the global average and corruption is also highest in countries that have low-middle or low-income economies.³⁶

The BRI projects lack transparency which ensures that the recipient countries are getting the best value for their investment and given constant information regarding the process of their projects. Information on the projects is not available in English or the country's local language.

³³ Mosley, p.8

³⁴ Ibid., p.3

³⁵ Keith Bradsher, "China Renews Its 'Belt and Road' Push for Global Sway," The New York Times (The New York Times, January 16, 2020), <https://www.nytimes.com/2020/01/15/business/china-belt-and-road.html>

³⁶ World Bank, p.109

Therefore, non-Chinese companies have a hard time being able to participate. The BRI website also does not have a database that shows the projects being built, the contracts, and other critical documents.³⁷

The lack of transparency paves the way for money laundering schemes. Money laundering has already been associated with the BRI initiatives. For example, an initiative in Malaysia was found to have prices that were inflated and Chinese companies engaging in money laundering activities. Other corrupt activities that have been found in these initiatives include bribery, cost padding, and kickbacks.³⁸ Although China has laws to prevent these corrupt activities from emerging, they lack the proper enforcement to make sure they do not occur. The countries that have the BRI projects have some anti-bribery laws but lack enforcement as well.

As of 2019, President Xi Jinping is trying to stop the corruption along the BRI routes by placing anti-corruption officers from the Central Commission for Discipline Inspection Department in Belt and Road Initiative partner countries. These officers act as watchdogs and make sure that the Chinese companies follow protocol and do not engage in illegal activities.³⁹ The Central Commission for Discipline Inspection hopes that these efforts can act as a way to counteract the widespread hysteria of corruption in the BRI projects.

An example of a government that spoke out against the corruption occurring with these initiatives is Malaysia. Mahathir bin Mohamad was elected prime minister in 2018 and made his constituents aware of the costly BRI initiatives. In 2019, he canceled the BRI projects that were worth up to 22 billion dollars. A report in 2018 by the Center for Global Development noted that eight countries who have partaken in the BRI initiatives are vulnerable to a debt crisis. In 2018,

³⁷ Russel, Daniel R., and Blake Berger. "Navigating the Belt and Road Initiative," n.d. pg. 16

³⁸ Ibid.,p.17

³⁹ Don Weinland, "China to Tackle Corruption in Belt and Road Projects," Financial Times (Financial Times, July 18, 2019), <https://www.ft.com/content/a5815e66-a91b-11e9-984c-fac8325aaa04>

BRI investments had started to dwindle. Xi Jinping responded by stating that they would restructure their practices to reduce waste and “continue to follow high-standard, people-centered and sustainable approaches to promote high quality Belt and Road cooperation with partner countries.”⁴⁰ In 2019, China experienced an increase in countries willing to participate in the BRI initiatives.

Latin America: A Region Full of Untapped Potential... the Perfect Candidate for China

Over the years, Latin America has faced a series of hardships making it vulnerable to constant instability and foreign encroachment. The United States was once the main influence in Latin America. However, as time goes on, its presence has slowly dwindled and opened the way for other countries to take advantage of the instability and rich resources that are spread throughout the region.

The United States and Latin America: A Complicated Relationship

The United States and Latin America’s relations have experienced a series of ups and downs throughout the years. Latin America once served as the United States’ main focal point and proudest partner. When the United States gained independence from England in 1776, it was eager to become an untouchable power on the world scene. As a result, the United States established the historical treaty known as the Monroe Doctrine which was aimed to keep Europe out of Latin America by threatening aggression if they intervened. After the Monroe Doctrine was established, the United States began a series of diplomatic, military, and economic interventions in Central America and Cuba. When Franklin D. Roosevelt came into office the interventionist policy was replaced with a “good neighbor” policy.⁴¹

⁴⁰ Keith Bradsher, “China Renews Its 'Belt and Road' Push for Global Sway,” *The New York Times* (The New York Times, January 16, 2020), <https://www.nytimes.com/2020/01/15/business/china-belt-and-road.html>

⁴¹ José Luis León-Manríquez, “Power Vacuum or Hegemonic Continuity?,” *World Affairs* 179, no. 3 (2016): pp. 59-81, <https://doi.org/10.1177/0043820017690946>

During the Cold War, Latin America became a spectacle as pro-democracy governments tried their best to contain communism from spreading. After the Cuban revolution, President John F. Kennedy initiated the Alliance for Progress in 1961 which was aimed to improve the economic and social conditions in Latin America by offering loans and aid to the region. Unfortunately, despite the United States sending 22 million dollars to the region, the program failed to establish any real change and soon collapsed.⁴²

During the 1970s, the United States began to have a different kind of presence in Latin America. The 1970s were marked by the United States' support for military and anti-Communist regimes in Central America and South America. During the Sandinista Revolution in 1979, President Carter's foreign policy was seen as pragmatic. However, when Ronald Reagan came to power, he launched a siege on the Nicaraguan government and gave economic and military support to U.S. allied governments like El Salvador, Guatemala, and Honduras. At this point, the United States became the main actor in granting Central America economic and military assistance in aims to prevent communism from emerging in Central America⁴³. Other areas like the European Union, Japan, and China were not eager to engage with Latin America. Therefore, the United States was left as the main actor in Latin American affairs.

The relationship with Latin America in the 1990s was marked by pacification. George H. Bush's presidency followed a pragmatic approach in Latin America to avoid new dilemmas in the region. During this time, the United States' foreign policy was to avoid a resurrection of the USSR and to establish itself in the Middle East. After a series of peaceful interactions with the region, the United States began to shift its engagement with Latin America in a way that would suit its economic needs instead of political needs. George H. Bush's administration began the

⁴² Ibid., p.4

⁴³ Ibid., p.5

Enterprise for Americas Initiative that would create a free trade zone between the United States and Latin America. The United States would also grant loans and investments through the Inter-American Development Bank. The final goal for this initiative was to create a program that would get rid of the debt that was created with American sources through a series of interest payments of debt that would then be reimbursed in local currency. The American diplomats used the slogan “Trade, not aid”. This new engagement with Latin America revolved around defining democracy, establishing free enterprises, and creating free trade agreements. The name for this new period of the United States and Latin American relations became known as the Washington Consensus. One of the most monumental policies that emerged from the Washington Consensus was the North American Free Trade Agreement with Mexico in 1994. President Clinton and Bush II also pushed for a Free Trade Area of the Americas for all of Latin America. However, the plan was met with opposition from Latin America. One of the main reasons for opposition was the election of left-wing leaders like Hugo Chavez that were highly skeptical of the United States. As an alternative, the US implemented individual agreements with Central America (CAFTA), Panama, Chile, and Colombia.⁴⁴

The Washington Consensus and strong intervention with Latin America were quickly shattered following the terrorist attacks on United States’ soil on September 11, 2001. After this tragedy, the United States began to restructure its foreign affairs priorities to the Middle East. This came after President Bush’s stance on making Latin America a priority in foreign policy. The goal was to continue to expand the free trade agreement and help solve problems like drug trafficking and immigration. However, this dream quickly dwindled and the United States began to focus on other security concerns. Simultaneously, Latin American governments began to lose

⁴⁴ Ibid., p.7

their optimism with the United States' policy towards them. The Latin American governments began to see the United States as an unreliable partner who failed to address critical problems facing Latin America. However, they did not realize that they were also to blame for the failing relationship as well. Many countries have struggled to maintain corrupt-free democracies and do not fully cooperate with the United States. Other leaders in Latin America have taken an anti-United States approach to gather more popularity. ⁴⁵

The Obama administration attempted to once again reengage with Latin America and create a "new chapter of engagement." ⁴⁶ One of Obama's main initiatives was to reestablish a relationship with Cuba which was met with a positive response from other Latin American countries. The administration launched an initiative to assist Latin American governments in combating drug trafficking. It also sent aid to the Northern Triangle (El Salvador, Guatemala, and Honduras) to help provide stability in these countries that have unstable governments and are high in crime. Although these initiatives sounded extremely promising, the implementations of them were far and few. Since Latin America does not pose a high-security risk, foreign policies towards it are kept at a minimum. Obama was also hit with the Great Recession and the two wars in the Middle East which made him de-prioritize Latin America.⁴⁷

It is critically important to understand the history of anti-U.S. sentiment from leftist governments in Latin America to understand why they have sought out partners like China. Leftist governments, in general, have been skeptical of United States intervention in Latin America. Argentinians began to become skeptical of the United States after their economic

⁴⁵ Cynthia Watson. "China's Use of the Military Instrument in Latin America: Not yet the Biggest Stick." *Journal of International Affairs* 66, no. 2 (2013): 101.

⁴⁶ Michael Reid. "Obama and Latin America: A Promising Day in the Neighborhood." *Foreign Affairs* 94, no. 5 (2015): 45.

⁴⁷ Ibid.,p.48

recession of 2001. Since the United States is one of the IMF's biggest influencers, Argentina blamed it for not warning the country of the debt they had accumulated. When Nestor came to office, he began to ease the country away from the IMF by paying ten billion dollars of debt to the IMF. He also began to ally with other populist leaders.⁴⁸ Over in Venezuela, Hugo Chavez began to use anti-American rhetoric following the 2001 terrorist attacks in the United States. He began to ally with anti-American leaders like Fidel Castro, Saddam Hussein, and Muammar Qaddafi. He also created multilateral arrangements that challenged the United States' influence. Some of these agreements included empowering OPEC, creating a Humanitarian Fund for Latin America, and finding an alternative to the Free Trade Area of the Americas. In 2002, the United States responded to Chavez's actions by staging a coup against the administration in 2002. The coup failed which caused the Bush administration to urge the country to hold another election. These actions further agitated Venezuela's leader which led to more anti-U.S. sentiment. To this day, Venezuela's President, Maduro, continues to have anti-U.S. sentiments.⁴⁹ In 2002, Brazil began to see an increase in anti-U.S. sentiment with the election of leftists leader President Luiz Infancio Silva. Due to Brazil's size and power in Latin America, it sought to be seen as an equal to the United States. However, U.S. foreign policy did not make Brazil feel like it had enough power. As a result, Brazilians viewed the U.S. as imperialist and unilateral. Brazil also did not benefit from the Washington Consensus like it thought it would, causing further distaste for the United States.⁵⁰ The current right-wing Brazilian President does not have strong anti-U.S. sentiments and has a relationship with President Trump. However, he also has ties with China because of the benefits the country has to offer. Ecuador is another country that has had leftist

⁴⁸ Tikkanen, Amy. "Néstor Kirchner." Encyclopædia Britannica. Encyclopædia Britannica, inc., February 21, 2020. <https://www.britannica.com/biography/Nestor-Kirchner>.

⁴⁹ Darlene Rivas, *Anti-Americanism in Latin America and the Caribbean* (New York: Berghahn Books, 2008)

⁵⁰ Ibid., 145

leaders who are strongly opposed to the United States. President Correa who has been in office since 2006 has been known for his anti-American rhetoric. One of Correa's anti-American actions was his willingness to allow Edward Snowden to seek refuge in Ecuador if he wanted. The Congress of Ecuador also sought trade preferences that did not align with U.S. preferences. Correa claims that Ecuador needs to gain independence from the United States. Despite it wanting to gain independence, Ecuador has sought out China for loans and relies heavily on their finances for projects.⁵¹ Panama does not share the same strong anti-U.S. sentiment as the other countries do. The United States sees Panama as a key strategic partner and has multiple agreements between the country to ensure a positive relationship.⁵² The leftist governments that have ruled the countries mentioned above (excluding Panama) have created room for partners like China to enter. These countries have long been skeptical of U.S. interference and have sought to weaken relationships with the U.S.

Donald Trump's Latin America: A Broken Relationship

President Donald Trump has taken an affirmative stance against Latin America during his term. Donald Trump's foreign policy revolves around an "America First" mentality which means that the United States' foreign policy should be implemented in areas that will economically and politically benefit the United States. During his presidential campaign, Donald Trump expressed a clear stance against immigration from Latin America. He blamed globalization as one of the main catalysts to illegal immigration which he claimed was severely hurting the economy of the

⁵¹ Nick Miroff, "Ecuador's Popular, Powerful President Rafael Correa Is a Study in Contradictions," The Washington Post (WP Company, March 15, 2014), https://www.washingtonpost.com/world/ecuadors-popular-powerful-president-rafael-correa-is-a-study-in-contradictions/2014/03/15/452111fc-3eaa-401b-b2c8-cc4e85fccb40_story.html)

⁵² Mark Sullivan and Mark Lee, "Panama Background and U.S. Relations," Congressional Research Services, June 26, 2014, <https://fas.org/sgp/crs/row/R43620.pdf>)

United States.⁵³ Donald Trump stands strongly against multilateral treaties and organizations. For example, he has criticized the World Bank and World Trade Organization countless times and claims that these institutions cannot be trusted. Donald Trump is also skeptical about multilateral negotiations. During his first months in office, his first actions were the withdrawals from NAFTA and the Trans-Pacific Partnership (TPP) because they were not in touch with his ideals of “Putting America First”.⁵⁴ The United States left the TPP in 2017. The countries that make up the multilateral agreement account for 13% of global gross domestic products. In 2018, 11 new countries signed to be members of the TPP which eliminated between 65% to 100% of tariffs among member countries. The TPP accounts for 15% of world trade. Latin America strongly benefits from the TPP because the agreement offers trading opportunities and a chance to export more of their goods. Many have criticized the decision for the U.S. to withdraw from the TPP because it could have generated 147 billion dollars and thousands of new jobs according to a study by the Peterson Institute.⁵⁵

President Donald Trump also announced that he would reverse President Obama’s groundbreaking foreign policy initiative with Cuba which restored diplomatic relations. Since Trump took office, he has banned U.S. citizens from traveling to Cuba and has made it illegal for U.S. businesses to do business with any firm that has connections to Cuba’s military.⁵⁶

Donald Trump has also cut back on U.S. aid to the region because he believes that it has had no real impact in helping create stability in the region. In 2019, the Trump administration

⁵³ Carlos De La Torre, “Trump’s Populism: Lessons from Latin America,” *Postcolonial Studies* 20, no. 2 (March 2017): pp. 187-198, <https://doi.org/10.1080/13688790.2017.1363846>

⁵⁴ Campos, and Prevost. “The Trump Administration in Latin America: Continuity and Change.” *International Journal of Cuban Studies* 11, no. 1 (2019): 13. <https://doi.org/10.13169/intejcubastud.11.1.0013>.

⁵⁵ “The TPP Impact on Latin America.” FocusEconomics | Economic Forecasts from the World's Leading Economists, March 19, 2018. <https://www.focus-economics.com/blog/what-the-tpp-means-for-trade-in-latin-america>.

⁵⁶ Campos and Prevost, p.7

ordered the State Department and the United States Agency for International Development to freeze money devoted to foreign aid. The administration's goal is to eventually cut all funding. The administration wants to freeze aid in ten central areas which include: development assistance, global health, contributions to international organizations, international narcotics control, and peacemaking activities. The administration seeks to cut aid to the Northern Triangle which is the highest source of emigration as people seek shelter from socio-economic insecurity, poverty, violence, and poor government conditions.

Another change to the United States' relations with Latin America is a severe slash of funds to the Inter-American Foundation (IAF). The Inter-American Foundation is an independent U.S. Government agency that was created by Congress in 1968 to aid poor regions in Latin American and the Caribbean. Some of the key tenets of the foundation include:

- Strengthening the friendship among the peoples of the North American hemisphere
- Create self-help efforts designed to increase the opportunities for individual development in Latin America
- Stimulate and assist effective participation of the people undergoing the development process
- Encourage the establishment and growth of democratic institutions, private and governmental, that are appropriate for that sovereign nation

According to the IAF, this government department is the most cost-effective way for the United States to assist in improving the lives of people living in unstable states in Latin America. The government organization also maximizes the value of allocated funds, leverages resources, and

creates private-sector partnerships.⁵⁷ Trump's administration plans to eliminate this branch and merge it with the USAID. The IAF is located in 20 countries in Latin America, eight of which are not a part of the USAID.⁵⁸ By eliminating funds to the initiative, over 325,000 people in the 20 countries that benefit from it would be affected. Many of the people who receive this aid help U.S. interests in the region because they help curtail illegal immigration, reduce drug production, and expand export markets. By cutting funds, the United States faces some severe consequences.⁵⁹

For one, by cutting funds, the communities and organizations that have collaborated with the United States to find solutions about the instability in the region would be eliminated. Therefore, there could be an increase in immigration to the U.S. as more people begin to flee in search of a better life. The projects that are started by the IAF cost a couple of thousand dollars and have allowed for dozens of businesses to form. The IAF works with these businesses to develop a model for them to become self-sustaining. It has also been able to execute projects that the USAID was not capable of doing. Since the IAF has a flexible model, it could invest in projects and partner with groups that would have been hesitant to partner with if it was a U.S. government organization.⁶⁰ If the funding is cut, other countries and agencies, like China, will fill in this hole created by the United States.

One of the areas in which the Trump administration and previous administrations have been especially focused on is Venezuela. The United States has seen Venezuela as a threat since Hugo Chavez took office in 1999. The Trump administration is attempting to pressure Venezuela

⁵⁷ "Who We Are • Inter-American Foundation," Inter-American Foundation, August 3, 2019, <https://www.iaf.gov/about/>

⁵⁸ Peter J. Meyer and Edward Y. Gracia, "U.S. Foreign Assistance to Latin America and the Caribbean: FY2019 Appropriations," 2019)

⁵⁹ Ibid., p.9

⁶⁰ Peter and Gracia, p.10

into a regime change. Donald Trump took advantage of the newly inaugurated conservative governments in Brazil and Argentina to try and break the alliance Latin America has with Venezuela. President Trump even attempted to pursue military action in Venezuela; this was strongly criticized by Latin America. In January 2019, the United States further instigated pressure on Venezuela by recognizing the opposition leader Juan Guaido as the legitimate president. Countries that had begun to alienate themselves from Maduro's regime also decided to acknowledge Guaido. Despite the international pressure, Maduro, who is actually President, still has not stepped down. The United States continues to add new pressures such as boycotting Venezuelan oil.⁶¹ As of February 2020, President Trump met with Guaido and told him that further action would be taken in a couple of months to pressure Maduro to step down. Donald Trump did not specify what those actions would be.

As stated above, there are consequences that arise from the United States seeking to reduce its presence in Latin America. For one, aid to Latin America can be linked to mitigating problems that are key to the United States' national security. If the United States cuts all aid, there will no longer be funding to combat organized crime. Therefore, corruption will continue to increase. The reduction of influence also creates a power vacuum; something polar opposite of what the proponents of the Monroe Doctrine were expecting. Initially, 19th-century politicians were frightened that Europe would take over Latin America. Currently, it seems that the United States' politicians are on low alert about the possibility of China becoming a dominant figure in Latin American affairs. For example, the United States could experience a surge in illegal immigration if these countries experience further instability due to the debt traps they could fall into from accumulating too many loans from China. These countries could also experience

⁶¹ Campos and Prevost, p.9

further corruption if the money gets to the wrong hands. Since Latin America is a hotspot for money laundering, the finances from China could be laundered. Furthermore, China could alienate Latin American countries from the United States which could deprive the United States of strategic trade partners.

China in Latin America: An Unexpected Friendship

Over the years, China has taken a significant interest in Latin America. China sees Latin America as an opportunity to take advantage of the rich resources that are spread throughout the region. It also sees it as a channel to fuel China's economic powerhouse. China has had a relationship with Latin America since the Spanish colonial era. During this time, China and New Spain had commercial ties. In the 19th century, Latin America saw a wave of Chinese immigrants which further strengthened ties to the region. The relationship became complicated after the Chinese Civil War when China split itself into the Republic of China and Taiwan. During the 1950s and 1960s, the United States government supported Taiwan and held strong diplomatic ties with the state. Since the United States and Latin America also shared a bond, a majority of Latin American countries viewed Taiwan as a diplomatic ally instead of China. During the 1970s China's foreign policy was revamped after international organizations recognized the Republic of China as the sole state. When this change occurred, Latin American countries found it beneficial to begin opening embassies in Beijing and decrease its relationships with Taipei.⁶²

Once the Cold War ended, Latin America and China began to have a more serious relationship regarding economic ties.⁶³ Since 2001, China has heavily increased its engagement with Latin America by having influence over trade investments, agriculture, raw materials,

⁶² Manriquez, p.13

⁶³ Ibid., p.5

energy, infrastructure, and technological development. China's trade in the region has exponentially increased since the early 2000s. In 2002, China's trade was 17 billion dollars. As of 2018, the trade with the region reached 306 billion dollars. President Xi Jinping set a goal to increase trade to 500 billion dollars in the next ten years. China has now become the top trading partner with Brazil, Uruguay, Chile, Peru. As the United States continues to decrease engagement, these countries have found it necessary to seek new trading partners that will help boost their economies. China is also in high demand for raw materials, therefore, this unexpected relationship naturally flourished.⁶⁴ For example, China gets copper from Chile and Peru, soybeans from Argentina, and iron ore from Brazil.⁶⁵ These resources help fuel Xi Jinping's "Chinese Dreams" by supplying food to all of Mainland China and providing raw materials like copper and iron to help further the BRI infrastructure initiatives. Latin America has also heavily increased its imports from China. For example, from 2006 to 2010, Latin American imports from China were 22.8%. Meanwhile, the imports from the United States and the European Union were 5.9% and 9.2% respectively.⁶⁶

The removal of the United States from the Trans-Pacific Partnership in 2016 allowed an opportunity for China to reel in new business partners. After the withdrawal, China spoke to the remaining members of the Trans-Pacific Partnership about future integration in the Asian Pacific region. This allows the Asian hemisphere the opportunity to further expand its trade in the region and become a predominant economic player in Latin America.⁶⁷ More importantly, China now has the chance to have these members join the Regional Comprehensive Economic Partnership

⁶⁴ Thomas Lum, "China's Engagement with Latin America and the Caribbean," 2019)

⁶⁵ Manriquez, p.14

⁶⁶ Ibid.,p.15

⁶⁷ Antoni Estevadeordal, "Latin America in the New Asia-Pacific Trade Order," Brookings (Brookings, March 22, 2018), <https://www.brookings.edu/research/latin-america-in-the-new-asia-pacific-trade-order/>

which would exclude the United States.⁶⁸ China also has the potential to create new trading norms, something that the United States was once heavily involved in. The former members of the TPP are highly interested in continuing to increase trade with China.⁶⁹

China has also increased its diplomatic relationships with Latin America. For example, China has partnered with the Community of Latin American and Caribbean States (CELAC) to try and expand cooperation within the region. The plan was created in 2015, but in 2018 the members sought out to expand the plan until 2021. The plan is a mirror copy of the Belt and Road Initiative and has allowed China to implement 80 financing projects that affect the livelihood of over 20 Latin American countries.⁷⁰

In-Depth Look at the Action Plan:

Some of the initiatives that this plan entails are politics and security. On the political side, the plan seeks to enhance cooperation by holding multiple multilateral forums between CELAC members and the People's Republic of China. The initiative also plans to continue the Young Politicians Forum and CELAC by continuing the training of people interested in politics. Between 2019 and 2021, China will invite 200 members of political parties from CELAC to visit China. The plan also wants to create policies that will help curtail terrorism and create international laws. Meanwhile, on the security side, China seeks to partner with CELAC to continue the disarmament of weapons of mass destruction and finds ways to reduce trade-based money laundering (a problem that plagues Latin American countries).⁷¹

⁶⁸ Andrew Chatzky and James McBride, "What Is the Trans-Pacific Partnership (TPP)?," Council on Foreign Relations (Council on Foreign Relations, January 4, 2019), <https://www.cfr.org/backgrounder/what-trans-pacific-partnership-tpp>)

⁶⁹ Ibid.

⁷⁰ Ibid.

⁷¹ "CELAC AND CHINA JOINT PLAN OF ACTION FOR COOPERATION ON PRIORITY AREAS (2019-2021)," CELAC AND CHINA JOINT PLAN OF ACTION FOR COOPERATION ON PRIORITY AREAS (2019-2021) § (2018), pp. 1-10)

The partnership also seeks to establish cooperation programs for agriculture. The plan seeks to increase agricultural research and training programs and create and share new technologies. The agricultural plan forms stronger trade relationships between these partners by reciprocating both trade and investment in agriculture. This sector is critical to China because of its constant demand to provide food to its expanding population. Another goal of the partnership is to enhance the industry, science, and technology. One of the main objectives of this sector is to encourage the transfer of technologies between Chinese and Latin American companies and to engage in more collaboration within the automotive, machinery, electronics, and aviation sectors. The plan also aims to support the Chinese companies that have made investments in the region. This section of the cooperation also wants to have more integration of renewable energy, mining, and infrastructure which will be used to manufacture products and be able to provide the resources needed to keep up with the construction materials and other resources being used in this extensive partnership. Another one of the project's pillars revolves around combating climate change by having joint meetings to create a conversation about conservation policies and encourage Latin American countries to join the Paris agreement. The agreement also encourages cultural exchanges such as enhancing the academics of young scholars and young people who are in places that need more educational development by sending volunteers.⁷²

Perhaps one of the most crucial elements of this partnership is China's investment in transportation. The transportation pillar of this project is the one that most closely resembles the BRI initiative. The purpose of the project is to encourage the construction of infrastructure between CELAC and China. This means that the two would work together to design, consult and execute projects, and help with operations and administration. The project also calls for the

⁷² Ibid.

promotion of infrastructure development plans for the member states of the CELAC community in order to have cooperation and investment in infrastructures like railways, roads, ports, airports, logistic systems, telecommunications, information and communication technologies, radio and television, agriculture, electric power and urbanization and more.⁷³ The plan also calls for the advancement of cooperation between China and CELAC and to make it a priority to create projects that will create further the integration of Latin America and the Caribbean and simultaneously make China more connected to this region.⁷⁴

Making China's Vision for Latin America Turn into a Reality

China has already begun expanding its reach into Latin America and heavily investing in infrastructure in the region. It is important to note that China seeks to invest in regions that will benefit China's security, trade relationships, and resources. Many of the projects China has already conducted revolve around building docks in critical ocean gateways or critical canals. The following section will take a look at five countries in Latin America that have been significantly impacted by China's influence. Brazil and Argentina are not a part of the BRI initiative but have strong ties with China and have similar projects funded by China that mirror BRI projects. Panama, Venezuela, and Ecuador are members of BRI and receive loans to fund projects. All these countries are rich in resources which is a reason why China has strategically chosen to partner with them.

Brazil: China's Top Trading Partner in Latin America

Although Brazil is not a member of the BRI initiative, it has a significant relationship with China. Brazil is China's top trading partner in terms of its trade balance of imports and exports. Chinese companies have also entered Brazil seeking an opportunity to take advantage of

⁷³Ibid.

⁷⁴ Ibid.

the rich resources the country possesses and to make an investment in a country that will advance China's economic growth. Before China's investment in Brazil, the region was receiving foreign direct investments from the United States. Over time, the United States' investments began to decrease which paved the way for Chinese foreign investment to enter. In 2000, approximately 46% of Brazil's 500 largest firms were foreign and contributed to 56% of sales, 49% of exports, and 67.2% of imports.⁷⁵ Many of the investments from China are in economic sectors that have service activities, will give a high amount of exports, and reduce the coefficient of imports which results in trade balances.⁷⁶ China allocates most of its investments to industries that deal with electricity and gas. Approximately 76% of Chinese foreign direct investment is in the energy sector.⁷⁷ The energy sector deals with oil, coal, gas, and the generation, transmission, and distribution of electricity. China's interest in this region is to take advantage of these raw materials. In 2018, Chinese companies began to invest in areas that would continue to discover more natural resources in Brazil and develop economic sectors that directly tie to these commodities.

An example of a Chinese company that has a profound presence in Brazil is State Grid. State Grid is China's biggest power transmission and distribution company. It supplies energy to 88% of China and gives power to 1.1 billion people.⁷⁸ State Grid began investing in Brazil in 2010 by acquiring seven national power transmission companies. As of 2016, State Grid got a hold of 54.64% of CPL Energia which is Brazil's largest industry in the electric sector. State Grid has become one of the largest multinational industries in Brazil's electric sector. In May

⁷⁵Armando Dalla Costa, "Chinese Companies and Foreign Direct Investment in Brazil between 2000 and 2018.," *Journal of Evolutionary Studies in Business-JESB* 4, no. 2 (2019), <https://doi.org/10.1344/jesb2019.2.j061>

⁷⁶ Ibid.,p.75

⁷⁷ Ibid.,p.86

⁷⁸ Ibid.,p.93

2018, the company announced that it was planning to invest over 35 billion dollars over the next five years into Brazil's electric sector. The company hopes to continue creating a long-lasting relationship to further investments, acquire raw resources, and initiate a dialogue for creating technological exchanges with renewable energy.⁷⁹ The president of Brazil was once highly skeptical of Xi Jinping's political motives and believed that China was exploiting Brazil's resources. However, President Bolsonaro changed his mind when he realized that he could not efficiently transform Brazil's economy. President Bolsonaro now wants to partner with China to help finance railways, ports, power plants, and other infrastructure projects. President Bolsonaro believes that by creating this bilateral agreement with China, Brazil can dramatically enhance its economy.⁸⁰

Panama: Once a United States' Prodigy, Now in the Hands of China

Panama is a key example of a state that was once a key area of interest for the United States but has lost that strong bond. Panama serves as a region of interest for many countries because of its access to two oceans and its well-connected airport. Panama became the first Latin American country to join the Belt Road Initiative. In 2017, Panama made a groundbreaking diplomatic change by switching its alliance from Taiwan to China. It announced that it would no longer partake in projects and that the Taiwan embassy would be closing. The switching of allies was a political and economic downfall for Taiwan because it relied on the Panama Canal for economic and political purposes and was its most important South American ally. The historical change occurred after Panama realized the economic possibilities that would blossom if they allied with China. China uses this method of coercion to persuade its partners to switch alliances

⁷⁹ Ibid.,p.75

⁸⁰ Paulo Trevisani, "Brazil Deepens China Ties in About-Face," The Wall Street Journal (Dow Jones & Company, November 15, 2019), <https://www.wsj.com/articles/brazil-deepens-china-ties-in-about-face-11573772734>)

in exchange for opportunities that Taiwan would not be able to offer. As soon as Panama switched allies, nine other countries including El Salvador, Guatemala, Paraguay, Honduras, and the Dominican Republic switched alliances.⁸¹ In 2017, Beijing was already the second-highest user of the canal, with the United States being the first, and provided the most goods in the Free Trade Zone of Colon. China is intentionally choosing Panama as an area of investment because it wants to alienate Taiwan allies and diminish its status on the global stage.

In 2016, a Chinese company named Landbridge Group bought Panama's largest port in Margarita Island. China invested 900 million dollars to control this port and pledged to help enhance the port facilities and construct deep-water ports to dock large vessels.⁸² In 2018, President Xi Jinping became the first premier to travel to Panama. He was also accompanied by Chinese companies like Huawei and China Railway Design Corporation which wanted to invest 4 billion dollars to build a high-speed railway project. The China Railways company has already established a headquarter in Panama City, meanwhile, Huawei, the telecoms mogul, has established itself in the Colon free trade zone to distribute its electronic systems.⁸³ As of 2018, two Chinese companies got a contract to build a fourth bridge across the Panama Canal. The Panama Canal was once a coveted project of the United States. However, after the Panama Papers, the United States' role with the canal started to dwindle which gave China a perfect opportunity to access a critical port that has connections to the Pacific and Atlantic Ocean.⁸⁴ China also developed a 4.1 billion dollar proposal to construct a 391-kilometer high-speed rail

⁸¹ Wei Liang, "Pulling the Region into Its Orbit? China's Economic Statecraft in Latin America," *Journal of Chinese Political Science* 24, no. 3 (2019): pp. 433-449, <https://doi.org/10.1007/s11366-018-09603-w>

⁸² Timothy S. Rich and Vasabjit Banerjee, "Panama Switch Marks China's Return to Checkbook Diplomacy," – *The Diplomat* (for *The Diplomat*, June 15, 2017), <https://thediplomat.com/2017/06/panama-switch-marks-chinas-return-to-checkbook-diplomacy/>

⁸³ *Ibid.*

⁸⁴ Juan Zamorano and Kathia Martinez, "China's Construction Binge Spreads to Americas, Rattles US," AP NEWS (Associated Press, April 5, 2019), <https://apnews.com/01e30c76567f40ce9d5dabc20788139c>

line that would connect Panama to Costa Rica. Panama also wants to have a free trade agreement and create a consulate in Hong Kong.⁸⁵ These bilateral agreements fuel Xi Jinping's dream to make China a dominant player on the world scene. Not only does this agreement increase business opportunities for China but it also lets them physically be in an area that has a significant geopolitical interest.

The President of Panama, Juan Carlos Varela, stated that China's involvement in the region was an optimal opportunity for Panama to finally put itself back on its feet after years of suffering. The President of Panama believes that the connection between the countries who have participated in the BRI will allow Panama to tap into its potential and excel in trade. Valera stated that "the Belt and Road is all about connectivity and Panama is one of the most connected countries in the region. [Panama] [has] a very important airport, the Panama Canal and also ports."⁸⁶

The United States has been on high alert regarding China's heavy investments in Panama. For example, Mike Pompeo, the U.S. Secretary of State, visited Panama and warned President Varela of the negative consequences that could arise from Chinese investments. Shortly after, Varela met with President Xi Jinping and expressed his excitement to be a part of China's BRI initiative. The United States is fearful that China's role in Latin America could harm the United States' firms that already do business there. The United States is also fearful that Panama will undergo regional instability if it cannot pay off the loans for these projects. The country could go into debt which will create more instability in the region.⁸⁷

Venezuela: A Stressful Partnership for China

⁸⁵ Ibid.

⁸⁶ "Panama President Cheers China's 'Belt and Road' Initiative," AP NEWS (Associated Press, April 2, 2019), <https://apnews.com/f21a392408744434918ebf72a749a827>

⁸⁷ Zamarano and Martinez

Unlike the United States, China does not care that Venezuela has committed human rights atrocities and has an authoritarian regime. Venezuela was once the perfect business partner because the current authoritarian president had a similar mission to China: reduce the United States' power. China also saw Venezuela as the perfect opportunity to seize oil reserves (which are the largest in the world). In 2002, Venezuela and China created a bilateral agreement that consisted of several multi-billion-dollar-loans-for-oil deals. Between 2007-2017, China financed more than 60 billion dollars worth of projects which included development, mining research and exploration, housing projects, communication satellites, and a railway company.⁸⁸ China mainly focuses on providing loans to help fix Venezuela's oil refineries. In 2018, President Maduro visited China and signed twenty-eight bilateral agreements tied to the BRI. Since then, Venezuela has become the largest consumer of Chinese arms in the region and has implemented China's national identity card program which helps keep track of citizen's activities.⁸⁹ In addition, China has supplied Venezuela with military equipment such as turboprop aircraft and radars. The Huawei company has also been training military personnel. China has also provided military aid to two of Venezuela's allies, Bolivia and Ecuador.⁹⁰

China has suffered quite a bit with this complicated business partner. For one, President Maduro has created the worst economic depression in the region. The conditions of Venezuela have made it difficult for Chinese investment to flourish and Venezuela's oil production has been crippled. Venezuela faces difficulties in repaying the billions of dollars worth in loans.

Economists believe that roughly 20 billion of the 60 billion dollars in loans are yet to be paid. On

⁸⁸ Cristina Guavara, "China's Support for the Maduro Regime: Enduring or Fleeting?," Atlantic Council, January 14, 2020, <https://www.atlanticcouncil.org/blogs/new-atlanticist/chinas-support-for-the-maduro-regime-enduring-or-fleeting/>

⁸⁹ Ibid.

⁹⁰ Robert Evan. Ellis, *China-Latin America Military Engagement: Good Will, Good Business and Strategic Position* (Place of publication not identified: BiblioGov, 2013))

top of this, the United States has placed sanctions on any individual or company that does business with Venezuela's state-owned oil company Petroleos de Venezuela. The sanctions caused Chinese oil companies to stop purchasing Venezuelan oil to avoid the United States' repercussions. China has begun to cut economic ties to the state because of Maduro's inadequate handling of the economy.⁹¹ As a result, Venezuela has turned to Russia for economic support. China is now carrying the enormous weight of Venezuela's economic failure. It has found itself in a tricky situation as it tries to find a way to get the 20 billion dollars of loans repaid. Venezuela once served as a perfect partner to provide the energy needed to fuel China's dream. However, reality has finally struck causing China to face repercussions for trying to negotiate with Maduro.⁹² Venezuela is one area in Latin America that the United States carefully monitors due to the security risks they pose.

China and Ecuador: Are Chinese Loans Beneficial in the Long Run?

Ecuador is one of Latin America's countries that has fallen into a trap for seeking out a significant number of loans from China to bolster its economy. Instead, Ecuador has found itself in a debt trap with China. Like most Latin American countries, Ecuador realized that the United States and international organizations like the IMF were providing little to no funds to the region. Therefore, Ecuador sought out China as a new partner to provide loans. Currently, Ecuador faces the highest rates of Chinese loans.⁹³ Ecuador became a member of the BRI in December 2018. Since then, Ecuador has taken on a substantial number of Chinese projects. For example, the loan-based infrastructure projects deal with hydroelectric power generation, ports, refineries, and

⁹¹Guavara

⁹²Matt Spetalnick, "U.S. Envoy Sees China Scaling Back Economic Support for Venezuela's Maduro," Reuters (Thomson Reuters, January 15, 2020), <https://www.reuters.com/article/us-venezuela-politics-china-russia/u-s-envoy-sees-china-scaling-back-economic-support-for-venezuelas-maduro-idUSKBN1ZE2BO>

⁹³Evan Ellis, "Ecuador's Leveraging of China to Pursue an Alternative Political and Development Path," *AIR & SPACE POWER JOURNAL* 4 (2018): pp. 79-104)

road construction. The investment in these specific sectors ensures that China has access to numerous Ecuadorian resources.⁹⁴ Ecuador has also purchased a large volume of military equipment such as aircrafts, radars, and military vehicles. and small arms.⁹⁵ In 2015, during the China-CELAC summit, Xi Jinping assured Ecuador's president that it was a strategic partner and that it would seek to enhance their relationship.

When President Moreno was elected in 2016, Ecuador and China's relationship slightly changed because he sought out to improve Ecuador's relationship with the United States and the West. The new president wants to break its dependence from China for such crucial projects that fuel Ecuador's economy. The Hydrocarbons Minister has negotiated contracts with China to ensure that Ecuador does not get the bad end of the stick. The Attorney General has also investigated previous contracts by Chinese companies and found criminal activities. Despite this, Ecuador has not taken legal action against these companies nor has it stopped them from bidding on new projects and contracts. Although President Moreno wants independence from China, his actions prove the contrary. In January 2020, Moreno and Xi Jinping celebrated 40 years of diplomatic relations between China and Ecuador. During this exchange of messages, the two countries pledged to continue a relationship based on mutual benefits and win-win cooperation.⁹⁶ However, President Moreno wants China to have more transparency in its projects. The president has also attempted to become friendly with the United States and other Western institutions.⁹⁷ Ecuador must still face the economic consequences of acquiring loans from China

⁹⁴ Ibid.,83

⁹⁵ Ibid.,83

⁹⁶“Xi Jinping and President Lenín Moreno Garcés of Ecuador Exchange Congratulatory Messages on the 40th Anniversary of the Establishment of China-Ecuador Diplomatic Relations,” Xi Jinping and President Lenín Moreno Garcés of Ecuador Exchange Congratulatory Messages on the 40th Anniversary of the Establishment of China-Ecuador Diplomatic Relations § (2020))

⁹⁷ Ibid.

and it owes China 4 billion dollars in loans for oil. As a result, Ecuador has sought help from the IMF to receive loans to stabilize the country's finances and economic reforms.⁹⁸

China in Argentina: A Similar Tale to Brazil

On December 2018, President Xi Jinping attempted to get Argentina to participate in the BRI initiative during the G20 Summit. Despite them not being a member of the BRI, Argentina has taken on numerous Chinese funded projects and has taken on Chinese loans. During this meeting, the two countries agreed to thirty agriculture and investment deals. China has become one of Argentina's top lenders and has financed 18.2 billion dollars in infrastructure and other projects.⁹⁹ Before President Macri who was inaugurated in 2015, President Kirchner was heavily involved in Chinese investments and approved approximately 15 billion dollars in loans, including the renovation of the Belgrano Railway and hydroelectric dams. Although President Macri is skeptical of China's investments, he is still receiving them. For example, the China Development Bank and the Export-Import Bank are still financing a solar farm project and railways. China has also extended Argentina's credit to 19 billion dollars due to Argentina's economic crisis it faced in 2018.¹⁰⁰ China's construction giant CCCC is planning to place a bid to dredge the Parana River in Argentina. This river acts as a superhighway for soy and corn and carries 80% of Argentine farm exports. One of the reasons China is heavily involved in the Parana River is to access Argentina's food supply to feed China's growing population. If the project occurs, it will be one of Argentina's biggest logistics contracts, but it has yet to be

⁹⁸ Colby Smith, "IMF Agrees to \$4.2bn Fund for Ecuador," Financial Times (Financial Times, February 21, 2019), <https://www.ft.com/content/f6aed944-35e9-11e9-bd3a-8b2a211d90d5>

⁹⁹ Luis Andres Henao, "Argentina and China Sign Deals Strengthening Ties after G-20," AP NEWS (Associated Press, December 3, 2018), <https://apnews.com/f9eb88492bfe481d90b72410842eefd7>

¹⁰⁰ Benjamin Gedan and Emma Sarfity, "Do We Have to Choose? Argentina's Growing Partnership with Beijing and Washington," Global Americans, August 29, 2019, <https://theglobalamericans.org/2019/07/do-we-have-to-choose-argentinas-growing-partnership-with-beijing-and-washington/>

fulfilled. However, if it is, China will have more control over agricultural supply chains and pricing; a goal that is a part of Xi Jinping's Chinese dream.

Conclusion

China has stunned the world with its ability to effectively convince countries to partake in business deals and trade negotiations. President Xi Jinping came to power with a clear vision of making China a powerhouse on the world scene. China's Belt and Road Initiative is aimed at creating bilateral agreements with countries that will provide the necessary resources to reassert China's dominance on the world scene. China has negotiated trade deals, invested in infrastructure projects, and has provided loans for countries that do not normally get these opportunities due to economic instability and/or corruption. As of 2020, it is estimated that China has spent roughly 900 billion dollars on the initiative. Several countries have taken a significant interest in joining China's Belt and Road Initiative or expanding trade and investment opportunities with them. Latin America is a notable example of a region that is geographically far from China, yet has found a way to become heavily invested in the opportunities that China has to offer. The United States, on the other hand, has become less involved in world affairs as it begins to focus more on helping itself than others. This can especially be seen in its decreasing affairs with Latin America. Over the years, the United States has significantly reduced its investments in Latin America. This has created the perfect concoction for another country to step in and replace the United States. Due to Latin America's rich resources, it was clear that Latin America made the perfect match for Chinese influence. Over the years, China has become Brazil's top trading partner in Latin America and has given Brazil a substantial amount of money to invest in a series of projects. Although Brazil is not a member of the BRI, it has made agreements with China that closely resemble the initiative. Venezuela, Panama, and Ecuador are

two countries that have partaken in the BRI initiative. So far it appears that the initiative has caused more harm than good. For China, Venezuela has proved to be a troubling business partner due to the corruption that reaps havoc in the country. China is having a difficult time getting back the money it has lent to Venezuela and it wants to slowly cut ties with the country after the U.S. placed sanctions on anyone who does business with Venezuela's state-owned oil company. Ecuador, on the other hand, has accumulated tremendous debt from China's loans and faces great difficulty in paying it off. China is getting more and more control of the Panama Canal which could hurt the United States because it is the number one user of the canal.

One thing is clear, Latin American countries are becoming more aware of the opportunities that China has to offer. Meanwhile, the West and Western organizations are becoming skeptical of offering loans to such an unstable region. The United States has become reluctant to get involved in Latin America. In doing so, China has crept its way into the Northern Hemisphere. The United States could have implications as a consequence of China's investment in Latin America. For one, the investments could create more instability if the countries go into debt. The instability could then create corruption and an influx in immigration. The United States could also miss out on important business opportunities as Chinese firms begin to become the predominant partners in Latin America. Moreover, the United States could miss out on trading opportunities and vital resources from these countries. The story of what will happen is yet to conclude. However, given the facts, it seems that Latin America may face repercussions for allowing China to become deeply immersed in the region.

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