CHAPTER 5

China’s Foreign Policy Toward Latin America: Context, Decision, Implementation

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The United States of America (US) has considered Latin America and the Caribbean (LAC) to be under its hegemonic control since the nineteenth century. In turn, Latin American countries acted toward the continental hegemon alternating a logic of autonomy and logic of acquiescence (Russel and Tokatlian 2015). In the twenty-first century, two phenomena have updated the logic of autonomy. One was the emergence and subsequent crisis of post-hegemonic regionalism, marked by initiatives such as the Union of South American Nations (UNASUR), the Bolivarian Alliance for the Peoples of Our America (ALBA), and the Community of...
Latin American and Caribbean States (CELAC) (Riggiozzi and Tussie 2012). The other is China’s regional presence.

We assume as a premise that China-US relations are critical for the international system (Waltz 2009). Normatively, we hope this dyad can escape the “Thucydides Trap” (Allison 2017). Latin America is relevant for both great powers. Moreover, Latin Americans are not passive bystanders. Their agency is asymmetric yet consequential (Coetzee 2019). Therefore, triangular relations between the United States, Latin America, and China form a vital part of a global multidimensional transition.

Our research question emerges from what came to be known as the “second image reversed” problem (Gourevitch 1978). What are the international sources of China’s foreign policy toward Latin America? How do US and LAC’s actions alter the implementation of China’s regional policy? To answer both questions, we follow Kenneth Waltz’s thinking about how foreign policy is decided upon and implemented, and how successful it can be in achieving its goals (Hall 2014).

We start with six heuristic conjectures (Lopes et al. 2016). First, LAC becomes more critical to the People’s Republic of China (PRC) due to the redistribution of capabilities at the systemic level. Second, Beijing’s foreign policy toward this region is consistent with and subordinated to its overall grand strategy. Third, China’s institutional setting for deciding upon foreign policy is highly centralized and effective. Fourth, implementation is more decentralized and costlier than other stages of the foreign policy cycle. Fifth, American securitization of China’s presence in the region poses a risk for Latin America’s development. Sixth, regional powers in Latin America lack a proper strategy to guide their relations with China.

This text is organized into three main parts. In the first part, we examine China’s grand strategy and LAC’s place in it. The second part explains the institutional setting for decisioning China’s foreign policy. In the third section, we interpret China’s implementation challenges and discuss lines of action China may adopt. A brief conclusion re-evaluates the six heuristic propositions.

**Context: China’s Grand Strategy and Latin America**

The concept of grand strategy is used here to express the general and longer-term goals established by national governments, as well as to
evaluate the degree of coherence between their military, economic, and diplomatic policies (Gaddis 2018). Such use adheres to Clausewitz’s assumption of war as an instrument of Politik. Both the US and China have changed their grand strategies in recent years (Schweller 2018).

The United States grand strategy suffered two considerable modifications, the first being the National Security Strategy (NSS) issued by the White House in December 2017. The White House ascertained the military, economic, and diplomatic aspects of Trump’s “America First” motto. Despite the grotesque role Trump has played in international affairs (Walt 2018a:14), three political goals stated in the NSS stood out. First, the continuous pursuit of nuclear primacy and unmatched global force projection, along with their required space, cyber, and conventional combat capabilities. This inherited goal from previous governments is revisionist and offensive, not status quo oriented or defensive (Walt 2018b). Second, the economic goal of maintaining global leadership in technological innovation, along with attaining energy dominance. Third, a diplomatic offensive in all multilateral and bilateral fora to pursue a geopolitical struggle with China and Russia. Regional priorities are Europe, the Middle East, and the so-called Indo-Pacific.

Regarding the Western Hemisphere, the NSS document complains that “China seeks to pull the region into its orbit through state-led investments and loans” (US Government 2017:51). The second modification comes as a sort of settlement in many aspects, with Biden’s less bold Interim National Security Strategic Guidance, which rebukes the America first strategy and gravitates back toward limited multilateralism and international alliances. The Guidance also points to climate change, the pandemic, and cyber activity as top national security threats. However, with regard to China, the concern remains on a more measured note than Trump’s. Biden’s provisory NSS recognizes China as “the only country with economic, diplomatic, military and technological power to seriously challenge the stable and open international system” and sustains that American relations with the PRC will be competitive, collaborative, and adversarial depending on the occasion, matter, and China’s approach. The advice on China was to strengthen relations with other countries from Southeast Asia to contain Chinese diplomatic growth. Therefore, it seems that other regional theaters such as Asia and Europe continue to be more important than Latin America for the US when it comes to China’s influence. However, Biden’s intention behind the publication of the Interim Guidance, according to his Secretary of State Antony Blinken, is to lay out
ground rules for the security agencies to follow, while a “more in-depth” national security is in the making. Therefore, despite the report pointing out Biden’s will to retrace the US’s foreign policy, there are many points of continuity (US Government 2021). The US Southern Command (SOUTHCOM), in its 2021 posture statement, manifested once more its concern with increasing Chinese activities in the Latin American region, warning that the PRC is “seeking to establish global logistics and basing infrastructure in the hemisphere in order to project and sustain military power at greater distances” (US Congressional Research Service 2021).

Beijing’s grand strategy has the broad goal of fulfilling China’s dream (中国梦) through the rejuvenation of China (中华民族伟大复兴). Additional objectives and means unfold to advance the core national interests (国家的核心利益). Three primary documents convey such interests, the 13th and the 14th Five Year Plan (2016–2020; 2021–2025, respectively) (PRC Government 2016a, b, c; PRC Government 2021a, b) and Xi’s 19th CPC Congress Report (2017) (Xi 2017a). Considering China is the largest developing country in the world, the two-stage plan intends to build a moderately prosperous society from 2020 to 2035 and further develop into a modern socialist country by 2050. These are the two centenary goals following the 100th anniversary of the Communist Party of China (2021) and the 100th anniversary of the People’s Republic of China (2049). Despite the COVID-19 pandemic, at the end of 2020, the Chinese government achieved one of its centenary goals: to eradicate extreme poverty in the country. In numbers, this represents that 98,99 million people in rural areas living below the poverty threshold in 2012 had their income and living conditions improved (PRC Government 2021a, b). Such a grand strategy has three main components, the military, the economic, and the diplomatic (Danner 2018).

China’s Military Strategy (China 2015) aims at sustaining a minimal deterrence nuclear force, kept credible by improved space, cyber, air, maritime, and land combat capabilities. Its active defense concept implies the persistent transformation of the People’s Liberation Army (PLA) to dissuade or win conventional wars in a contested zone up to 600 km beyond PRC’s borders (PRC Government 2015). According to Biddle and Oelrich (2016), existing and projected (2040) Chinese anti-access, area-denial capabilities (A2/AD) will be neither capable nor intended to defeat the United States in the Western Pacific or beyond. Its goal is to guarantee PRC’s sovereign interests regarding Taiwan and the South and East China Seas (Biddle and Oelrich 2016).
China’s international economic strategy is the lynchpin of its grand strategy. Following the global financial crisis in 2008 and the US-led blocking of China’s increase of its voting rights in the International Monetary Fund (IMF) in 2010, Beijing has since adopted a two-pronged macro-economic approach. First, trying to be less dependent on the United States dollars (USD), investments, and trade. According to Overbeek (2016, p. 324), even after the PRC’s Renminbi (RMB) officially became one of IMF’s Special Drawing Rights currency basket in 2015, the monetary component will take time to develop fully. Therefore, the second part of China’s strategy aims to secure resources (food, energy, materials, capital, and knowledge) and address development challenges. Prominent examples are the USD 100 billion Asian Infrastructure Investment Bank (AIIB), the USD 100 billion New Development Bank (NDB, launched by the BRICS), and the USD 40 billion Silk Road Fund (Overbeek 2016).

China’s diplomacy promotes the concept of forging a community of shared destiny (命运共同体) to link economy and security. Its normative content encompasses humankind, evolving from its original regional reach (Zhang 2018). It follows a synthetic orientation: “Big powers are the key; China’s periphery is the priority; developing countries are the foundation; multilateral platforms are the stage” (大国是关键, 周边是首要, 发展中国家是基础, 多边是重要舞). In implementing this directive, variations occur. For instance, the proposed model for major-country relations (新型大国关系) materializes differently in the cases of Russia and the US. Likewise, the Belt and Road Initiative (BRI) launched in 2013 has evolved to be more about governance than infrastructure per se. In 2017, the Belt and Road Forum for International Cooperation (BARF) attracted 29 foreign heads of state and government, as well as representatives from more than 130 countries and 70 international organizations (Wenxian et al. 2018). In June 2018, some 5000 government and business representatives from 55 countries participated in the Third Belt and Road Summit. By September 2018, China had signed 118 cooperation agreements with 103 different countries and international organizations to implement the BRI (Yanan 2018). By early January 2020, the Belt and Road Initiative encompassed 138 countries, 18 of them being in Latin America.

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America and the Caribbean, and ongoing or planned projects related to the BRI were valued at US$3.87 trillion (Oxford Business Group 2020).

Amid the pandemic, the rhythm of development of the infrastructure projects dwindled. COVID-19 consequences as logistic issues (such as lockdowns and countries closing their boards), a reduction of construction supplies, alongside a decline in Chinese overseas investment help explain the numbers. According to China’s Ministry of Foreign Affairs, in June of 2020, 20% of BRI projects were “seriously affected” while other 30–40% BRI projects were “somewhat” afflicted by the pandemic situation (Reuters 2020a, b). Despite the turbulence in the infrastructure projects, the pandemic functioned as a catalyst for some changes in the linchpins of the Initiative that were already figuring in China’s foreign policy such as sustainability and green development; health-related initiatives; and digital and technological innovation. The COVID-19 Economic Impact Assessment of Oxford Business Group inquires further, dividing the BRI into the specifications under the umbrella of the Initiative: The Green Silk Road, The Health Silk Road, and The Digital Silk Road (Oxford Business Group 2021).

China participates intensively in the United Nations (UN) system. Besides, in Asia, Beijing created the Shanghai Cooperation Organization (SCO), the Asia–Pacific Space Cooperation Organization (APSCO), the ASEAN–China Free Trade Area (ACFTA), and the Asian Infrastructure Investment Bank (AIIB). China has also been decisive in the Association of Southeast Asian Nations Regional Forum (ARF), the Asia–Pacific Economic Cooperation Forum (APEC), the BRICS Forum, and the Group of Twenty (G20). New 1 + N platforms include the Forum on China–Africa Cooperation (FOCAC), the China and Portuguese-Speaking Countries Forum for Economic and Trade Cooperation (MACAO), the China and Central and Eastern European Countries Initiative (CEEC 16 + 1), the China-Arab States Cooperation Forum (CASCXF), and the China-CELAC Forum (CCF) (Jakóbowksi 2018).

However, China has critical strategic decisions to make. For instance, China must decide whether or not its current global assertiveness is sustainable. Alternatively, in the terms used by Yan Xuetong (2014), if “striving for achievements”—SFA (奋发有为) is indeed better than the previous “keeping a low profile”—KLP (韬光养) (Xuetong 2014). Further, China must also decide whether or not its growing interests in global value chains will continue to allow for a limited and less costly military strategy, especially if the US further securitizes relations with
China. Meanwhile, to assess LAC’s place in China’s grand strategy, we assume two general premises. First, regarding its realist foundations, we consider those expressed by the official Thought on Socialism with Chinese Characteristics for a New Era (习近平新时代中国特色社会主义思想) (Xi 2017b). Second, regarding the institutionalization of its policy-making process, we consider those indicated by China’s achievements following the 40th anniversary of Deng’s policy of Reform and Opening-Up (改革开放) (Garnaut et al 2018).

Realism predicts that China will not challenge US military dominance in the Western Hemisphere. The PRC lacks either the intent or the means to project significant military power to Latin America. None of the doctrinal, organizational, and force structure changes commanded by the Leading Group for National Defense and Military Reform (中央军委深化国防和军队改革领导小组) since 2015 indicate otherwise (Cordesman and Kendall 2017). Even the staunchest advocates of containment acknowledge the non-military nature of China’s “threat” to US interests in LAC (Ellis 2018). Therefore, economy and diplomacy are crucial in this region. China’s LAC policy is part and parcel of its overall grand strategy (Poh and Li 2017). Moreover, this strategy has been very successful. In the next section, we shall look at how the leadership decides upon foreign policy (Zhao 2016).

**Deciding Policy Toward LAC: The Institutional Setting**

China’s decision-making can be modeled using a $3 \times 3$ matrix.\(^2\) Horizontally, the first tier comprises the Party and the Central Government bodies. The second tier is composed of ministries, agencies, and state-backed financial vehicles. The third tier includes ministerial departments, provincial and local governments, state- and privately-owned enterprises, and other interested actors. Vertically, grand strategy combines three sectors, the military, the economic, and the diplomatic. The resulting matrix includes both actors and institutions. By actors, we mean either individuals or organizations with dissimilar agency power (Milner and

\(^2\) This matrix is not to be confused with the $3 \times 3$ Model for Cooperation proposed by Premier Li Keqiang in 2015, referring to capacity building in logistics, power generation, and IT, through synergy between businesses, society, and government. Li’s model has been expanded later to include enhancing funds, credit loans, and insurance financing.
Tingley 2015). By institutions, we mean formal and informal governance arrangements (Rixen et al. 2016). Relations between the party and the government and between tiers can be conceptualized using the principal-agent model. It conceives public policy as a series of authority delegations (“contracts”) between decision-makers and implementers. Due to asymmetric information, uncertain local conditions, and limited rationality, conflicts of interest between principal and agents emerge, with cascading costs along the policy cycle (Kettl 2006).

In the first tier, the ruling position of the Communist Party of China—CPC (中国共产党) appears briefly in the preamble of the PRC’s Constitution. Nevertheless, its unmatched power is the starting point for any evaluation of China’s polity. In November 2012, the 18th National Congress of the CPC brought into power the fifth-generation leadership with Xi Jinping as Secretary-General. In March 2013, Xi was selected to be PRC’s President during the 1st Session of the 12th National People’s Congress (NPC). Xi also holds the chairmanship of both the party and the state Central Military Commissions (CMCs). After emerging even more powerful from the 19th National Congress of the CCP in October 2017, Xi was officially designated the Core Leader and was reappointed as PRC President in March 2018 without predetermined term limits (Shue and Thornton 2017).3

Other members of the Standing Committee of the Central Political Bureau (中国共产党中央政治局常务委员会) in the 19th Central Committee also illustrate the authoritative relations between party and state. Li Keqiang, as the 2nd ranking member of the Standing Committee, is the Party Secretary of the State Council of the PRC, and only because of that is he the Premier of the State Council. Likewise, Li Zhanshu, the 3rd ranking member of the CPC’s Standing Committee, performs as the Party Secretary of the National People’s Congress—NPC (全国人民代表大会常务委员会) and, as a result, he is the Chairman of the Standing Committee of the NPC (Xinhua 2017). In the military sector, the CPC’s Central Military Commission (CMC) exercises political authority over the

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3 The 20th National Party Congress will be held in October 2022. It is not possible to anticipate if Xi Jinping will be confirmed for a third term. See more at: South China Morning Post. 2021. “As the Communist Party turns 100, Xi Jinping has a problem: who will take over?” June 25, 2021. Available at [https://encurtador.com.br/ipwT3](https://encurtador.com.br/ipwT3) [Accessed 11 September 2021].
PRC’s CMC. Since both commissions are chaired by Xi Jinping, respectively, as Party General Secretary and as PRC President, and since both commissions are identical in membership, they form one institutional arrangement with two names (个机构两块牌子) (Ji 2014). In any case, the sheer size (95.1 million members in 2021) and the complexity of the CPC disprove simplistic stereotypes (Cheng 2014). Decisions are not taken monocratically. Instead, they are built through lengthy negotiations and consultative procedures. Power centralization under Xi Jinping is a fact, but it serves the purpose of enhancing the collective CPC rule and the strategic coordination over the government and armed forces.4

The new central coordinating structures established by the party (and the central government) corroborate this interpretation. China’s leadership combines permanent and formal coordinating tools with temporary and informal networks, their roles going from more concrete (authority) to more abstract (guidance) (Alexander 1993). For instance, the Party General Secretary is the chairman of the Central National Security Commission—CNSC (中央国家安全委员会) established by the 18th Central Committee in 2013. Moreover, Johnson (2017) reports 29 new Leading Small Groups (LSGs) and Central Commissions created either by the CPC’s Central Political Bureau or the PRC’s State Council between 2013 and 2017 (Johnson and Kennedy 2017). The Central Financial and Economic Affairs Commission—CFEAC (中央财经委员会) of the CPC, for instance, is chaired by Xi. The General Secretary also heads the Central Foreign Affairs Commission—CFAC (中央外事工作委员会) of the CPC, upgraded in March 2018 from the former Foreign Affairs Leading Small Group established in the 1950s. The CFAC is probably the highest-ranking body for formulating foreign policy in China. The new commission held its first meeting in May 2018, having Li Keqiang as its deputy head, and other senior CPC officials as members, including Wang Qishan, Wang Yi, and Yang Jiechi (Xinhua News 2018). The party also relies upon Central Conferences to evaluate, discuss, formulate, negotiate, and communicate directives. The last Central Conference on Work Relating to Foreign Affairs took place in Beijing in June 2018 (Kumar 2018).

4 To assume otherwise would wrongly imply that China is becoming a Sultanistic regime. See H. E. Chehabi, J. J. Linz, Sultanistic Regimes (Baltimore: The Johns Hopkins University Press, 1998).
In this sense, the CPC is the principal, and the government ministries are the agents in China’s political system (Delreux and Adriaensen 2017). Nonetheless, the central PRC’s institutions and actors are also powerful and sophisticated. Observe, in the first tier, the roles of the National People’s Congress—NPC (全国人民代表大会常务委员会) and the National Chinese People’s Political Consultative Conference—CPPCC (中国人民政治协商会议全国委员会). The CPPCC holds a yearly meeting simultaneous to the plenary session of the National People’s Congress (NPC). Both sessions form the “National Two Meetings” (两会). They are less potent compared to legislative bodies in Europe or North America, but the NPC (2980 seats) and the CPPCC (175 groups) are essential components of the PRC political system for both legitimacy building and goal attainment purposes. In the realm of foreign policy, the Special Committee for Foreign Affairs is one of the ten special committees of the Standing Committee of the NPC. Likewise, the National Committee of the Chinese People’s Political Consultative Conference has its own Special Committee for Foreign Affairs. Between sessions of NPC and CPPCC, the two foreign policy special committees perform consultative, advisory, and other legislative roles (Guo 2013). The State Council is the chief administrative and executive body under the PRC’s Constitution. In the 13th State Council (2018–2023), 35 cabinet members directly oversee dozens of national-level ministries and departments, organizations, state-owned assets, administrative offices, and other specialized entities on the second and third tiers. The Standing Committee of the State Council led by Premier Li Keqiang has ten councilors, including Wang Yi, who is also the Minister of Foreign Affairs (Lai and Kang 2014:298).

The relations between the three tiers also fall within the principal-agent framework. Given the authority of the CPC at each branch and level of government (central, provincial, and local), what is called bureaucratic insulation elsewhere works differently in China. Less than a rift between party, government, and armed forces in the first tier, the more significant problems are vertical, between tiers, and diagonal, across specific agents in the third tier and principals located in the upper tiers (Bauer et al. 2016).

The Ministry of Foreign Affairs—MFA (外交部) is the statutory body in charge of PRC’s foreign relations at the second tier. The MFA employs more than 9000 staff to conduct bilateral and multilateral diplomatic relations (Ministry of Foreign Affairs 2018). The global reach of China’s foreign policy requires the participation of other state
actors. Nevertheless, the MFA is *primus inter pares*, with precedence in sensitive issues like Taiwan. Other cabinet-level entities have stakes and influence in specific topics or geographical areas. Examples include the Ministry of Commerce—MOFCOM (商务部), the National Development and Reform Commission—NDRC (国家发展和改革委员会), the Ministry of State Security—MSS (国家安全部), the Ministry of Industry and Information Technology—MIIT (工业和信息化部), and the People’s Bank of China—PBC (中国人民银行). The MOFCOM is the leading ministry regarding trade, investments, and external aid. The NDRC has authority in the fields of energy, climate change, and infrastructure projects. The China Development Bank—CDB (国家开发银行), the EXIM Bank of China (中国进出口银行), and the China Export and Credit Insurance Corporation—SINOSURE (中国出口信用保险公司) are increasingly important at the second-tier decision processes. The Ministry of National Defense—MND (国防部) calls for clarification. The MND handles the official liaison with foreign defense ministries. Since the MND does not exercise direct command over the People’s Liberation Army (PLA), the CMC and the PLA branches (Ground Force, Navy, Air Force, Rocket Force, and Strategic Support Force) are more consequential to security and foreign policy decisions. Even so, the current Minister of National Defense, PLA general Wei Fenghe, is a member of the Standing Committee of the State Council, and a member of the unified Central Military Commission (CMC) (Char 2016).

Finally, at the third tier, we find the bureaucratic cluster (官僚集群) responsible for specific subjects and areas in different ministries, plus state-owned enterprises (SOEs), provincial and local governments, quasi-government organizations, private companies, interest groups, and think-thanks. Decisions at this level tend to be related to adapting general policies to specific realities. This level is critical for goal attainment and problem solving. Examples of departmental actors include the MFA’s Department of Latin America and Caribbean Affairs—DLACA (拉丁美洲司), the MOFCOM’s China Investment Promotion Agency—CIPA (商务部投资促进事务局), and the Office of Chinese Language Council International—HANBAN (国家汉办是中国教育部直属事业单位), subordinated to the Ministry of Education—MOE (教育部). Guangdong provincial and Zhuhai prefecture-level city administrations exemplify the subnational governments’ role. In 2016, Guangdong accounted for one-sixth of all China-Latin America trade. In 2017,
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**Fig. 5.1** China’s policy-making matrix (*Source* elaborated by the authors)

The new Hengqin China-Latin America Economic and Trade Cooperation Park was inaugurated in Zhuhai (*China Daily* 2017). To mediate, top-down and bottom-up initiatives are the role of quasi-governmental organizations like the China Council for the Promotion of International Trade—CCPIT (中国国际贸易促进委员会) (*Yang* 2015). Besides, state-owned (e.g., State Grid, Three Gorges, China National Petroleum) and private enterprises (e.g., Alibaba, Didi Chuxing, Huawei) are both decision-makers and implementers at this level (*Dussel* 2015). Figure 5.1 shows a summary matrix of policy stages (decide, monitor, implement, evaluate), levels (three tiers), and sectors (military, economy, diplomacy), with nine sample actors.

In sum, China’s decisions regarding Latin America are realist, strategically oriented, and increasingly coherent. After decisions are constructed across tiers and sectors, the monitoring stage has precedence over implementation. Furthermore, implementation challenges remain in two complementary dimensions. The first relates to the adaptation costs inflicted by changing international contexts (“outside-in”). The second is caused by cascading institutional costs along the policy implementation path (“inside out”) (*Lai and Kang* 2014).

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5 We disagree with Jing Sun, 2016. Growing Diplomacy, Retreating Diplomats—How the Chinese Foreign Ministry has been Marginalized in Foreign Policymaking, *Journal of Contemporary China*. 

IMPLEMENTING CHINA’S LAC POLICY: COSTS AND DYNAMICS

In November 2016, Beijing released its second Policy Paper on Latin America and the Caribbean. The main differences between the 2008 and 2016 documents are contextual, programmatic, and operational (Vadell 2018).

Contextually, China has praised LAC’s recovery after the 2008 global financial crisis, calling it a “land full of vitality and hope” (PRC Government 2016a, b, c). It has also better recognized national specificities, regional diversity, and collective importance for China. In this sense, South-South cooperation works as a shared goal. The new policy paper subtly expressed China’s concerns about a polarized world where the United States resists emerging multipolarity. Programmatically, it expressed China’s aspiration for a “new stage of comprehensive cooperation,” reinforcing areas such as political contacts, international governance, economic relations (from commerce and energy to tourism), technical assistance, and cultural exchanges. It has also brought a new chapter on social cooperation in areas of mutual interest (poverty reduction, climate change, health, and science and technology). Operationally, the document has reiterated “principles of respect, equality, diversity, mutual benefit, cooperation, openness, inclusiveness, and unconditionality.”

The first Ministerial Meeting of China-CELAC Forum (CCF) was held in Beijing in January 2015. Along with a final declaration and the first cooperation plan (2015–2019), the PRC and the 33 Member States of CELAC agreed upon mechanisms and rules for the CCF (CCF 2015). The leading institutions for agenda-setting are the Ministerial Meetings (ordinarily every three years), the Annual Meeting of National Coordinators, the Dialogue of Foreign Ministers of China, and the “Quartet” of CELAC (held five times between 2015 and 2018), as well as the Subforums in Specific Fields (Agricultural Ministers Forum, Scientific and Technological Innovation Forum, Business Summit, Think-Tanks Forum, Young Political Leaders’ Forum, Infrastructure Cooperation Forum,

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6 Following the “1 + 3 + 6” cooperation framework proposed by President Xi in his keynote speech at the China-Latin American and Caribbean Countries Leaders’ Meeting held in Brasilia, 2014. One plan, three engines (trade, investment, and financial cooperation), and six areas (energy, infrastructure, agriculture, manufacturing, Science and Technology, and information technologies).
People-to-People Friendship Forum, and the Political Parties Forum) (PRC Government 2016a, b, c).

In January 2018, the Second Meeting of Ministers of Foreign Affairs of the China-CELAC Forum (CCF) took place in Chile. PRC’s Foreign Minister Wang Yi and the 25 foreign ministers and delegations from 31 Member States of CELAC agreed to adopt a Joint Plan of Action for Cooperation on Priority Areas (2019–2021). Programmatically, the joint plan has avoided setting up new quantitative targets, like the previous “1,000 political leaders of CELAC countries” the PRC would invite to visit China in five years (2015–2019). Alternatively, the 2015 goal of increasing “trade to 500 billion USD and raising the stock of reciprocal investment to 250 billion USD” by 2025 (China-CELAC Forum 2015). The accumulated annual trade reached 228.6 billion USD by September 2018 (General Administration of Customs People’s Republic of China 2018). If one assumes annual increases of 7.5% on average, the half-trillion target by 2025 could be achieved. The qualitative wording was meant to preserve room for maneuver.

The CCF leaders have also endorsed international commitments. They have rejected “the threat of the use of force as a means of resolving conflicts” and assumed the need to promote a “multilateral, non-discriminatory, trade system” within the WTO. They have also expressed their willingness to implement the Paris Agreement adopted under the UN Framework Convention on Climate Change (UNFCCC) and work jointly to achieve the UN Sustainable Development Goals (SDGs). Unfortunately, since the II CCF Meeting took place, the Colombian government has refused to sign a Declaration from the Lima Group ruling out external military intervention to overthrow Maduro in Venezuela, and the Brazilian President Bolsonaro has threatened to withdraw from the Paris Agreement (González 2018).

Such extreme positions are not prevalent, but they inflict adaptation costs to China’s regional policy. The securitization of China’s LAC policy and the militarization of Inter American relations trended during Obama’s second term, but Trump’s government has artificially exacerbated it.7 As expected, by the end of, China was still dealing with “trade

7 After all, the US is not about to “lose” LAC in any meaningful sense: “The United States remains the region’s largest trading partner, accounting for around a third of the region’s export growth. Countries in the region account for 11 of the United States’ 20 free trade agreements and 8 of its 42 bilateral investment treaties. Militarily, the United States
friction” with the US (PRC Government 2018). Moreover, Washington’s regional agenda had become more confrontational on issues like migration, Cuba, Venezuela, energy, commerce, and the environment (Barrios and Creutzfeldt 2018). In response, China has tried to reassure the relevance of CCF. As pointed out by Jakóbowski (2018), to succeed, the Chinese-led regional platforms require a modicum of local countries’ engagement. Instead, LAC’s economic slowdown and political polarization have weakened regional multilateral organizations, from MERCOSUR, OTCA, and UNASUR to ALBA, the Pacific Alliance, and CELAC.\textsuperscript{8} The last couple of years have been rough for Latin America’s regional organizations mostly on account of the global financial crisis, the end of the commodities boom, the deterioration of the political and economic situation of Venezuela turning the state into an international pariah, as well as the end of the pink wave and the new regional political panorama of fragmentation and instability. According to Malamud, “almost all of the integration institutions that emerged in the first decade of the twenty-first century under the protection of the Bolivarian umbrella - such as ALBA, UNASUR and CELAC - are practically paralyzed” (Malamud 2020). The COVID-19 pandemic only emphasized these breaches in Latin American regional integration efforts and its total ineptitude to formulate a regional response or cooperation scheme to the shared health, social and economic consequences of the pandemic (Political Settlements Research Programme, 2020). Regarding the China-CELAC Forum, despite China’s attempt of sustaining its dynamics, since 2018 CELAC’s Pro Tempore Presidency and its Annual Summit remain inert.\textsuperscript{9} As one reads from the Forum’s website, activities have been reduced to a minimum in the last couple years (China-CELAC Forum n.d.).


\textsuperscript{8} The Common Market of the South (MERCOSUR), the Amazon Cooperation Treaty Organization (OTCA), UNASUR, ALBA, and the Pacific Alliance (formed by Mexico, Colombia, Peru, and Chile) risk becoming “zombie institutions.” Banerjee, R. and Hofmann, B., 2018. The rise of zombie firms: causes and consequences, BIS Quarterly Review.

\textsuperscript{9} The last CELAC Summit took place in January 2017, in the Dominican Republic. Bolivia would take the \textit{pro tempore} Presidency in 2019.
The second adjustment further differentiates China’s approach to specific LAC countries. The South-South cooperation for sustainable development and the defense of multilateralism shall appeal to progressive governments in Uruguay, Bolivia, Ecuador, Costa Rica, and Cuba (Vadell 2018). Besides, smaller open economies like Chile, Costa Rica, and Peru are gaining from FTAs with China that include market access clauses, local infrastructure building, industrial sector exceptions, and financial lending (Wise and Ching 2017). The “One China Policy” will continue to be the cornerstone of China’s bilateral diplomacy and economic incentives, as indicated by the examples of Panama (2017), the Dominican Republic, and El Salvador (2018). A “strictly business” approach seems to be the way forward for governments more aligned with the United States since there is a negative correlation between Chinese economic presence in the region and solid local ties with the US. Colombia is an example of hegemonic effects on trade and investments, yet China is its second source of imports (Urdínez et al. 2016). Similarly, the Brazilian business elite tend toward pragmatic accommodation with China (Stanley 2018). Led by López Obrador (AMLO), Mexico poses a limited risk and ample opportunities. On the one hand, AMLO’s program includes defending its industrial exports to North America and reducing the trade deficit with China (Dussel 2017). On the other hand, Mexico’s search for economic diversification signals stronger bilateral relations with Beijing (Stanley 2018). Finally, Venezuela and Argentina are crucial tests. Maduro’s government needs financial and technical support to survive, but it is far from certain that it can keep its end of the bargain even if China is willing to increase its exposure (Bloomberg 2018). Macri’s government, despite his political orientation, was a less problematic partner for China. During the G20 Summit in December 2018, both countries signed more than 30 new agreements (currency swaps, agriculture, infrastructure, and investments) (Al Jazeera 2018). With Alberto Fernandez and Argentina’s return to a left-populist direction, the relationship with China became even more significant. Alongside the new agreements for commerce, infrastructure and energy, Argentina is also taking part in China’s Asia Infrastructure Investment Bank (AIIB) and joining formally the Belt and Road Initiative (as the first large country in the region to do so) (Ellis 2021). Brazil, Mexico, Colombia, and Argentina (437.75 million) represent 67.11% of LAC’s population. Due to the devastating impact of the COVID-19 pandemic in Latin America, China’s health cooperation with the region
stood out positively, and involved state agencies, private companies, and civil society donations (Vadell 2021).

China also needs to reduce its own transactional (“inside out”) costs. In the second tier, there is a risk of overloading the adopted “hub and spokes” model of policy implementation. Since the establishment of the CCF, the MFA was designated as the leading agency for coordinating with other Chinese ministries and branches and coordinating with Latin American counterparts. Within the MFA, the Department of Latin American and Caribbean Affairs—DLACA (拉丁美洲司) is the primary agent. However, DLACA has around 80 diplomats organized into six divisions, four dedicated to specific countries, one in charge of policy drafting and planning, and the one responsible for exchange with regional organizations (Ministry of Foreign Affairs of PRC 2018). To carry out its duties, DLACA needs to coordinate with LAC embassies in Beijing. It also needs to mobilize and get help from Chinese embassies in 22 different LAC countries. In Brasilia, the biggest embassy in the region, there were 38 Chinese officials in 2018, plus the Military Attaché and the Ambassador. In Mexico, 13 Chinese diplomats appear on the embassy’s website.10 Besides, MFA engages with nations that still recognize Taiwan, paving the way for future breakthroughs. At the multilateral level, DLACA is responsible for the day-to-day affairs of the CCF Follow-Up Committee and for preparing meetings at various levels, from Subforums (eight different constituencies) to Dialogues and Summits. According to the director of DACLA’s policy planning division, 39 state organs were represented at the Preparatory Committee chaired by the MFA in 2018.11 Among them were the MOFCOM’s Department of Overseas Investment and Economic Cooperation and the NDRC’s Department of Utilization of Foreign Capital and Overseas Investment. Given the growing importance of financial and technical issues, the more politically oriented MFA needs extra time and energy to avoid being a bottleneck. After all, in any centralized network, its total capacity is limited by the hub’s capacity.

At the third tier, the number of agents is higher, and their primary interests are more diversified. In general, first-tier State Council bodies can supervise and coordinate government agencies and the business

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11 Interview conceded to the authors in Beijing, on July 23, 2018.
Most prominent among the supervising bodies are the State-owned Assets Supervision and Administration Commission—SASAC (国务院国有资产监督管理委员会), as well as the MOFCOM, NDRC, and PBC. Other government-owned financial institutions, like the CDB, the SINOSURE, the EXIM Bank, and the State Administration of Foreign Exchange—SAFE (国家外汇管理局), also have regulatory and operational power. For example, the NDRC coordinates the China-LAC Cooperation Fund, which was created in April 2015 with a capital injection of US$10 billion by the EXIM Bank. The China-LAC Industrial Cooperation Fund also started with a US$10 billion investment, but from PBC and SAFE. Both are private equity funds to invest in a diversified range of sectors, including manufacturing, energy, logistics, agriculture, and technology. Between 2005 and 2016, China developed 2,133 infrastructure projects overseas, 8.35% of them in LAC countries (Dussel and Armony 2017). Twenty state-owned enterprises (SOEs) have carried out more than 80% of all projects (mainly transport and energy). Still, it is difficult to align the interests of specific companies with national goals (Cui 2018). The cases of the Hong Kong Nicaragua Canal Development Group (HKND), registered in the Cayman Islands, as well as China’s National Petroleum Corporation (CNPC) role in the “Loan for Oil” program with Venezuela, come to mind (Shaofeng 2011). According to Vadell (2021), US securitization moves against China’s BRI framework for investments and cooperation in the region put additional pressure on Beijing to carefully fine-tune initiatives to specific countries and issues.

The Chinese leadership knows the contextual and operational challenges facing the implementation of its LAC policy. Their success or failure bears consequences for China’s global and regional leadership.

### Conclusion

We shall return to the six propositions stated at the outset. Proposition #1 was partially corroborated. Diplomatic and economic evidence about the growing importance of LAC to China were consistent. This trend outlasted the commodities “super-cycle.” For instance, trade between China and LAC grew 151.2% in ten years (2007–2017), reaching USD 258 billion in 2017 (Koleski and Blivas 2018) and US$ 326,5 billion in 2019 (World Bank 2021a). Nonetheless, more specifically, we could not confirm causality effects between global US-China power redistribution and the growing Chinese presence in LAC.
Nevertheless, proposition #2 was validated. We found Chinese foreign policy toward LAC consistent with and subordinated to China’s overall grand strategy. Likewise, proposition #3 about the decision-making process and its institutional setting was supported by enough evidence as we interpret it. Such processes are centralized and top-down. However, we disagree with the literature by considering it more institutionalized, consistent, and legitimacy-conscious than usually credited.

Proposition #4 had to be corrected. We first imagined implementation costs as emerging from “inside out” the Chinese coordination model, as bureaucratic turfs and principal-agent dilemmas. Then we found additional pressures from “outside-in,” as conditions change in specific countries, subregions, and even globally. We had to conflate propositions # 5 and # 6 to understand this dual-level dynamic. American securitization of China’s presence in Latin America is consistent with the current US offensive and revisionist grand strategy. Beijing will try to avoid confrontation. At the same time, it will not withdraw from Asia, Africa, and Latin America. So far, Latin American regional powers lack a strategy to guide their relations with China. While manufactured goods accounted for 91% of China-originated Latin American imports in 2017, commodities (mainly soybeans, copper, iron ore, refined copper, and oil) accounted for 72% of the region’s exports to China in 2016. According to the World Bank (2021b), these trading terms were sustained in 2019, when 79.8% of LAC exports to China were still raw materials, while more than 50% of its imports were capital goods. Nevertheless, 1.8 million jobs were created in LAC from 1995 to 2016, directly tied to China’s regional presence (Dussel and Armony 2017:47). A combination of bilateral FTAs, Strategic Partnerships, and a sort of minimalist regionalism (CCF) helped remove some of the obstacles.

Four challenges remain for China. First, how to maintain and revitalize CCF. The second challenge is how to adjust established policies to new realities emerging from LAC’s volatile political process. The third challenge is to simultaneously reduce horizontal conflicts between second-tier agencies, maintain top-down strategic coherence (CPC-PRC), and incorporate bottom-up initiatives. Last, proper evaluation of the “tractability” of such challenges is required. According to Sabatier and Mazmanian (1980), how tractable (or manageable) a problem will depend on the amount of knowledge about it, the diversity and size of the target population, as well as the extent of behavioral change required to achieve the policy goals (Sabatier and Mazmanian 1980). A Chinese epistemic
community concerned with Latin America is emerging. By 2016, more than 60 centers or institutes focused on Latin America had been established in Chinese universities, 16 of them registered at the Ministry of Education (Myers and Gallagher 2017). Future research could explain if and how the MFA and other agencies at the second tier consult with area experts to improve monitoring and evaluation capacity.

China declares that its overall goal is to create a humane community of shared destiny (命运共同体). To achieve mutual understanding and cooperation, extensive behavioral change of billions of people is required. Any prospective leadership “must be willing and able to rise to the task of providing system-level solutions to the system-level problems” (Arrighi and Silver 1999). In our time, the most severe problems are the rigid social inequalities and the deteriorating ecological environment. No government, party, or nation alone can solve problems of such scale. So far, China has been part of the solution. How about Latin America?

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