

## The Hegemonic Transition in Latin America: To What Extent is China Challenging US's Hegemony?

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### Abstract

*In this paper, we examine the geopolitical consequences of China's enhanced engagement in Latin America. China is increasing its economic weight among Latin American countries, reinforcing its external image to counter the perception that the US is a unique relevant ally. In previous research, some authors have supported the idea that China could become a sort of neocolonial power in Latin America, substituting the hegemony of the United States. In this article, we carry out an in-depth review of Western literature and a comprehensive analysis of the bilateral relationship to discuss China's role in the region. We apply the principles of the hegemonic stability and the power transition theories, and we also include an assessment of "soft power" components. We conclude that China is eroding US power in Latin America but is still far from becoming the new regional hegemon.*

**Keywords:** China, US, Latin America, hegemonic, transition, hegemony

**JEL:** F14, F15


### 1. Introduction

In recent decades, the People's Republic of China (PRC) has enhanced its relationship with Latin American (LA) countries. The steady growth in economic exchanges is the most remarkable feature, but the new dimension of this bilateral cooperation embraces strategic and political interests. The relationship with China is burgeoning at a time when US leadership in the region is seeming to decline, a trend detected in other developing economies.<sup>1</sup>

In parallel, research on hegemonic transition is gaining momentum. Obviously, leadership transition is not going to be a smooth process if it is to happen. President Xi Jinping has insisted on the fact that others should not fear but welcome China's rise. Nevertheless, worries about China's rise proliferate in policy circles and academia.<sup>2</sup> In the last decade,

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<sup>1</sup> Amitav Acharya, *The End of American World Order* (Cambridge: Polity, 2018).

<sup>2</sup> Graham T. Allison, *Destined for War: Can America and China Escape Thucydides's Trap?* (Boston: Houghton Mifflin

the bilateral China-US relationship has become a growing source of global tensions, and according to some authors, the rising frequency of conflicts between both superpowers is a signal of the transmission of world hegemony from the US to China.<sup>3</sup>

The main objective of this paper is to assess whether China is replacing the US as the hegemonic power in Latin America. For this purpose, we take the realist approach as the centre of our analysis,<sup>4</sup> focusing on China's economic power. However, we also develop a section with an assessment of non-material elements of power embraced in the "soft power" concept.<sup>5</sup> We judge that this additional exploration is necessary to obtain a broad picture of power status, especially because Chinese leaders have expressed that "soft power" is a relevant element of the PRC's strategy and Beijing is implementing a set of strong initiatives to enhance this kind of power. Thus, our main contribution to the ongoing debate is that we assess hegemonic transition, interpreting the concept of hegemony not only as domination, but also as a kind of leadership that does not attach to the Neo-Gramscian conceptual framework.<sup>6</sup>

The rest of the paper is organized as follows. In the second chapter, we review the main elements of China's long-term strategy in Latin America. Next, we carry out an in-depth analysis of Western literature on hegemony, and we describe the basic components of the theoretical models we apply: the hegemonic stability theory, the power transition theory, and the "soft power" approach. In the fourth chapter, we assess the evolution of China's and the US's economic power and soft power in LA. In the fifth chapter, we discuss whether the conditions for the hegemonic transition hypothesis are met in LA. Finally, we summarize the main conclusions and suggestions for further research.

## 2. China's long-term strategy in Latin America

China's long-term strategy is to strengthen its relationship with LA countries. When Mao declared the founding of the PRC in 1949, the ties were weak. In the 1950s and the 1960s, Beijing promoted cultural and political links to individuals and organizations (not governments), and trade was minimal in the 1970s and the 1980s. After China's reincorporation into the United Nations in 1971, the PRC was granted diplomatic recognition by most LA countries. In the late '80s, following Deng's reform, China started to nurture its links with LA, and since the start of the 21st century, economic and trade relations have grown exponentially.<sup>7</sup>

After the adoption of China's Go Global strategy in 2002, the government of Beijing boosted its cooperation ties with LA countries. In 2008, the first-ever Chinese white paper on Latin America and the Caribbean emphasized mutual respect and South-South solidarity.<sup>8</sup>

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Harcourt, 2017).

<sup>3</sup> Francisco Urdinez et al., "Chinese Economic Statecraft and U.S. Hegemony in Latin America: An Empirical Analysis, 2003–2014," *Latin American Politics and Society* 58, no. 4 (2016): 3–30; Minqi Li, *The Rise of China and the Demise of the Capitalist World-Economy* (London: Pluto, 2008).

<sup>4</sup> Charles P. Kindleberger, *The World in Depression, 1929-1939, History of the World Economy in the Twentieth Century*, v. 4 (Berkeley: University of California Press, 1973); A. F. K. Organski, *World Politics* (New York: Alfred A. Knopf, 1958); Robert Gilpin, "The Theory of Hegemonic War," *Journal of Interdisciplinary History* 18, no. 4 (1988): 591.

<sup>5</sup> Joseph S. Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004).

<sup>6</sup> Antonio Gramsci, *The Prison Notebooks* (London: Lawrence & Wishart, 1971); Randall D. Germain and Michael Kenny, "Engaging Gramsci: International Relations Theory and the New Gramscians," *Review of International Studies* 24, no. 1 (1998): 3–21.

<sup>7</sup> Benjamin Hans Creutzfeldt, "China and the U.S in Latin America," *Revista Científica General José María Córdova* 14, no. 17 (2016): 23.

<sup>8</sup> The State Council of the PRC, "China's Policy Paper on Latin America and the Caribbean," *China Daily*, November 6, 2008. [https://www.chinadaily.com.cn/china/2008-11/06/content\\_7179488\\_2.htm](https://www.chinadaily.com.cn/china/2008-11/06/content_7179488_2.htm).

In this strategy paper, the Chinese government declared its aim to build a comprehensive and cooperative partnership. In 2012, Premier Wen Jiabao gave a speech at the first CELAC Summit<sup>9</sup> underlining that the cooperation had already made substantial progress.<sup>10</sup> In January 2015, at the opening ceremony of the China-CELAC Forum, President Xi Jinping declared that it was the start of a new era in the cooperation between both partners,<sup>11</sup> and the meeting was closed with the Beijing Declaration.<sup>12</sup> Shortly after, Xi Jinping proclaimed his vision for the PRC's relationship with the LA region in the "1+3+6" framework.<sup>13</sup>

China's second policy paper on Latin America and the Caribbean was released in 2016.<sup>14</sup> The new strategy stated that "the development of China cannot be possible without the development of other developing countries, including countries in Latin America and the Caribbean." The paper stressed the desire to strengthen cooperation in several key areas and signalled that frequent high-level exchanges had provided a useful platform to bring the "comprehensive and cooperative partnership to new heights."

China's approach to LA countries is consistent with its long-term vision in developing regions, particularly in Africa.<sup>15</sup> There are several reasons that impel Beijing to strengthen its cooperation with LA and African economies. First, there is a set of economic reasons that include the deceleration of China's domestic growth<sup>16</sup> and the desire to secure access to key natural resources. Beijing is implementing a set of reforms to shift from an export-led economy towards a model with higher domestic demand expansion,<sup>17</sup> less dependent on exports and external economic shocks.<sup>18</sup> Second, there is a set of reasons linked with China's "prestige" and its new world order proposal. Since World War II, US-fostered international institutions have been the dominant stakeholders in peacekeeping and economic development. Now, the Beijing Consensus<sup>19</sup> is challenging that model. China is committed to building a closer South-South cooperation, and its own success in development provides Beijing with credit that precedent hegemonic powers have exhausted over the years.<sup>20</sup> Third,

<sup>9</sup> CELAC: Comunidad de Estados Latinoamericanos y Caribeños. For more info visit: <https://celacinternacional.org/>.

<sup>10</sup> Wen Jiabao, "Trusted Friends Forever. Address by Premier Wen Jiabao at the UN ECLAC," *China.org*, July 19, 2012. [http://www.china.org.cn/world/2012-06/27/content\\_25752050.htm](http://www.china.org.cn/world/2012-06/27/content_25752050.htm).

<sup>11</sup> Xi Jinping, "Jointly Write a New Chapter in the Partnership of Comprehensive Cooperation Between China and Latin America and the Caribbean," *Ministry of Foreign Affairs of PRC*, January 8, 2015. [https://www.mfa.gov.cn/mfa\\_eng/xw/zjyh/202405/t20240530\\_11340816.html](https://www.mfa.gov.cn/mfa_eng/xw/zjyh/202405/t20240530_11340816.html).

<sup>12</sup> "Beijing Declaration of the First Ministerial Meeting of the CELAC – China Forum," *China-CELAC Forum*, January 23 2015. [http://www.chinacelacforum.org/eng/zywj\\_3/201501/t20150123\\_6475938.htm](http://www.chinacelacforum.org/eng/zywj_3/201501/t20150123_6475938.htm).

<sup>13</sup> The "1" here means one plan, referring to the China-CELAC Cooperation Plan (2015-2019), the "3" refers to the three economic "engines"—trade, investment, and financial cooperation—and the "6" indicates the six key industries of the plan: energy and resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, and information technologies.

<sup>14</sup> "Full Text of China's Policy Paper on Latin America and the Caribbean," *The State Council of the PRC*, November 24, 2016. [https://english.www.gov.cn/archive/white\\_paper/2016/11/24/content\\_281475499069158.htm](https://english.www.gov.cn/archive/white_paper/2016/11/24/content_281475499069158.htm).

<sup>15</sup> Beijing is developing several initiatives to enhance China's presence in Africa. See, "China-Africa Economic and Trade Cooperation," *Ministry of Foreign Affairs of PRC*, August, 2013, [http://english.www.gov.cn/archive/white\\_paper/2014/08/23/content\\_281474982986536.htm](http://english.www.gov.cn/archive/white_paper/2014/08/23/content_281474982986536.htm); Raphael Kaplinsky and Mike Morris, "Chinese FDI in Sub-Saharan Africa: Engaging with Large Dragons," in *The Power of the Chinese Dragon*, eds. Spencer Henson and O. Fiona Yap (London: Palgrave Macmillan UK, 2016), 123–48; "Full Text: China's International Development Cooperation in the New Era," *The State Council of the PRC*, January 10, 2021. [http://english.www.gov.cn/archive/whitepaper/202101/10/content\\_WS5ffa6b6bbcd0f72576943922.html](http://english.www.gov.cn/archive/whitepaper/202101/10/content_WS5ffa6b6bbcd0f72576943922.html).

<sup>16</sup> As it happened before with other Asian nations such as Japan or South Korea, probably this is the result of the impossibility of a sustained high growth based on the rapid incorporation of foreign technologies together with strong capital accumulation. See, Alexander Gerschenkron, *Economic Backwardness in Historical Perspective: A Book of Essays* (Cambridge: Belknap Pr, 1979).

<sup>17</sup> Nicholas R. Lardy, "China: Toward a Consumption-Driven Growth Path," in *Seeking Changes*, by Yanhui Zhou (China: Joint Imprint with Central Compilation and Translation Press, 2016), 85–111.

<sup>18</sup> Ming-Hua Liu, Dimitris Margaritis, and Yang Zhang, "The Global Financial Crisis and the Export-Led Economic Growth in China," *The Chinese Economy* 52, no. 3 (2019): 232–248; Joseph S. Nye, "Does China Have Feet of Clay?" *Project Syndicate*, April 4, 2019. <https://www.project-syndicate.org/commentary/five-key-weaknesses-in-china-by-joseph-s--nye-2019-04>.

<sup>19</sup> Joshua Cooper Ramo, *The Beijing Consensus* (London: Foreign Policy Centre, 2005).

<sup>20</sup> Jing Gu et al., "Introduction: International Development, South-South Cooperation and the Rising Powers," in *The BRICS in*

the US's and Western countries' reluctance towards China, together with the expansion of more protectionist trade policies, have incited China to build long-term partnerships with other economies.

Relevant Chinese authors criticise the West for universalising its particular worldview and propose that the Chinese theory of Tianxia ("all under Heaven") is the best philosophy for world governance,<sup>21</sup> in contrast with the Westphalian world.<sup>22</sup> However, this vision has been criticised because it represents, at least to some extent, the conversion or the conquest of difference, so that Zhao would be proposing mostly a new hegemony instead of a post-hegemonic world order.<sup>23</sup> In this new world order, China would spread Chinese values, language, and culture all around the world.<sup>24</sup> Beijing declares that "China will peacefully rise as a responsible power within the present international system," but this ideal vision contrasts with the fact that "there is a thirst in China for *Chinese solutions*."<sup>25</sup>

### 3. Hegemonic and power transition theories and "soft power"

The foundations of the concept of hegemony and power transition theory link back to modern wars. In ancient Greece, hegemony was used to signal the politico-military dominance of a city-state over other city-states. From that origin, "hegemonism" was derived to denote the predominance of one country over others after the Middle Ages. In the 20th century, several theories tried to explain hegemonic stability and transitions of predominant power.<sup>26</sup> From an analysis of the economic chaos during the interwar period, Kindleberger concluded that the stability of the global system relies on the hegemon to develop and enforce the rules of the system.<sup>27</sup> The Hegemonic Stability Theory (HST) conditions a stable international system on the existence of a hegemon that is necessarily a satisfied one.<sup>28</sup>

One of the two central propositions of the HST is that order in world politics is created typically by a single dominant power.<sup>29</sup> The other one is that the maintenance of order requires continued hegemony.<sup>30</sup> According to this theory, a hegemonic state must have three attributes to be recognized as such: first, the capability to enforce the rules of the system, which is determined by the size and evolution of its economy (a large and growing economy), its predominance in a leading technological or economic sector, and its political power; second, the will to be a hegemonic state; and third, a commitment to a system which is perceived as

*International Development*, eds. Jing Gu, Alex Shankland, and Anuradha Chenoy (London: Palgrave Macmillan UK, 2016), 1–24.

<sup>21</sup> Tingyang Zhao, "Rethinking Empire from a Chinese Concept "All-under-Heaven" (Tian-Xia)," *Social Identities* 12, no. 1 (2006): 29–41.

<sup>22</sup> L. H. M. Ling, *The Dao of World Politics: Towards a Post-Westphalian, Worldist International Relations* (London: Routledge, 2014).

<sup>23</sup> William A. Callahan, "Chinese Visions of World Order: Post-Hegemonic or a New Hegemony?," *International Studies Review* 10, no. 4 (2008): 749–61; Linus Hagström and Astrid H M Nordin, "China's "Politics of Harmony" and the Quest for Soft Power in International Politics," *International Studies Review* 22, no. 3 (2020): 507–525.

<sup>24</sup> Pál Nyíri, "The Yellow Man's Burden: Chinese Migrants on a Civilizing Mission," *The China Journal* 56 (2006): 83–106; Edward Friedman, "Where Is Chinese Nationalism? The Political Geography of a Moving Project," *Nations and Nationalism* 14, no. 4 (2008): 721–38.

<sup>25</sup> Callahan, "Chinese Visions of World Order," 759

<sup>26</sup> Immanuel Maurice Wallerstein, *The Politics of the World-Economy: The States, the Movements, and the Civilizations* (Cambridge: Cambridge University Press, 1984); Giovanni Arrighi, Beverly J. Silver, and Ifukhar Ahmad, *Chaos and Governance in the Modern World System* (Minneapolis: University of Minnesota Press, 1999).

<sup>27</sup> Kindleberger, *The World in Depression, 1929-1939*.

<sup>28</sup> Charles P. Kindleberger, "Dominance and Leadership in the International Economy: Exploitation, Public Goods, and Free Rides," *International Studies Quarterly* 25, no. 2 (1981): 242.

<sup>29</sup> Robert O. Keohane, *The Theory of Hegemonic Stability Changes in International Economic Regimes, 1967 - 1977* (Los Angeles: Center for Internat. and Strategic Affairs, Univ. of California, 1980); Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton Univ. Press, 1984).

<sup>30</sup> Kindleberger, *The World in Depression, 1929-1939*.

mutually beneficial to the major states.

The HST was further developed by Gilpin and the theory of hegemonic wars.<sup>31</sup> Underlying this theory, we find the idea that hegemonic wars take place when the basis of power and social order is undergoing a fundamental transformation; when there is incompatibility between crucial elements of the existing international system and the changing distribution of power among the states within the system. As in the power transition theory, Gilpin stresses the relative balance of military power between leading states and would-be challengers as a major cause of great power warfare.<sup>32</sup>

Complementarily, the other main branch of the realist school of research on hegemony derives from Organski's Power Transition Theory (PTT). Organski's power transition theory explains power wars with just two variables (states' relative power and their satisfaction with the international order) and posits that peace is preserved best when there is an imbalance of national capabilities between disadvantaged and advantaged nations.<sup>33</sup> This theory regards the international system as more ordered than anarchic due to the dominant power's ability to impose its preferences on other actors.<sup>34</sup> Since its inception, PTT has been a major focus of research for generations of scholars that have refined, extended, and tested the theory, and it still holds major relevance to contemporary discourse on international order, partly because it offers insight into the conditions of peaceful power shifts.<sup>35</sup>

A distinct approach to the concept of world hegemony was proposed by Robert W. Cox, who applied Gramsci's conceptual framework to the International Relations (IR) discipline.<sup>36</sup> Cox stated that the Gramscian vision of world hegemony can be described as a social structure, an economic structure, and a political structure; these structures are expressed in universal norms, institutions, and mechanisms that set the rules of behaviour for states and for the forces of civil society. The inconvenience of the approach developed by Neo-Gramscians is that it is too complex to properly appropriate and apply Gramsci's work. Gramsci perceived international relations as following social relations such that changes in geopolitics result from changes in social structure,<sup>37</sup> and the way to adapt Gramscian concepts for use in the international domain is not straightforward.<sup>38</sup>

In this paper, we discuss hegemonic transition in Latin America regarding the central propositions of HST. However, we prefer to adopt a more flexible approach, and we do not examine hegemonic transition by interpreting the concept of hegemony *stricto sensu* in the way it is defined in HST, or at least we do not assess hegemonic transition regarding

<sup>31</sup> Robert Gilpin, "The Theory of Hegemonic War," *Journal of Interdisciplinary History* 18, no. 4 (1988): 591.

<sup>32</sup> Richard Ned Lebow and Benjamin Valentino, "Lost in Transition: A Critical Analysis of Power Transition Theory," *International Relations* 23, no. 3 (2009): 389–410.

<sup>33</sup> Organski, *World Politics*.

<sup>34</sup> Abramo F. K. Organski and Jacek Kugler, *The War Ledger* (Chicago: Univ. of Chicago Press, 1991).

<sup>35</sup> Jonathan M. DiCicco, "Power Transition Theory and the Essence of Revisionism," in *Oxford Research Encyclopaedia of Politics*, ed. William R. Thompson (Oxford: Oxford University Press, 2017), 1–32.; Jonathan M. DiCicco and Jack S. Levy, "Power Shifts and Problem Shifts: The Evolution of the Power Transition Research Program," *Journal of Conflict Resolution* 43, no. 6 (1999): 675–704; Jonathan M. DiCicco, "Power Shifts and Problem Shifts: The Evolution of the Power Transition Research Program," *Journal of Conflict Resolution* 43, no. 6 (December 1999); Jonathan M. DiCicco, "Whose Status Quo Is It, Anyway? Regions, Hierarchies, and Satisfaction," in *Turmoil and Order in Regional International Politics*, eds. William R. Thompson and Thomas J. Volgy (Singapore: Springer Nature Singapore, 2023), 11–35.

<sup>36</sup> Robert W. Cox, "Gramsci, Hegemony and International Relations: An Essay in Method," *Millennium: Journal of International Studies* 12, no. 2 (1983): 162–175; Robert W. Cox and Timothy J. Sinclair, *Approaches to World Order* (Cambridge: Cambridge University Press, 1996).

<sup>37</sup> Jonathan Joseph, "The Hegemony of Governmentality: Towards a Research Agenda," *All Azimuth: A Journal of Foreign Policy and Peace* 6, no. 2 (2017): 5–18.

<sup>38</sup> Germain and Kenny, "Engaging Gramsci."

only material power elements. In this proposal, we complete our assessment using the non-material elements of power embraced in the concept of “soft power” proposed by Nye.<sup>39</sup> This concept summarizes a country’s ability to obtain preferred international relations outcomes by attracting other countries to its culture, political ideals, and policies. Nye pointed to three primary resources that generate soft power: culture, political values, and foreign policy.<sup>40</sup> Thus, if soft power assets, such as culture and political ideals, are turned into tools in a country’s process of formulating its foreign policy, that policy itself forms part of the country’s soft power.<sup>41</sup>

Admittedly, “soft power” elements have a weak connection with HST, and traditionally they have not been considered altogether. Nevertheless, as we present in the following sections, we consider that this approach to discussing material and non-material elements of power provides a useful platform to evaluate potential changes in hegemony. This methodology is particularly valuable when China is involved in the analysis because Beijing has not only explicitly declared its intention to increase its soft power in other regions but has also implemented a whole set of initiatives to achieve that aim.

Finally, even though the concept of hegemony usually refers to a world hegemony that identifies a unique global hegemon, in this research study, we restrict the analysis to the LA region. It is useful to distinguish global hegemons, which dominate the world, from regional hegemons, which dominate distinct geographical areas.<sup>42</sup> A world hegemon needs to be recognized as such in all the major regions, and a country aspiring to world hegemony could become a regional hegemon without obtaining the status of world-hegemon. We proceed under the assumption that the US is (or has been until recently) the regional hegemon in LA countries, even though we are aware of the intricacy involved in defining the status quo in a particular region.<sup>43</sup>

## 4. Hegemony in Latin America: “Hard” and “Soft Power”

### 4.1. “Hard Power”: military power and economic influence

Hegemonic Stability Theory and Power Transition Theory consider that obtaining material, military, and economic power is the main condition for becoming a hegemonic state. Though an in-depth analysis of military power in the region goes far beyond the objective of this paper, most experts agree on the fact that the PRC has almost no military power in the region and lags a long way behind the US.<sup>44</sup> According to the US-China Economic and Security Review Commission (USCC), the main example of Chinese military presence in Latin America and the Caribbean is the People’s Liberation Army’s (PLA) control of a space tracking station

<sup>39</sup> Nye, *Soft Power*.

<sup>40</sup> Joseph S. Nye, “Get Smart: Combining Hard and Soft Power,” in *Soft Power and Great-Power Competition*, (Singapore: Springer Nature Singapore, 2023), 63–66.

<sup>41</sup> Stuart MacDonald, Byunghwan Son, and J. P. Singh, *Soft Power Today Measuring the Influences and Effects*, (Edinburgh: British Council, 2017).

<sup>42</sup> David R. Mares, “Middle Powers under Regional Hegemony: To Challenge or Acquiesce in Hegemonic Enforcement,” *International Studies Quarterly* 32, no. 4 (1988): 453; John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001).

<sup>43</sup> DiCicco, “Whose Status Quo Is It, Anyway?”

<sup>44</sup> 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): 101–111; Robert Evan Ellis, *China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position* (Pennsylvania: Strategic Studies Institute, 2011).

in Neuquén, Argentina.<sup>45</sup> Admittedly, the PRC is increasing its military engagement; the PLA is cultivating relationships with militaries across the region. Additionally, US defence analysts do not disregard China's investment in civil infrastructure (particularly in deep water ports) because it could eventually benefit the PRC's military,<sup>46</sup> but those are minor advances compared to US military power in the region.

Economic power means significantly increasing trade, financing, and investment flows in such a way that the leader makes partner countries dependent on its economic development. China's growing demand for resources has resulted in increased concentration in commodities in Latin America:<sup>47</sup> between 2001 and 2020, exports from the Latin American Integration Association (LAIA) to China increased 23-fold, and imports from China, 16-fold. As a result, the total trade share of LA with China increased from 3.74% in the beginning of the 2000s to 15.97% in the second half of the 2010s, whereas US participation diminished from 49.74% to 37.46% in the same period (Table 1). These figures mean that US "trade-influence," measured by total trade volume proxy, diminished substantially over the last two decades, whereas China's influence experienced a significant increase.

Table 1. Trade Influence on LAIA\*

(Average annual values)					
	2001-2004	2005-2008	2009-2012	2013-2016	2017-2020
<b>X+M Volume (billion \$)</b>					
US	337.82	493.86	564.32	679.26	693.32
China	25.38	90.22	195.53	251.70	295.63
LAIA World Total	679.18	1,272.49	1,717.88	1,853.94	1,850.75
<b>X+M Share (% World Tot.)</b>					
US	49.74	38.81	32.85	36.64	37.46
China	3.74	7.09	11.38	13.58	15.97
LAIA World Total	100.00	100.00	100.00	100.00	100.00
* Latin American Integration Association. Source: ICT Trademap. Own elaboration.					

Most LAIA economies register a relevant bilateral trade deficit with China. Brazil is the main exception, obtaining a substantial surplus (about 33 billion USD in 2020). LAIA economies mostly export commodities and import mainly manufactures and low-medium technological intensity machinery.<sup>48</sup> In contrast, the LAIA region has obtained a very substantial trade surplus with the US. LA economies, particularly Mexico, export vehicles,

<sup>45</sup> "2021 Report to Congress of the U.S.-China Economic and Security Review Commission," *U.S.-China Economic and Security Review Commission*, December 1, 2021. <https://www.govinfo.gov/app/details/GPO-USCC-2021/summary>.

<sup>46</sup> *Ibid.*

<sup>47</sup> We include the following 19 Latin American countries in our analysis: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela. Most times, data and comments refer to the Latin American Integration Association (LAIA), and in just a few cases to the Latin America and the Caribbean region (LAC).

<sup>48</sup> OECD, CAF Development Bank of Latin America, and Economic Commission for Latin America and the Caribbean, *Latin American Economic Outlook 2016: Towards a New Partnership with China*, (Paris: OECD, 2015).

machinery, and all kinds of natural resources and raw materials to the US. Mexico's "maquiladora" industry has become the pivotal point of a triangular relationship in the global value chain: Mexico imports raw materials from China and exports high volumes of manufactures to the US and the rest of the world.<sup>49</sup>

The new China-LAIA trade paradigm has been widely criticized because LAIA's exports to China are much less sophisticated than its worldwide export basket.<sup>50</sup> This has caused the deterioration of the terms of trade, as well as the primarization and reprimarization of LA economies.<sup>51</sup> China's increasing presence has displaced two major regional industrial suppliers, Brazil and Argentina, causing intra-South American trade to deteriorate (Oviedo 2016).<sup>52</sup> Therefore, some authors consider that LA is part of the current Chinese periphery,<sup>53</sup> in the context of a trade relationship in which the core (industrialized) country obtains the most economic benefits of technical progress.

Foreign direct investment is another tool relevant to obtaining economic power if properly managed. Apart from economic benefits, FDI flows contribute to improving investors' external images and acquiring a strengthened status useful in influencing recipient countries' decisions. Furthermore, most researchers share that there is a positive association between FDI inflows and recipient economy growth, once host countries have reached a minimum level of educational, technological, and/or infrastructure development.<sup>54</sup>

FDI data provide evidence that Chinese companies are moving rapidly into LA economies: the 2016-2020 annual average of FDI surpassed 16 billion USD, totalling more than 175 billion USD since 2005.<sup>55</sup> Interestingly, since 2012, Chinese FDI to LA countries has shifted away from the oil, gas, and mining sectors and towards the services sector, largely power generation.<sup>56</sup> Beijing has deployed the Belt and Road Initiative (BRI) to show it is fully engaged in collaborating in the long-term development of LA countries. Reportedly, in 2018, the PRC offered a \$250 billion investment over the next decade,<sup>57</sup> and a total of 19 CELAC

<sup>49</sup> Enrique Dussel Peters, Adrian H. Hearn, and Harley Shaiken, *China and the New Triangular Relationships in the Americas: China and the Future of US-Mexico Relations* (Miami: Center for Latin American Studies, 2013).

<sup>50</sup> "Explorando Nuevos Espacios de Cooperación Entre América Latina y El Caribe y China," *CEPAL*, January, 2018. <https://www.cepal.org/es/publicaciones/43213-explorando-nuevos-espacios-cooperacion-america-latina-caribe-china>.

<sup>51</sup> Raúl Bernal-Meza, "Introduction: Understanding China-Latin America Relations as Part of the Transition of the World Order," in *China-Latin America Relations in the 21st Century*, eds. Raúl Bernal-Meza and Li Xing, International Political Economy Series (Cham: Springer International Publishing, 2020), 1-26.

<sup>52</sup> Eduardo Daniel Oviedo, "Déficit Comercial, Desequilibrio Financiero e Inicio de La Dependencia Del Capital Chino," in *La Tentación Pragmática. China- Argentina / América Latina: Lo Actual, Lo Próximo y Lo Distante*, ed. Sáenz Peña (Buenos Aires: EDUNTREF, 2016), 273-98. <https://www.eduntref.org/boletines/boletin-2016-01-20>

<sup>53</sup> *Ibid.*

<sup>54</sup> Laura Alfaro et al., "Does Foreign Direct Investment Promote Growth? Exploring the Role of Financial Markets on Linkages," *Journal of Development Economics* 91, no. 2 (2010): 242-256; Marta Bengoa and Blanca Sanchez-Robles, "Foreign Direct Investment, Economic Freedom and Growth: New Evidence from Latin America," *European Journal of Political Economy* 19, no. 3 (2003): 529-545.

<sup>55</sup> "China Global Investment Tracker," *American Enterprise Institute*, 2021. <https://www.aei.org/china-global-investment-tracker/>. Investments are particularly relevant in Brazil (nearly 75 billion USD), followed by Peru, Argentina, and Venezuela (almost 20 billion USD to each of them).

<sup>56</sup> Katherine Koleski and Alec Blivas, "China's Engagement with Latin America and the Caribbean" Congressional Research Service, October 17, 2018. [https://www.uscc.gov/sites/default/files/Research/China's%20Engagement%20with%20Latin%20America%20and%20the%20Caribbean\\_.pdf](https://www.uscc.gov/sites/default/files/Research/China's%20Engagement%20with%20Latin%20America%20and%20the%20Caribbean_.pdf).

<sup>57</sup> "Special Declaration of Santiago of the II Ministerial Meeting of the CELAC-China Forum on the Belt and Road Initiative," *China-CELAC Forum*, January 22, 2018. [https://www.minrel.gob.cl/minrel/site/docs/20180122/20180122175940/declaracion\\_de\\_santiago\\_ii\\_foro\\_celac\\_china\\_vf\\_22\\_01\\_2018.pdf](https://www.minrel.gob.cl/minrel/site/docs/20180122/20180122175940/declaracion_de_santiago_ii_foro_celac_china_vf_22_01_2018.pdf); "CELAC and China Joint Plan of Action for Cooperation on Priority Areas (2019-2021)," *China-CELAC Forum*, January 22, 2018. [http://www.mcg.com.cn/upload/FCKeditor/file/20190411/20190411172909\\_1491.pdf](http://www.mcg.com.cn/upload/FCKeditor/file/20190411/20190411172909_1491.pdf); Fabian Cambero and Dave Sherwood, "China Invites Latin America to Take Part in One Belt, One Road," *Reuters*, January 23, 2018. <https://www.reuters.com/article/us-chile-china-idUSKBN1FB2CN/>.



countries had officially joined the BRI by 2019.<sup>58</sup>

Certainly, the PRC is investing mounting sums to develop its strategy,<sup>59</sup> but the US has a much longer investment path, and it is still a much more influential investor in the region. According to data provided by the UNCTAD, from 2009 to 2012, the US average FDI inflows in LA were more than 25 times higher than China's. The US maintained its stocks of investment around 240 billion USD in the second half of the 2010s.<sup>60</sup> More importantly, the 2017 estimation of the US's stock share in FDI as ultimate investor ranged from 9% in Uruguay to a maximum of 50% in Mexico, whilst China's share ranged from just 0.3% in Chile to a maximum of 3.6% in Venezuela.<sup>61</sup>

Finally, the analysis of international financing and loans reveals that the PRC has plunged billions of dollars into BRI finance initiatives. China's policy banks, China Development Bank and China Export-Import Bank, have channelled more than 130 billion USD in the period of 2009-2020.<sup>62</sup> Venezuela, Brazil, Argentina, and Ecuador have been the four top recipients of those loans, mostly for energy and infrastructure projects. In contrast, US overseas loans to LA economies have reached much lower levels. From 2009 to 2017, the total amount slightly surpassed 22 billion USD.<sup>63</sup> In recent years, China's banks have provided more financing to the region than the World Bank, the Inter-American Development Bank, and CAF-Development Bank of Latin America combined.<sup>64</sup> However, domestic criticism has increased around some of the mega-projects financed by China, which have created a handful of low-skilled jobs for domestic workers and left their hosts mired in debt. Sometimes, the poor working conditions have caused labour conflicts with industrial unions, and these conflicts have fuelled the emergence of anti-Chinese interest groups.<sup>65</sup>

#### 4.2. Trade Agreements: the bridge between “hard” and “soft” power

There is a wide body of literature that treats Free Trade Agreements (FTAs) as an explanatory variable of other economic variables (trade, FDI, etc.). Notably, Baier and Bergstrand found that an FTA will, on average, increase two member countries' trade 100% after ten years.<sup>66</sup> Further, in the case of global powers such as the US and China, the fact of negotiating and reaching trade agreements with specific countries proves their interest in strengthening mutual relationships. In this analysis, we interpret the signing of commercial agreements as a

<sup>58</sup> Juan Enrique Serrano Moreno, Diego Telias, and Francisco Urdinez, “Deconstructing the Belt and Road Initiative in Latin America,” *Asian Education and Development Studies* 10, no. 3 (2021): 337–347.

<sup>59</sup> Rolando Avendano, Angel Melguizo, and Sean Miner, *Chinese FDI in Latin America: New Trends with Global Implications* (Washington, DC: Atlantic Council, 2017).

<sup>60</sup> “U.S. Direct Investment Abroad: Direct Investment Position on a Historical-Cost Basis by Detailed Country, 2009–2019,” *US Bureau of Commerce*, 2021. <https://apps.bea.gov/international/xls/usdia-current/usdia-detailedcountry-2009-2019.xlsx>.

<sup>61</sup> Bruno Casella, “Looking through Conduit FDI in Search of Ultimate Investors – a Probabilistic Approach,” *Transnational Corporations* 26, no. 1 (2019): 109–149.

<sup>62</sup> Kevin P. Gallagher and Margaret Myers, “China-Latin America Finance Database,” *The Dialogue*, 2021. [https://www.thedialogue.org/map\\_list/](https://www.thedialogue.org/map_list/).

<sup>63</sup> “US Overseas Loans and Grants. Obligations and Loan Authorizations. July 1, 1945 – September 30, 2017,” *US Agency for International Development*, 2017. [https://pdf.usaid.gov/pdf\\_docs/pbaaj725.pdf](https://pdf.usaid.gov/pdf_docs/pbaaj725.pdf).

<sup>64</sup> Margaret Myers and Kevin P. Gallagher, “Down but Not Out: Chinese Development Finance in LAC, 2017,” *InterAmerican Dialogue and Boston University Global Economic Governance Initiative*, March, 2018. <https://www.thedialogue.org/wp-content/uploads/2018/03/Chinese-Finance-to-LAC-2017-Updated.pdf>.

<sup>65</sup> Enrique Dussel Peters and Ariel C. Armony, *Efectos de China en la cantidad y calidad del empleo en América Latina y el Caribe* (Perú: Organización Internacional del Trabajo, Oficina Regional para América Latina y el Caribe, 2017); Ariel C. Armony and Nicolás Velásquez, “Anti-Chinese Sentiment in Latin America: An Analysis of Online Discourse,” *Journal of Chinese Political Science* 20, no. 3 (2015): 319–346.

<sup>66</sup> Scott L. Baier and Jeffrey H. Bergstrand, “Do Free Trade Agreements Actually Increase Members' International Trade?” *Journal of International Economics* 71, no. 1 (2007): 72–95.

means to build a solid bridge between economic influence and soft power, and we associate a higher number and/or more ambitious trade agreements with more hard and soft power.

In the 2000s, Latin American countries signed more than 20 bilateral free trade agreements (FTAs) across the Pacific basin. Chile (2006), Peru (2009), and Costa Rica (2011) signed separate bilateral FTAs with China that respond to the “south-south” or “developing-developing” country accord profile.<sup>67</sup> In contrast with other south-south FTAs, these agreements approximate WTO+ standards vis-à-vis the WTO and its new trade agenda (services, investment, and intellectual property rights). The pioneering Chile-China FTA (2006) was quite basic. It was China’s first FTA in Latin America (its second FTA ever) and was signed when Chile had just completed its FTA with the US. The Chile-China FTA provided duty-free entry for 98% of Chile’s exports to China (and 50% of Chile’s imports from China), IPRs, and some services, but no provision was included concerning investments, government procurement, and competition policy. Instead, the Peru-China FTA (2011) and the Costa Rica-China FTA (2012) were more ambitious, containing specific provisions on investment and competition policy.<sup>68</sup> More recently, China and Ecuador have completed the technical talks to sign an FTA, which will allow preferential access for 99% of Ecuador’s current exports to China, mainly agricultural and agro-industrial products.<sup>69</sup>

China’s motivation to sign these agreements is heterogeneous. Obviously, gaining access to natural resources is an important objective. However, the underlying reasons are more complex. In China’s eyes, FTAs represent a platform to integrate into the global economy and strengthen economic cooperation with other countries.<sup>70</sup> Such agreements have contributed to cross-Pacific diplomacy and to other political and strategic objectives,<sup>71</sup> including the fact of being a platform to foster the One-China policy and obtain support for the Market Economy Status negotiations in the WTO.<sup>72</sup> Of course, China’s objectives overlapped with the interests of some LA economies. Chile and Peru wanted to attract Chinese FDI, and Costa Rica was more oriented to the expansion of trade and production in high-tech operations.<sup>73</sup> These three countries had implemented deep structural reforms that allowed them to obtain a solid macroeconomic performance in the 2000s, making it viable for them to pursue an FTA route in coping with the challenge China presented.<sup>74</sup>

<sup>67</sup> Jörn Dosch and David S. G. Goodman, “China and Latin America: Complementarity, Competition, and Globalisation,” *Journal of Current Chinese Affairs* 41, no. 1 (2012): 3–19; Ganeshan Wignaraja, Dorothea Ramizo, and Luca Burneister, “Asia-Latin America Free Trade Agreements: An Instrument for Inter-Regional Liberalization and Integration?” *SSRN Electronic Journal*, 2012. <https://doi.org/10.2139/ssrn.2151818>; Carol Wise, “Playing Both Sides of the Pacific: Latin America’s Free Trade Agreements with China,” *Pacific Affairs* 89, no. 1 (2016): 75–100.

<sup>68</sup> Wise, “Playing Both Sides of the Pacific.”

<sup>69</sup> Francisco Vázquez, “Ecuador and China Conclude Free Trade Agreement Negotiations,” *The Diplomat*, January 5, 2023. <https://thediplomat.com/2023/01/ecuador-and-china-conclude-free-trade-agreement-negotiations/>.

<sup>70</sup> “China FTA Network,” *China Ministry of Commerce*, 2024. [http://fta.mofcom.gov.cn/english/fta\\_qianshu.shtml](http://fta.mofcom.gov.cn/english/fta_qianshu.shtml).

<sup>71</sup> Guoyou Song and Wen Jin Yuan, “China’s Free Trade Agreement Strategies,” *The Washington Quarterly* 35, no. 4 (2012): 107–119; Maria Garcia, “Resources and Trade: Linking the Pacific through Bilateral Free Trade Agreements (FTA),” *Journal of World Trade* 47, no. Issue 2 (2013): 329–357; Jian Yang, “China’s Competitive FTA Strategy: Realism on a Liberal Slide,” in *Competitive Regionalism*, eds. Mireya Solís, Barbara Stallings, and Saori N. Katada (London: Palgrave Macmillan UK, 2009), 216–235.

<sup>72</sup> Chile (2002), Argentina (2004), Brazil (2004), Peru (2004), Venezuela (2004) and Costa Rica (2008) granted Market Economy Status to the PRC at a time when China was fighting to obtain this recognition from the US and the EU. Usually, this decision was taken as a precursor of FTAs, or in connection with investment. See, International Bar Association Divisions Project Team, “Anti-Dumping Investigations Against China in Latin America,” *SSRN Electronic Journal*, 2010. <https://doi.org/10.2139/ssrn.1555619>; Francisco Urdinez and Gilmar Masiero, “China and the WTO: Will the Market Economy Status Make Any Difference after 2016?” *The Chinese Economy* 48, no. 2 (2015): 155–172; Wise, “Playing Both Sides of the Pacific.”

<sup>73</sup> Wise, “Playing Both Sides of the Pacific.”

<sup>74</sup> Carol Wise and Victoria Chonn Ching, “Conceptualizing China–Latin America Relations in the Twenty-First Century: The Boom, the Bust, and the Aftermath,” *The Pacific Review* 31, no. 5 (2018): 553–572.

As for the United States, it has four FTAs in force with LAC economies: Chile (2004), Peru (2007), Colombia (2012), and Panama (2012). Additionally, it is a member of two regional trade agreements, NAFTA (1994) and the Dominican Republic–Central America Free Trade Agreement (2005). Even though the figures are quite similar, recent decisions indicate that the US has adopted a more protectionist stance. In January 2017, the US withdrew from the proposed Trans-Pacific Partnership, and China profited from this decision, participating in a meeting regarding future trade integration with the remaining eleven TPP signatories. In that meeting, Chile, Mexico, and Peru expressed interest in moving forward with further trade integration with China. In 2018, during the renegotiation of NAFTA (now the USMCA agreement), the US's main objective was to protect domestic manufacturers, and China had more room to grow in its economic influence.<sup>75</sup>

### 4.3. Soft Power

By its nature, soft power is a subjective concept inherently difficult to measure. In this subsection, we focus our analysis on three main subjects: first, foreign policy and public diplomacy; second, people-to-people exchanges, culture, and education; third, external image surveys.

Growing bilateral trade flows and China's financing capacity have influenced the position of LA economies in relevant foreign policy issues, weakening the ability of the United States and other multilateral organizations to influence governments' behaviour.<sup>76</sup> The more states trade with China, the more likely they are to converge with it in UN General Assembly votes.<sup>77</sup> Nonetheless, China's achievements are substantially different in each LA country, depending on its specific economic structure and its prevailing ideology.

For instance, the "Bolivarian socialist" regime of Hugo Chávez in Venezuela sees China as a powerful ally. In contrast, other countries such as Peru, Chile, and Colombia view the PRC mostly as an important investor and trading partner.<sup>78</sup> ALBA countries reliably side with Beijing for the reason that the leaders of Venezuela, Bolivia, and Ecuador want to reinforce their embrace of an anti-US alternative.<sup>79</sup> In this context, it is interesting to note that the second Chinese White Paper<sup>80</sup> supported a number of LA regional groups, including CELAC, the Union of South American Nations (UNASUR), and ALBA.<sup>81</sup>

LA countries have supported China's positions on major international issues such as human rights, globalization, sanctions on North Korea, and the "One China Policy."<sup>82</sup> The second Chinese White Paper mentions that "the one China principle is an important political foundation for China to develop its relations with other countries in the world."<sup>83</sup>

<sup>75</sup> Avendano, Melguizo, and Miner, *Chinese FDI in Latin America*; Andrés Oppenheimer, "China Is Eating America's Lunch in Latin America — and Trump Is Helping," *Miami Herald*, December 21 2017. <https://www.miamiherald.com/news/local/news-columns-blogs/andres-oppenheimer/article191041634.html>.

<sup>76</sup> Koleski and Blivas, "China's Engagement with Latin America and the Caribbean."

<sup>77</sup> Gustavo A. Flores-Macias and Sarah E. Kreps, "The Foreign Policy Consequences of Trade: China's Commercial Relations with Africa and Latin America, 1992–2006," *The Journal of Politics* 75, no. 2 (2013): 357–371. <sup>78</sup> The Foreign Policy Consequences of Trade: China's Commercial Relations with Africa and Latin America, 1992–2006. *The Journal of Politics* 75, no. 2 (April 2013)

<sup>78</sup> Robert Evan Ellis, "Chinese Soft Power in Latin America: A Case Study," *Joint Force Quarterly* 60, no. 1 (2011): 85–91.

<sup>79</sup> Ted Piccone, "The Geopolitics of China's Rise in Latin America," *Brookings Institution*, November, 2016. [https://www.brookings.edu/wp-content/uploads/2016/11/the-geopolitics-of-chinas-rise-in-latin-america\\_ted-piccone.pdf](https://www.brookings.edu/wp-content/uploads/2016/11/the-geopolitics-of-chinas-rise-in-latin-america_ted-piccone.pdf).

<sup>80</sup> "Full Text of China's Policy Paper on Latin America and the Caribbean."

<sup>81</sup> Avendano, Melguizo, and Miner, *Chinese FDI in Latin America*.

<sup>82</sup> Jean-Marc F. Blanchard, "Introduction to the Special Issue," *Asian Perspective* 40, no. 4 (2016): 553–577.

<sup>83</sup> "Full Text of China's Policy Paper on Latin America and the Caribbean."

China's officials have also tried to attract LAC countries that maintain diplomatic relations with Taiwan.<sup>84</sup> From the 12 LAC economies that have recognized Taiwan,<sup>85</sup> Panama, the Dominican Republic, and El Salvador switched recognition to the PRC during the period of 2017-2018.

Hartig argues that in China, public diplomacy is understood more as an instrument that contributes to national security and economic growth.<sup>86</sup> Beijing's diplomatic breakthroughs in Latin America have reinforced China's economic activities, helping to institutionalize its engagement in the region.<sup>87</sup> Economic interaction cannot be fully understood without regarding geopolitics, and numerous works have discussed the politics of relations between China and Latin America.<sup>88</sup>

Nevertheless, reinforced soft power is not merely the natural consequence of economic development; it is also the result of an explicit strategy designed to that aim. China's formal quest for cultural soft power began at the 17th National Congress in 2007, when then-President Hu Jintao announced that "...We must enhance culture as part of the soft power of our country..."<sup>89</sup> The strategy was made explicit again in 2014, when Xi Jinping gave a speech vowing to increase China's soft power and cultural diplomacy and to promote a favourable image of the country abroad.<sup>90</sup>

Paradoxically, the increasingly more frequent trade conflicts between China and the US have contributed to raising China's global profile as the main alternative to US power. During George W. Bush and Obama's administrations, US officials were worried but generally viewed China's engagement positively as a contributor to the region's economic growth.<sup>91</sup> In contrast, the Trump Administration perceived China's engagement in the region with more suspicion. In its 2017 National Security Strategy, the US considered that, globally, China and Russia challenge American power, influence, and interests in an attempt to erode American security and prosperity, specifying that China seeks to pull Central American states into its orbit through state-led investments and loans.<sup>92</sup>

Regarding culture, geographical proximity and substantial migration flows provide a strong link between the US and LA countries. According to the UN Migrant Stock statistics, in the last few decades, more than 20 million immigrants arrived to the US from LAC

<sup>84</sup> He Li, "Rivalry between Taiwan and the PRC in Latin America," *Journal of Chinese Political Science* 10, no. 2 (2005): 77-102; Richard L. Bernal, "The Growing Economic Presence of China in the Caribbean," *The World Economy* 38, no. 9 (2015): 1409-37.

<sup>85</sup> "Taiwan - Diplomatic Allies," *Taiwan Ministry of Foreign Affairs*, 2022. <https://en.mofa.gov.tw/AlliesIndex.aspx?n=1294&sms=1007>.

<sup>86</sup> Falk Hartig, "How China Understands Public Diplomacy: The Importance of National Image for National Interests," *International Studies Review* 18, no. 4 (2016): 655-680.

<sup>87</sup> Mark P. Sullivan and Thomas Lum, "China's Engagement with Latin America and the Caribbean," Congressional Research Service, 2019. <https://crsreports.congress.gov/product/pdf/IF/IF10982/13>.

<sup>88</sup> Ariel M. Slipak, "América Latina Ante China: ¿Transición Del Consenso de Washington al Consenso de Beijing?" *Jornadas de Economía Crítica*, (2014): 1-21; Jörn Dosch and David S. G. Goodman, "China and Latin America: Complementarity, Competition, and Globalisation," *Journal of Current Chinese Affairs* 41, no. 1 (2012): 3-19; Enrique Dussel, ed., *La nueva relación comercial de América Latina y el Caribe con China* (México, D.F: Red Académica de América Latina y el Caribe sobre China, 2016); Piccone, "The Geopolitics of China's Rise in Latin America.;" Blanchard, "Introduction to the Special Issue.;" Francisco Urdrinez et al., "Chinese Economic Statecraft and U.S. Hegemony in Latin America: An Empirical Analysis, 2003-2014," *Latin American Politics and Society* 58, no. 4 (2016): 3-30.

<sup>89</sup> Hu Jintao, "Full Text of Hu Jintao's Report at 17th Party Congress," *China Daily*, October 24, 2007. [https://www.chinadaily.com.cn/china/2007-10/24/content\\_6204564.htm](https://www.chinadaily.com.cn/china/2007-10/24/content_6204564.htm).

<sup>90</sup> Xinhua News, "Xi: China to Promote Cultural Soft Power," *China.org*, January 1, 2014. [http://www.china.org.cn/china/2014-01/01/content\\_31059390.htm](http://www.china.org.cn/china/2014-01/01/content_31059390.htm).

<sup>91</sup> Sullivan and Lum, "China's Engagement with Latin America and the Caribbean."

<sup>92</sup> "National Security Strategy of the United States of America," *US Government, The White House*, December 18, 2017. <https://trumpwhitehouse.archives.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

economies.<sup>93</sup> Spanish is the second most spoken language in the US, and in several states, Latin American culture has been fully integrated. In comparison, migration flows between China and LA countries throughout history have been much smaller.<sup>94</sup>

Ellis perceives that Chinese culture is one of the PRC's weakest levers of soft power in Latin America.<sup>95</sup> Perhaps that is why Beijing is fuelling big sums of money into creating a dense network of agents to mitigate cultural barriers. China's money has been used to provide thousands of scholarships and training opportunities for CELAC citizens in China, deepen political exchanges, and foster the arrival of Chinese tourists to LA.<sup>96</sup> Additionally, China has extended a network of Confucius Institutes (CIs) in LA. The agreement for the first CI was signed in November 2006 in Mexico, and there were 34 institutes serving over 50,000 students by 2018.<sup>97</sup> These centres are committed to providing Chinese language and cultural teaching resources and services,<sup>98</sup> but political and economic interests are considered to determine their location.<sup>99</sup> Indeed, significant increases in Chinese exports, outward FDI flows, and business tourism have been found in connection with the establishment of CIs.<sup>100</sup>

Public opinion polls have shown a constant decline in US attractiveness in Latin America since the beginning of the 2000s. Trump became the most unpopular US president in Latin America in recent memory,<sup>101</sup> and the opinion polls conducted by the Pew Research Center show that the gap in the perception of "world's leading economic power" narrowed substantially when Trump took office, though the US remained slightly above China.<sup>102</sup>

We agree that China's soft power in LA has grown because of the increased perception that its high domestic rates of economic growth and technological developments have made the country a top-level global economic power.<sup>103</sup> Figures show that Beijing has channelled large sums of money into building a strong external image, and we find that these efforts have contributed to enhancing China's soft power in LA. Yet, despite this, the US advantage in terms of soft power is still significant thanks to its much longer and closer relationship with LA.

<sup>93</sup> "Trends in International Migrant Stock: The 2017 Revision," *United Nations, Department of Economic and Social Affairs, Population Division*, 2017. [https://www.un.org/en/development/desa/population/migration/data/estimates2/docs/MigrationStockDocumentation\\_2017.pdf](https://www.un.org/en/development/desa/population/migration/data/estimates2/docs/MigrationStockDocumentation_2017.pdf).

<sup>94</sup> Jacqueline Mazza, "Chinese Migration to Latin America and the Caribbean," *The Dialogue*, October 2016. [https://www.thedialogue.org/wp-content/uploads/2016/10/Chinese\\_Migration\\_to\\_LAC\\_Mazza-1.pdf](https://www.thedialogue.org/wp-content/uploads/2016/10/Chinese_Migration_to_LAC_Mazza-1.pdf).

<sup>95</sup> Ellis, "Chinese Soft Power in Latin America: A Case Study."

<sup>96</sup> "China-Latin American and Caribbean Countries Cooperation Plan (2015-2019)," *China-CELAC Forum*, January 23, 2015, [http://www.chinacelacforum.org/eng/zywj\\_3/201501/t20150123\\_6475954.htm](http://www.chinacelacforum.org/eng/zywj_3/201501/t20150123_6475954.htm); "CELAC and China Joint Plan of Action for Cooperation on Priority Areas (2019-2021)."; Koleski and Blivas, "China's Engagement with Latin America and the Caribbean.": "Full Text of China's Policy Paper on Latin America and the Caribbean."

<sup>97</sup> Koleski and Blivas, "China's Engagement with Latin America and the Caribbean."

<sup>98</sup> Liu, Margaritis, and Zhang, "The Global Financial Crisis and the Export-Led Economic Growth in China."

<sup>99</sup> Jun Xiang and Wei-hao Huang, "What Determines China's Allocation of Confucius Institute: Educational, Political, or Economic Interest?" (63rd Annual Conference of the American Association for Chinese Studies, Denver, Colorado, 2015). <https://aacs.cuny.cuny.edu/2015conference/Papers/Huang%20Wei-Hao.pdf>; Muhammad Akhtaruzzaman, Nathan Berg, and Donald Lien, "Confucius Institutes and FDI Flows from China to Africa," *China Economic Review* 44 (2017): 241-252.

<sup>100</sup> Donald Lien, Chang Hoon Oh, and W. Travis Selmier, "Confucius Institute Effects on China's Trade and FDI: Isn't It Delightful When Folks Afar Study Hanyu?" *International Review of Economics & Finance* 21, no. 1 (2012): 147-155; Donald Lien, Sucharita Ghosh, and Steven Yamarik, "Does the Confucius Institute Impact International Travel to China? A Panel Data Analysis," *Applied Economics* 46, no. 17 (2014): 1985-1995; Chensheng Xu et al., "An Investigation of Confucius Institute's Effects on China's OFDI via Cultural Difference and Institutional Quality," *Journal of Asia Business Studies* 14, no. 3 (2020): 241-263.

<sup>101</sup> Oppenheimer, "China Is Eating America's Lunch in Latin America — and Trump Is Helping."

<sup>102</sup> "Trump's International Ratings Remain Low, Especially Among Key Allies," *Pew Research Center*, October, 2018. [https://www.pewresearch.org/global/wp-content/uploads/sites/2/2018/10/Pew-Research-Center\\_U-S-Image-Report\\_UPDATED\\_2018-10-01.pdf](https://www.pewresearch.org/global/wp-content/uploads/sites/2/2018/10/Pew-Research-Center_U-S-Image-Report_UPDATED_2018-10-01.pdf); "China's Economic Growth Mostly Welcomed in Emerging Markets, but Neighbors Wary of Its Influence," *Pew Research Center*, December, 2019. [https://www.pewresearch.org/global/wp-content/uploads/sites/2/2019/12/Pg\\_2019.12.05\\_Balance-of-Power\\_FINAL.pdf](https://www.pewresearch.org/global/wp-content/uploads/sites/2/2019/12/Pg_2019.12.05_Balance-of-Power_FINAL.pdf).

<sup>103</sup> Ellis, "Chinese Soft Power in Latin America: A Case Study."

## 5. Discussion: the hegemonic transition in Latin American economies

In this section, we discuss whether China is the new hegemonic state in LA. To this end, we analyse whether China meets the three main conditions of HST. First, is China a large and growing economy, predominant in a leading sector and with such a political power to enforce the rules of the system in LA? China has transformed into a systemic economy with a fundamental role in world manufacturing and finances. The hegemony of the US and Bretton Woods institutions has been challenged by China with the promotion of the BRI and the creation of the Asian Infrastructure Investment Bank.<sup>104</sup> Our analysis confirms that China's emergence as the region's second-largest trading partner, a major lender, and an investor is eroding US economic dominance in LA. Besides that, Beijing is actively promoting the signing of FTAs with LA economies as a means to enhance its economic power in the region.

On the other hand, we observe that the US holds a great advantage in terms of "soft power." Historical migration flows have made Latin American culture a substantial part of US culture. Certainly, this advantage has been weakened by recent US administrations—particularly the Trump administration—which have pursued a negative agenda towards the region, opposing trade, immigration, and environmental agreements. On the contrary, the PRC has launched a comprehensive package of initiatives to increase its soft power and improve its positive messaging in the region. Beijing has promoted the creation of several high-level fora in the region, and President Xi Jinping has visited LA countries several times. Thus, Washington's anti-China rhetoric deeply contrasts with the enthusiasm for China that prevails among some LA governments.<sup>105</sup> Nonetheless, China's authoritarian political system could hinder further advances in terms of soft power in some LA economies.<sup>106</sup>

Some of China's multilateral initiatives are complementary to the institutional status quo, whereas others are indicative of deeper conflicts over fundamental principles. Both China and the US consider that their proposal is fair and legitimate, and the PRC is ready to show its regained influence in the international arena. We conclude that the PRC has reached a power status that has enabled it to create a new system of rules, different from the one imposed by the hegemonic state. This new proposal has attracted several LA countries, becoming a relevant challenge for the current hegemon. However, the new system is far from being the prevailing one. China's influence is not the same all over the region, partly because the PRC has divided LA countries according to its strategic interests.<sup>107</sup> In consequence, even without a strong US leadership, Bretton Woods institutions and the liberal world order could survive.<sup>108</sup>

The second condition to become the hegemon is to show the will to reach this status. Throughout history, China's leaders have declared that the PRC does not seek hegemony. On April 9, 1974, the Vice Premier of China, Deng Xiaoping, led a Chinese delegation to

<sup>104</sup> Astrid H. M. Nordin and Mikael Weissmann, "Will Trump Make China Great Again? The Belt and Road Initiative and International Order," *International Affairs* 94, no. 2 (2018): 231–249; Christopher Layne, "The US–Chinese Power Shift and the End of the Pax Americana," *International Affairs* 94, no. 1 (2018): 89–111; Jonathan Pass, *American Hegemony in the 21st Century: A Neo-Neo-Grassian Perspective* (New York: Routledge, 2020).

<sup>105</sup> Benjamin Hans Creutzfeldt, "China y EE. UU. En Latinoamérica," *Revista Científica General José María Córdova* 14, no. 17 (2016): 23; Juan Pablo Cardenal, "China in Latin America: Understanding the Inventory of Influence," in *Sharp Power: Rising Authoritarian Influence* (Washington, DC: National Endowment for Democracy and International Forum for Democratic Studies, 2017). <https://www.ned.org/wp-content/uploads/2017/12/Chapter1-Sharp-Power-Rising-Authoritarian-Influence-China-Latin-America.pdf>.

<sup>106</sup> Nye, *Soft Power*; Christopher Walker, "What Is 'Sharp Power'?", *Journal of Democracy* 29, no. 3 (2018): 9–23.

<sup>107</sup> Bernal-Meza, "Introduction."

<sup>108</sup> G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, *New Edition* (Princeton University Press, 2019); Keohane, *After Hegemony*.

the Sixth Special Session of the United Nations General Assembly and delivered a speech to state clearly to the world that “China is not a superpower, nor will she ever seek to be one.”<sup>109</sup> More recently, on December 1, 2017, President Xi Jinping reiterated China’s commitment to never seeking hegemony, vowing that the PRC will not develop at the expense of other nations, but warning that they would not be told what to do by anyone.<sup>110</sup> In this regard, it is essential to underline that China’s external policy is guided by the essential principle of “non-interference” in partner countries’ domestic issues.

Creating a new kind of international leadership built upon clearly different values, the Beijing Consensus is one of the Chinese government’s main objectives. Until now, the PRC policy has developed a set of instruments in terms of “hard” and “soft” power that are depleting US hegemony, but we have not found relevant signals indicating the will to become the new hegemonic state in LA, neither in China’s official statements, nor in the PRC’s governmental decisions. Instead, the idea of a new multipolar system has been widely defended by Chinese authorities. Admittedly, the PRC faces a credibility problem<sup>111</sup> deeply rooted in Western powers, but this issue is not sufficient to defend that China is hiding a wish to become the new hegemon.

Finally, the third condition to becoming a hegemonic state is the commitment to a system perceived as mutually beneficial to major states. Whereas several LA countries have signed WTO+ agreements with China, some of the biggest economies (e.g., Brazil, Argentina, and Mexico), have preferred to protect themselves from the PRC, adopting protectionist policies. Certainly, China continues to strengthen its network of alliances step by step. In February 2022, Argentina decided to become a member of the BRI, and in May 2023, China and Ecuador signed an FTA. In this regard, LA economies that suffered more strikes and government crises during IMF programs are more likely to look to China for leadership.<sup>112</sup> However, despite this progress, the PRC has not yet implemented an alternative system all across the region.

There is no doubt that China has become a strategic partner country for several Latin American countries. The PRC has adopted a smart strategy that has notably increased its leverage in the region, whereas the US has relied too heavily on hard power measures to face the “China challenge.” Nevertheless, we conclude that China is far from being the new hegemon in LA; the PRC is not powerful enough, it has not shown the will to become the new hegemon, and there is no clear commitment to a new hegemonic system.

## 6. Final conclusions

This paper investigates to what extent China is challenging US hegemony in LA countries, revisiting the hegemonic transition and power transition theories. Complex concepts such as hegemony, dominance, and leadership have been widely discussed in the context of HST, PTT, and Neo-Gramscian IR theories. Here, we contribute to previous research by proposing

<sup>109</sup> Deng Xiaoping, “Speech By Chairman of the Delegation of the People’s Republic of China, Deng Xiaoping, At the Special Session of the U.N. General Assembly,” *Marxist.org*, April 10, 1974. <https://www.marxists.org/reference/archive/deng-xiaoping/1974/04/10.htm>.

<sup>110</sup> “China Will Not “Export” Chinese Model: Xi,” *Xinhuanet*, December 1, 2017. [http://www.xinhuanet.com/english/2017-12/01/c\\_136793833.htm](http://www.xinhuanet.com/english/2017-12/01/c_136793833.htm).

<sup>111</sup> Gary D. Rawnsley, “Communicating Confidence,” in *Routledge Handbook of Public Diplomacy*, eds. Nancy Snow and Nicholas J. Cull (New York: Routledge, 2020), 284–300.

<sup>112</sup> J. Lawrence Broz, Zhiwen Zhang, and Gaoyang Wang, “Explaining Foreign Support for China’s Global Economic Leadership,” *International Organization* 74, no. 3 (2020): 417–452.

a methodology that takes into account the material elements of power in HST while also paying particular attention to the non-material aspects encompassed in the concept of “soft power.” The fact that China is determined to enhance its soft power in LA makes it even more pertinent to include this concept in the assessment of hegemony in the region.

The analysis of hard power indicators reveals that the US continues to be the dominant power in LA economies. Our data confirm increasing trade, investment, and financing volumes in the China-LA partnership, but the US’s position in LA remains far stronger than China’s on almost every indicator. In terms of soft power, we have evidenced that Beijing is deploying a wide range of initiatives to enhance its cultural and political influence in the region, proposing an international architecture that differs from the Washington Consensus. The fact that US-led Western institutions have failed to promote the development of some LA economies has paved the way for China’s proposal. In this sense, our findings support the idea that China’s initiatives are eroding US hegemony in Latin America, but the intensity of this process is not sufficient to conclude that we are witnessing a hegemonic transition. China is far from meeting the conditions established in HST to become the new hegemon: it is not powerful enough, it has not shown the will to become the new hegemon, and there is no overall commitment to the PRC’s proposal.

In this research, we present an original insight that we believe will contribute to the academic debate, but we are aware of the limitations of our findings. Our assessment should be contrasted in future research using other approaches in IR theory, such as constructivism and international agency,<sup>113</sup> as well as recent developments like institutional status theory.<sup>114</sup> Future research should also analyse how regional dominance in LA connects with global leadership, specifically examining how spatial processes interact with other regional and global hegemonic structures.

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<sup>113</sup> Alexander E. Wendt, “The Agent-Structure Problem in International Relations Theory,” *International Organization* 41, no. 3 (1987): 335–370; Alexander Wendt, “Anarchy Is What States Make of It: The Social Construction of Power Politics,” *International Organization* 46, no. 2 (1992): 391–425; Alexander Wendt, *Social Theory of International Politics*, 1st ed. (Cambridge: Cambridge University Press, 1999); J. David Singer, “The Level-of-Analysis Problem in International Relations,” *World Politics* 14, no. 1 (1961): 77–92.

<sup>114</sup> Rohan Mukherjee, *Ascending Order: Rising Powers and the Politics of Status in International Institutions* (Cambridge: Cambridge University Press, 2022).



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