One Belt One Road Initiative and Its Implications for Latin America

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Abstract. China has consolidated itself as a powerful economic and geopolitical entity in the 21st century. The Belt and Road Initiative (BRI) is the biggest infrastructure project that could potentially launch China to the top of the world's economy. The BRI not only aims to increase the economic reach of China around the globe but to consolidate its growing political influence within those states that form part of it. Latin America, although a region that does not play an important role in world economics, could be one of the strategic zones within the BRI. As such, twenty countries in Latin America and the Caribbean (LAC) have already joined the initiative, which has also excluded the United States of America (U.S.) as a measured counterweight to the influence it possesses. Some countries in the LAC region view the BRI as an opportunity to unshackle themselves from the ever-growing constraints that the USA places on them and at the same time, establish a stronger bond with the country that could one day become the largest economy in the world.

Keywords: China, Latin America, One Belt One Road.

1. Introduction

The Belt and Road Initiative (BRI) is a project inspired by the network of roads that once connected China to the Roman Empire, the Silk Road, providing one of the most efficient trade routes ever known to humankind. The One Belt One Road project is even more ambitious, presented by President Xi on an official visit to the neighboring state of Kazakhstan in 2013 [1]. According to president Xi, the project has as its primary objective the economic integration of China with Central Asia, Southeast Asia, and Europe; all done via an elaborate system of industrial zones and parks, factories, logistics, and construction companies that could easily traverse the region through a series of railroads and highways. The announcement of the BRI’s second component came on October 2013, when President Xi made a speech in the capital of Indonesia, Jakarta: Maritime Silk Road for the 21st century, aimed at connecting ports from China to the rest of Asia while acknowledging the territorial sovereignty and maritime rights of all parties involved [2]. Another important component of the BRI is the development of a Space Information Corridor which can provide a so-called “four-in-one” (sense, transmission, knowledge, and use) space information service for countries along the BRI to create a network of communication [3].

However, what can China hope to accomplish by establishing the BRI? President Xi posed this particular query at the 19th the CPC National Congress on October 18, 2017: "China is going to actively encourage global collaboration via the Belt and Road Initiative. In doing so, we aim toward achieving policy, infrastructure, trade and commerce, financial, and people-to-people interaction, thereby establishing an innovative framework for global collaboration and generating new drivers of shared prosperity" [4]. His message was clear and unwavering: to position China at the forefront of modern global trade while laying the groundwork for all member states' progress. In addition, he enumerated China's geopolitical objectives, stating that by 2050, the country will "transform into the world's dominant nation in terms of national overall strength and global influence" [4].

The World Bank has also published a brief describing the objectives of the BRI as a "the path to enhance interaction and collaboration on an international scale" and highlighting the initiative's potential risks and opportunities. The World Bank (2018) identifies "debt threats, administration risks (corruption and procurement), dormant infrastructure, hazards to the environment, and social hazards" as possible hazards associated with infrastructure initiatives like the BRI. The successful completion of the project could reduce travel periods along financial corridors by 12 percent, enhance
trade by 2.7% to 9.7%, boost revenue by up to 3.4%, and elevate 7.6 million people out of severe poverty [5].

As of January 2023, 147 nations have signed a MoU with China to join the BRI. Seven nations (Russian Federation, Austria, Congo D.R., Benin, Dominica, Comoros and Niger) have not issued an acknowledgment of signing a comprehensive MoU or have dismissed it [6]. As of 2023, the following is the breakdown of BRI countries:

- 43 are in Sub-Saharan Africa
- 35 are in Europe and Central Asia
- 25 are in East Asia and the Pacific
- 20 are in Latin America and the Caribbean
- 18 are in the Middle East and North Africa
- 6 are in South East Asia

2. The Belt Road Initiative — Reactions and Criticism

The Financial Times related the Belt and Road Initiative (BRI) to the U.S. government's post-World War II Marshall Plan, which was described as a "initiative that appears to be structured to use financial incentives to solve other threats" [7]. While Kevin Sneader of McKinsey Hong Kong stated in an interview, "Some individuals have referred to this (BRI) as the modern-day Marshall Plan" [8], the Marshall Plan was only one-twelfth the scale of what is currently considered by the Belt and Road Initiative. Even further, Donnet stated in his book, "World Leadership in the Balance". China and the United States are engaged in a struggle for supremacy, with China seeking to seize control of natural resources and, additionally, to increase its dominance in Asian, European and African markets that have joined the BRI. Economic areas “represent about 55% of the global GDP, 70% of the world population and contain 75% of the planet’s energy reserves” [9].

However, The Diplomat analyst Dingding Chen disagreed with this comparison, stating in a 2014 article that the worldwide scope of BRI should not be likened to the solely European Marshal Plan, and that the amount of financial resources involved is also unmatched. The second rationale is the theoretical limitlessness of the BRI, in contrast to the Western nations, anti-Soviet limitation of the Marshall Plan, although this may be unclear if we consider that the U.S. government also organized parallel assistance programs for Asian nations [10].

While these differences are certainly worth considering, the comparison between the two is still relevant in many ways. Both the Marshall Plan and the BRI are examples of large-scale foreign aid programs designed to promote economic development and strengthen geopolitical ties. While the specific motivations and strategies may differ, the underlying goals of these programs are quite similar.

It’s important to consider the differences between the Marshall Plan and the BRI, I believe that the comparison is still a valid one. Both initiatives represent significant efforts to shape the global economic and geopolitical landscape, and both have the potential to have long-lasting impacts on the countries involved.

In spite of this, there are five correlations between the Marshall Plan and the BRI’s motivations and objectives for establishing countries: increasing exports, foreign exchange, combating a rival, and cultivating strategic segmentation, as well as diplomatic backing [10].

It has been ten years since the initial proposal of the BRI, and there are still doubts looming over the project’s contribution to the countries that have signed the MoU. Is the BRI an example of China’s true intentions to help in the economic development of its members, or is it a mere debt trap? [9]. Even if falling into debt with a powerful nation like China and paying high-interest rates are a concern for the receiving countries, the short-term benefits the BRI offers are somewhat tangible and foreign investment is always welcome to boost the economy.

However, when the BRI started in 2013, one of its initial projects was the China-Pakistan Economic Corridor (CPEC). China had initially projected an investment of 46 billion USD, which
ended up increasing to 65 billion USD, one of the main promises, was to reduce the number of blackouts in Pakistan through the construction of power plants in the country. Together with a network of highways, railroads, and a port in the city of Gwadar, the flagship enterprise is envisioned to not only benefit China and Pakistan but to bring a positive impact on Iran, Afghanistan, and the Central Asia region [2]. The development of the BRI has always threatened the U.S. hegemony in the region and since 2017, the Trump administration attempted to boycott the CPEC, alleging the project would inevitably create a debt problem that Pakistan would be unable to solve, causing the country to have internal turmoil and become solely dependent on China [11]. If Pakistan ever defaulted on its creditors, China included, the U.S. administration further expressed its concern about China taking over the entire CPECs infrastructure to enhance its grasp on Pakistan, which would threaten its national sovereignty [2].

On the contrary, CPEC is considered by the Pakistan government as economically vital to drive economic growth since it has been the largest investment in the country since it gained independence. The Pakistani media have called CPEC investments a “game and fate changer” for the region [12]. Chinese investment in the region became evident as early as 2017 when Pakistan succeeded in producing surplus electricity. According with Pakistani Federal Minister for Power Division, Awais Leghari, the country’s current electricity production had gone up to 16,477 Megawatts which was 1,700 Megawatts more than the demand.

According to analysts from the Center for Global Development, Pakistan, together with 6 other countries in the Central and South Asia region (Afghanistan, Bhutan, Kyrgyzstan, Maldives, Sri Lanka, and Tajikistan) possess considerable credit risk of debt distress that could negatively impact them and the BRI [13].

Even though this debt-trap regulation theory is also referred to as a meme that gained popularity in 2017 because of "human pessimistic bias" rooted in apprehension about China's rise. Deborah Brauntigam, a professor at Johns Hopkins University, provided in a 2019 research paper that the majority of debtor nations signed up for the loans knowingly and had favorable encounters collaborating with China. Also, "the substantial evidence indicates that the drumbeat of alarm regarding Chinese banks' financing of infrastructure throughout the BRI and beyond is exaggerated" and "a significant proportion of people have a positive perception of China as a model of economics and view China as a desirable development partner" [13]. She also criticized media outlets for championing a narrative that "inaccurately distorts the partnership between China and the developing nations that it pertains with," stating that Sri Lanka owed a greater debt to Japan, the World Bank, and the Asian Development Bank compared to China [13].

The BRI has also caused turmoil among members of the European Union (E.U.), on May 2019; Italy signed an MoU with China to endorse the global infrastructure-building scheme, making it the first G7 country to do so despite the pressure exerted by the U.S. The fact that it was negotiated without their knowledge and alleged that an influx of Chinese investment could compromise the national security of E.U. Member States caused widespread mistrust among the E.U. members. The Italian government claimed that the concerns of France and Germany are disingenuous, given that French and German investment and trade relationships with China outweigh its own. Europe has thus become a mere spectator to the impending Chinese expansion in the continent, as it has no alternative nor any countermeasure to slow the Asian powerhouse [14].

3. The Relevance of Latin America and the Caribbean to the BRI

The BRI is fundamentally an infrastructure network that spawns from China and expands through neighboring countries to most of Asia, Africa, and Europe. Latin America’s geographical location presents a great obstacle if China wishes to include it in this project, China has, however, gone to great lengths to attract countries from this region to join the effort. What makes Latin America so attractive to China and what is its end goal?
Latin America is one of the regions with the most untapped economic potential in the world, with an average area of 20 million square meters; it doubles the size of Europe, the U.S., and China. Nonetheless, it possesses a strong self-identity given the diversity in the countries that comprise the region [15].

The combined GDP of Latin America and the Caribbean was 5.45 trillion USD for 2021, an increase of 15.72% compared to 2020. Which represents 7% of the global GDP, among them Brazil and Mexico amongst the 15 largest economies in the world. The region also possesses a vast number of natural resources with 40% of the planet’s biodiversity, 25% of the forests, and 28% of the water reserves. It also has 85% of the World lithium reserves, 43% of copper, 40% of nickel, 30% of bauxite (a sedimentary rock necessary for the production of aluminum), and 30% of silver [15]. These massive world reserves together with the abundant renewable energy sources could positively impulse the region’s economic growth exponentially if the next economic strategies are well thought-out.

Latin America and the Caribbean is the third largest populated region in the world, only behind Asia (4.7 billion) and Africa (1.1 billion) and it has more than the whole E.U. (446 million). With roughly 650 million people, which equates to 8% of the global population, with an estimated labor force of 300 million [5]. By 2050, the population of the region is set to grow to 779 million.

Nevertheless, the relationship between China and Latin America did not begin with the BRI. Before countries in the region decided to join the project, China’s investment and regional development plans were already relevant, especially during the last two decades. During 2015 and 2016, Latin America accounted for a 14% share in direct investments in the energy sector from China while its share in transportation and metals was 8%. Among the most notable exports to China are primary products such as crude oil, iron and steel, copper, solid fuels, scrap aluminum, and precious metals [6]. Investment links between China and Latin America are not uniform and evenly distributed when compared to other Asian investors such as Japan.

Brazil is the largest recipient of Chinese foreign direct investments (FDI), with an aggregate of 45 billion USD since 2005, followed by Peru, and Argentina (17 and 10 billion USD respectively). While Chinese state-owned banks have lent more than 140 billion USD since 2005 to Venezuela (62 billion USD), followed by Brazil, Ecuador and Argentina (37, 17, and 15 billion respectively), compared to the 1 billion USD lent to Mexico [5]. Their focus primarily centers on the southern region of Latin America, Mexico’s reliance on U.S. investment presents a more challenging approach to China’s investment ambitions.

However, China has realized that its current cooperation with Latin America requires expansion beyond just trading commodities. In mid-2015, Chinese Primer Li proposed a new 3x3 cooperation model, focusing on “the joint construction of three major pathways of logistics, energy, and information technology; the virtuous interaction between companies, society and government; and the broadening of three financing channels” [16].

The trade component of the model could potentially increase China's import and export of goods from Latin America, particularly in areas such as agriculture and natural resources. Meanwhile, the investment aspect of the model could lead to more Chinese investment in Latin American infrastructure projects, such as ports, railways, and highways. In terms of connectivity, the 3x3 cooperation model could help to improve transportation links and digital connectivity between China and Latin America. This could make it easier for Chinese companies to do business in the region and for Latin American companies to access the Chinese market.

China’s interests in Latin America go beyond economic growth; there are strategic factors that the Asian powerhouse has closely considered, as it is aware of the importance of the region to the U.S. Under the guise of the Monroe Doctrine and its famous slogan, “America for the Americans”, the U.S. has time after time intervened in internal and external affairs in countries in Latin America and the Caribbean throughout the 20th century that were opposed to their own interests.

The growing presence of China in Latin America sends a clear message to the U.S.; the region does not belong to them anymore. Looking ahead, “Geopolitics will play an important role due to the
trade and technology wars between the U.S. and China, with many battles taking place in Latin America. The US-China struggle will be ongoing in the region and will increase over more efficient trade routes, investment opportunities, and the supply of raw materials. This represents both challenges and opportunities for Latin America, but if the region plays its cards well, it could reap significant benefits” [16].

The increasing presence of China in Latin America has significant implications for the region's relationship with the United States. As China continues to invest and engage with Latin American countries, it sends a clear message that the U.S. can no longer take the region for granted. The competition between the U.S. and China over trade, investment, and raw materials will likely increase in Latin America, leading to both challenges and opportunities for the region.

The growing presence of China in Latin America presents an opportunity for the region to diversify its economic relationships and potentially benefit from increased trade and investment. However, leaders in both China and Latin America need to ensure that the relationship is built on a foundation of mutual respect and benefit. This will require addressing issues such as debt sustainability and human rights, and ensuring that the relationship is not exploitative.

The consistent U.S. policy in the Middle East and Asia during the 21st century, together with former President Trump’s tough immigration agenda, resorting to offensive rhetoric towards the Latin American region, created feeling of resentment, which further decreased the popularity of the U.S. administration [17]. The immigration policies of former President Trump, such as the border wall and restrictions on immigration from certain Latin American countries, have further strained the relationship between the U.S. and the region. Trump’s political vendetta towards Latin America likely worsened the situation by fueling negative perceptions and stereotypes.

It's important for the U.S. to recognize the impact of its policies on the relationship with Latin America, and to work towards rebuilding trust and positive relationships with the region. This may require a shift in U.S. foreign policy towards the region, as well as a more respectful and diplomatic approach to issues such as immigration.

This growing scenario plus the Covid-19 pandemic created a window of opportunity for China to increase its influence in the region. While the U.S. government focused on dealing with its domestic strategy to fight against the coronavirus, “China, through its so-called health diplomacy, has provided Latin America with medical supplies and vaccines, which has endeared it to the region [17].

The Covid-19 pandemic, combined with a growing sense of neglect towards Latin America from the U.S. government, has created an opportunity for China to increase its influence in the region.

The pandemic has highlighted the importance of global cooperation and solidarity, and China's efforts to provide medical assistance to Latin America have been an important part of this. However, it's also important to recognize that China's motivations in providing assistance are not entirely altruistic, and are likely driven by a desire to increase its influence and gain strategic advantages in the region.

The U.S. government's perceived neglect of Latin America during the pandemic has provided an opportunity for China to step in and fill the gap, further increasing its influence in the region. To counter this, the U.S. government needs to re-engage with Latin America and demonstrate its commitment to the region through concrete actions and investments.

4. Latin America — Leaving the U.S behind and looking onward to China

China will doubtlessly benefit from Latin American and Caribbean countries joining the BRI, but the benefits will be mutual. The project will open the wider Asian markets to the region, which will enable all member countries the ability to further alienate themselves from U.S. dependency. On the other hand, China will be able to promote its own financial institutions and integration strategies in Latin America [18]. The projects that China has agreed to in Latin America in the context of the BRI, extend to areas such as the joint coordination of economic policies, the deeper connection of industries, enabling commerce and investment routes, financial integration, and infrastructure projects.
Nevertheless, beyond all the economic benefits, the growing alliance between China and Latin America can bring about serious strategic implications and a change of relationship with the U.S. A deeper and more explicit understanding with China could further diminish the engagement of Latin America with the U.S., which would in return define the lines of a new cold war with the U.S., Europe, India, and Pacific allies on one side; China, Russia, Pakistan, Central, and Southeast Asia on the other. It is not clear if Latin America would fall under the “silk curtain” but it possesses a major concern for the U.S. and its economic allies [18].

Latin America has also shown great interest in trade agreements involving Asian economies that could also benefit from wider participation in the BRI. The Regional Comprehensive Economic Partnership (RCEP), which includes all major Asian economies (10 ASEAN economies together with Australia, China, India, Japan, South Korea, and New Zealand), has been of particular interest to Chile, Mexico, and Peru [18]. Further promotion of multilateral trade negotiations between Asia and Latin America could be a key deciding factor for the region to become more actively involved with the BRI.

One of the most prominent issues regarding the change in Latin America regarding its relationship with the U.S. is the development of the Panama Canal. Throughout the 20th century, it was mostly controlled by the U.S. and it is essential to the commerce routes linking the Atlantic and Pacific Ocean. In 2017, the Chinese firm Landbridge signed an agreement to build a new deepwater port and container terminal near the entrance of the canal, together with a full logistics complex situated on Margarita Island. The president of the Landbridge Group expressed his enthusiasm for the so-called Panama Colon Container Port Project Management Department (PCCP) as it would “contribute to the economic development of all countries” [17].

The canal is of great geographical, military, and financial importance to both the U.S. and China but it is located on the doorstep of one of Washington’s biggest spheres of influence. Such rapid expansion of China in Latin America, especially in Panama, during the last decade has clearly shown that the region gravitating toward China and stepping away from the U.S. [17].

5. Conclusion

The Belt and Road Initiative, launched by China in 2013, has been gaining traction around the world as a major infrastructure investment program. The initiative, which aims to connect China with countries in Asia, Europe, and Africa through a network of highways, railways, ports, and other infrastructure projects, has also been extended to Latin America. The region's participation in the initiative could have significant consequences for its economic growth, trade, and infrastructure development.

There are several potential advantages of Latin America participating in the Belt and Road Initiative. First, it could lead to increased trade and investment between China and Latin America. This could help to boost economic growth and job creation in the region.

Second, Latin American countries could benefit from access to Chinese technology and know-how, which would lead the way to modernize Latin America's economy and improve its competitiveness in global markets.

Third, the Belt and Road Initiative has a strong focus on infrastructure development, addressing the region's infrastructure deficit. Latin America has a significant infrastructure gap, particularly in the areas of transportation, energy, and water. The Belt and Road Initiative could fill this gap by funding the construction of new roads, ports, and other infrastructure that could improve the region's connectivity and competitiveness.

Fourth, participating in the Belt and Road Initiative would lead to greater regional integration and cooperation. By strengthening their ties with China and with each other, Latin American countries could increase their political and economic influence in the region and on the global stage.

However, there are also several potential disadvantages of Latin America participating in the Belt and Road Initiative. The first concern is debt. Participating in the initiative could result in increased
debt for Latin American countries, particularly if they take on loans from China to finance infrastructure projects. This could put a strain on their economies and limit their ability to address other pressing social and economic needs.

Second, increased economic dependence on China could make Latin American countries more vulnerable to economic shocks in the Chinese economy. It could also limit their ability to negotiate favorable terms on trade and investment.

Third, some experts have expressed concern that participating in the Belt and Road Initiative might result in a loss of sovereignty for Latin American countries. There are worries that if they grant China too much control over their infrastructure and economy, they could become too dependent on China, which could impact their political autonomy.

Finally, participating in the Belt and Road Initiative may result in increased competition with the United States for influence in the region. This could have implications for the region's political stability and security, as the United States has historically played a significant role in the region's political and economic affairs.

Despite these concerns, it is clear that the Belt and Road Initiative will have a significant impact on the future of Latin America. If implemented carefully and with due consideration for the region's needs and priorities, it could offer significant benefits in terms of economic growth and development. However, if it is not managed effectively, it could lead to negative consequences that could outweigh the benefits.

To ensure that the Belt and Road Initiative is implemented in a way that benefits the region as a whole, it is essential for Latin American countries to carefully consider the advantages and disadvantages of participation. They must also work with China to ensure that the initiative is aligned with their development goals and that it does not compromise their economic or political autonomy.

In addition to carefully considering the advantages and disadvantages of participating in the Belt and Road Initiative and working with China to ensure that it is implemented in a way that benefits the region, Latin American countries should also maintain a balance between their relationship with China and their relationship with the United States.

The United States has historically been a key ally and trading partner for many countries in the region. While China's rise as a global power has offered new opportunities for trade and investment, it has also created tensions between China and the United States that could spill over into Latin America.

In recent years, the United States has expressed concerns about China's growing influence in the region and has taken steps to counter it. For example, the United States-Mexico-Canada Agreement (USMCA) includes provisions to counter Chinese investment in North America. The United States has also announced plans to invest $4 billion in Central America as part of its efforts to counter Chinese investment in the region.

Given these dynamics, Latin American countries to maintain a balance between their relationship with China and their relationship with the United States. They must work to ensure that their participation in the Belt and Road Initiative does not compromise their relationship with the United States or their strategic interests.

To achieve this balance, Latin American countries should engage in diplomacy and dialogue with both China and the United States. They should also work to diversify their trade and investment relationships with other countries in the region and around the world. By doing so, they can minimize the risks of becoming too dependent on any one country or region for their economic growth and development.

In conclusion, the Belt and Road Initiative could have a significant impact on the future of Latin America. While it offers many potential benefits in terms of economic growth and development, it also presents significant risks, particularly in the areas of debt and economic dependence. To ensure that the initiative is implemented in a way that benefits the region as a whole, Latin American country must carefully consider the advantages and disadvantages of participation and work with China to ensure that it aligns with their development goals. They must also maintain a balance between their
relationship with China and their relationship with the United States to minimize the risks of becoming too dependent on any one country or region. By doing so, they can help to ensure that the Belt and Road Initiative contributes to their long-term economic and social development.

References


