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### China's engagement with Latin America and the Caribbean

*Geopolitical challenges and the role of the EU*

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CHINA'S ROLE IN LATIN AMERICA AND THE CARIBBEAN:  
REPORT 3 OF 3

September 2022

# CHINA'S ENGAGEMENT WITH LATIN AMERICA AND THE CARIBBEAN: GEOPOLITICAL CHALLENGES AND THE ROLE OF THE EU

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# LIST OF ACRONYMS

ASEAN	Association of South-East Asian Nations
B3W	Build Back Better World
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa
CAI (EU–China)	Comprehensive Agreement on Investment
CARICOM	Caribbean Community and Common Market
CELAC	Community of Latin American and Caribbean States
DFC	(US International) Development Finance Corporation
EEAS	European External Action Service
EP	European Parliament
EU	European Union
GDP	Gross Domestic Product
HRC	(UN) Human Rights Council
KNL	Kingdom of the Netherlands
LAC	Latin American and Caribbean
MERCOSUR	Southern Common Market
MERICs	Mercator Institute for China Studies
MFA	Dutch Ministry of Foreign Affairs
NATO	North Atlantic Treaty Organization
PDVSA	<i>Petróleos de Venezuela, SA</i>
PRC	People’s Republic of China
UN	United Nations
UNGA	United Nations General Assembly
UNHCR	United Nations High Commissioner for Refugees
UNOSSC	United Nations Office for South–South Cooperation
US	United States
USD	US dollar (in the report we use \$ throughout)

# EXECUTIVE SUMMARY

This is the last of three reports on China's role in Latin America and the Caribbean. The previous reports stayed as close as possible to the concrete and empirically observable presence of China in larger Latin American countries (Report 1) and smaller Caribbean and Central American countries (Report 2).<sup>1</sup> As shown, China plays an important economic role and has bilateral relations with almost all LAC countries, which presents brings several benefits to the region, but also some negative effects. This report discusses how the changing global geopolitical relations that result from China's new position in the world affect the LAC region and its international relations. In addition, the report discusses how the EU and its member countries, including the Netherlands, could react to the challenges of the increased Chinese presence and can help to counter any potential negative consequences of the Chinese presence.

Now that tensions between China and the US (and to some extent the EU) are increasingly pervading the international arena, all international actors need to adapt their relations and strategies. Simultaneously, the war in Ukraine is probably foreshadowing a new long Cold War with Russia. The position of China in this polarization is still unclear. While the shape of future China-US tensions and shifts in the geopolitical world order are unpredictable, there is no doubt that we are in a phase of profound global changes. These tensions are leading to increased China-US competition. The open rivalry between the US and China is currently becoming apparent in the LAC region. For the US it is not easy to reinstate its position in the LAC region. The Summit of the Americas in June 2022 showed a lack of a clear strategy on the part of the US, as well as an ambiguous quest for a more autonomous position on the part of the LAC governments. The economies of the two superpowers remain interconnected, but in the future their tensions could result in deep decoupling and confrontation. Currently, the EU is also demonstrating a hardening of its posture towards China and Chinese interests, and with the uncertainties ahead the EU needs to develop coherent international strategies, including for EU-LAC relations.

When looking into the (potential) consequences of geopolitical and geo-economic struggles, we must be aware of the tensions and ambiguities in the LAC countries' relations with China, the US and Europe. As we have demonstrated in the foregoing two reports, for the LAC region the challenge of how to balance its international relations is more complex than a simple contrast between Chinese economic power and US and European values. LAC countries – their elites and populations – are not merely recipients of support by world powers, but they actively shape these relations. From a realist point of departure, one could just focus on the material and political interests of each country, and how they are served by engaging with China, the US and the EU. This report proposes to look beyond the immediate material interests. An important approach to the implications of the shifting global geopolitical relations is more value-driven. We see this in the international relations of the EU that apart

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<sup>1</sup> The three reports can be accessed at <https://www.cedla.nl/china-lac>.

from economic interests also pursues certain norms and values, including democracy, rule of law and human rights, which many LAC actors share and support.

Latin American and Caribbean societies carry the memory of a long history of colonialism and imperialism. This explains why their leaders have constantly been looking for ways to minimize their dependence on colonial and imperial powers. Many observers explain the relatively positive perceptions of China within LAC society as a direct result of this history and the more recent US attitude of overlooking the needs and perspectives of its southern neighbours. The emerging presence of China over the past two decades occurred at a time when the US and Europe were withdrawing from the region and the LAC elites were eager to receive new partners. China's engagement in LAC is not limited to left-wing or populist governments, and that the LAC's openness to Chinese projects, loans and collaboration is also not primarily ideologically charged. LAC countries, individually and jointly, are formulating their own responses to China's engagement.

While many Latin Americans continue to welcome Chinese investments and the construction of public utility buildings and infrastructure, some of the darker sides of Chinese engagement have also become clear. It is fair to say that the honeymoon between LAC and China is now over and that the two parties are entering a new, more business-like relationship, with more sensitivity to the ways in which civil society responds. Chinese development bank loans to LAC have been nil in the past few years and some investments have stalled or been downsized. In several areas, China's expanded role in LAC has led to concerns and political debate. In the mining sector, China's important presence became sometimes associated with environmental pollution and land-grabbing. This has brought damage to the Chinese reputation, but also to the LAC governments that allowed these practices. The same could be said about the dramatically increased export of agrarian products to the Chinese market, which is associated with environmental problems and deforestation. Regarding Chinese (digital) infrastructure projects there are concerns regarding security and a lack of transparency. More generally, China's preference for bilateral agreements negotiated behind closed doors provokes suspicions and rumours about the nature of these negotiations with LAC elites, possible corrupt practices, nepotism and illicit practices in general. China's willingness to cooperate with autocratic regimes is also a cause for concern.

The most important challenge of the LAC region is, without doubt, to connect economic development to social inclusion and to diminish inequality. This is not an issue that is directly connected to the geopolitical developments sketched above, but they certainly influence them. LAC leaders seek support for their social and economic development programmes, but they try to do so without becoming dependent on one trade partner or political ally. It will be a challenge for the LAC region's leaders to maintain this autonomy and room for manoeuvre to solve the region's pressing problems. LAC countries also aim to remain politically independent in multilateral affairs and generally stress state sovereignty. Therefore, the LAC region's multilateral positioning sometimes differs from the Western position. On the issue of human rights in China, for instance, LAC positions are predominantly neutral.

Against the backdrop of the LAC's multiple challenges and the increasing US–China rivalry, Europe has an important role to play in Latin America and the Caribbean region. Although the alliance between the EU and the US is of understandable importance at a time of war and geopolitical tensions, there is thus much to be said in favour of a stronger and independent EU relationship with, and policies towards,

Latin America. This report concludes by pointing at the potential for modernizing and intensifying EU–LAC cooperation and the relations between European and Latin American and Caribbean countries and societies. If the EU and the Netherlands and other member countries take their values as important elements to guide their policies, it will be necessary to add these values in their strategic considerations. Based on our explorations of Chinese engagement in LAC, we have identified three of these values: democracy; (human) rights; and environmental considerations. Most LAC countries have strong preferences for the principle of electoral democracy and the protection of human rights, although in practice the political processes in the LAC region present extreme challenges and political and institutional stability can be hard to maintain. In addition, the LAC region is vital for the EU’s efforts to expand its role as a standards-setter in trade, technology and green energy.

Should we consider China a ‘normal’ superpower that is basically defending its interests? Or is there something more inherently dangerous in our engagement with China, which may in the longer or shorter turn be undermining democracy, exporting repressive centralism and promoting autocracy? These doubts are currently more urgent than ever, especially since European countries feel that they have for years underestimated the real intentions of Putin’s Russia. European nations are now intent on not making the same mistake in the case of China. There is no doubt that Latin America and the Caribbean will be a crucial region in the coming decades, not only for its resources and economic opportunities, but also for security concerns and multilateral partnerships. In this respect, Europe’s policy scope and narrative on LAC are in need of recalibration (see the Recommendations). Looking at the challenges facing the LAC region in the context of a rapidly changing world order, the EU and its member countries need to devise policies that incentivize inclusive and sustainable investments in the region and that help Latin American and Caribbean governments and societies in strengthening institutions that support transparency, human rights, labour rights and environmental protection.





The rivalry of the powers could put at a crossroads the countries of the region [Latin America], which until now have sought the best of both worlds: a historical convergence of values with the United States, at the same time as the growing economic opportunities with China.

Jorge Sahd, 2021<sup>2</sup>

Europe can ill afford to ignore Latin America's strategic importance [...]. The region needs help from somewhere. If the EU doesn't act quickly to provide it, China will.

Ana Palacio, former Spanish Minister for Foreign Affairs, 2021<sup>3</sup>

# 1 INTRODUCTION

This report is written at a crucial moment in European and global history, with Russian armies invading a close ally and neighbouring country of the European Union, almost certainly foreshadowing a new long Cold War with Russia. The position of China in this new polarization is still unclear. For the time being, China is trying to maintain a neutral or at least non-committed position in this ongoing crisis. It is difficult for Chinese President Xi Jinping to go back on his February 2022 'no limits to our friendship' declaration with Putin, but China has not openly provided military assistance to Russia and, by and large, abides by the sanctions, while at the same time reproducing the Russian narratives.<sup>4</sup> There is no doubt that the emergent superpower is closely watching the military and political developments in the European region, but it is not taking on the mediating role that many countries hoped it would and consider fitting to its new status as superpower.

Far away from this new Cold War on European soil, the Latin American and Caribbean (LAC) countries are faced with other challenges and what may, in the longer term, present themselves as similarly crucial decisions. How to react to the economic fall-out of the war, especially the high energy prices? How to shape the future of their societies, and, importantly, which external actors do they trust to help them? In that sense, the warning of Jorge Sahd, quoted above, rings urgently. Now that tensions between China and the US (and to some extent the EU) are increasingly pervading the international arena, all actors need to adapt their relations and strategies. As we have demonstrated in this series' foregoing two reports, for the LAC region the challenge is more complex than a simple contrast between Chinese economic power and US and European values. This complexity is visible on both sides of the equation. On the one hand, Chinese economic involvement in the LAC region does not

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<sup>2</sup> Sahd, J. (ed.) (2021), *China y América Latina: claves hacia el futuro*, Santiago de Chile: Centro de Estudios Internacionales UC, p. 8 (this is our translation of 'La rivalidad de las potencias podría poner en la encrucijada a los países de la región [América Latina], que hasta el momento han buscado lo mejor de los dos mundos: una convergencia histórica y de valores con Estados Unidos, a la vez de las crecientes oportunidades económicas con China').

<sup>3</sup> Palacio, A. (2021), 'Forgotten Latin America', *Project Syndicate*, 16 July.

<sup>4</sup> Sun, Y. (2022), 'What Does Putin's Invasion of Ukraine Mean for China-Russia Relations?', *ChinaFile*, 7 April.

necessarily or consistently threaten democratic values and, on the other hand, US (and European) involvement does not necessarily always bring respect for human rights and democracy. External interventions can either strengthen LAC democracies, institutions and sovereignty, or weaken them as a result of the nature of these interventions, on the one hand, and the policies and reactions in LAC countries, on the other. LAC societies are extremely divided over very fundamental issues, such as the state's role in the economy, how much power to grant to incumbent presidents, and social and economic policies. Political processes in the LAC region are notoriously polarized, both on the level of elites and broader society. Elites formulate contradictory policies and fight among themselves for the benefits of international cooperation. Pursuing the goals and ambitions of their parties, their followers and themselves, they come to widely different national policies, which have a determining effect on their foreign policies and their relationship with foreign power blocs.

*This report will discuss how the changing global geopolitical relations that result from China's new position in the world (can) affect the LAC region and its international relations. We are interested in recent trends as well as potential future developments. Reports 1 and 2 stayed as close as possible to the concrete and empirically observable presence of China in the LAC. One of the principal challenges in Western studies on the Chinese expansion in the world is that overviews of these facts are often inextricably intertwined with ideas on their possible significance. This report will move to this latter question: What has been the wider significance of China's consolidated presence in the region? We aim to discuss how this presence has worked out, how it relates to broader geopolitical events, and what challenges can be identified as a result, both for the LAC region and the EU? In addition, the report discusses how the EU and its member countries, including the Netherlands, can (help) to counter any potential negative consequences of the Chinese presence. Before doing so, we should define our criteria for such an assessment.*

From a realist point of departure, one could simply focus on the material and political interests of each country. In a global perspective, this would mean seeing the influence of the Chinese presence in LAC as a challenge to European interests. This challenge, then, is one element of a geopolitical analysis in which every country is defending its own interests, either alone or in the context of global alliances. This approach focuses on the political and economic domains and the struggle for (geopolitical) leverage on a world scale. This struggle always carries – often almost invisible – elements of military interests and security. Of course, here we have to distinguish country-specific interests (such as for the KNL) and the wider alliances in which these countries participate (including the EU, NATO and generally the 'West', etc.).

A second approach to the implications of the shifting global geopolitical relations is more value-driven. The EU pursues certain norms and values (or at least it says it does), as shown for instance in the so-called Copenhagen Criteria for its future members, which include democracy, the rule of law, human rights, respect for minorities, a functioning market economy and transparent and stable administrative and institutional capacities.<sup>5</sup> These values are also implemented in the EU's international policies and agreements, such as its trade agreements. If we take these values as defining or principal elements for an analytical framework, EU countries could accept or even applaud the deterioration of European material interests, in exchange for a further expansion of these values. This is an important approach

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<sup>5</sup> Zweers, W., Shopov, V., van der Putten, F.-P., Petkova, M. And Lemstra, M. (2020), [China and the EU in the Western Balkans: A Zero-Sum Game?](#), Clingendael Report, The Hague: Clingendael Institute, pp. 39–40.

in the context of the three reports in this series, because criticism of Chinese activities in LAC is often strongly driven by values.

Although existing side-by-side and with politicians trying to convince us of their coalescence, these approaches often do not coincide. Positive developments in one field (for instance, economic progress) may have negative consequences in another (for instance, environmental degradation, pollution, loss of autonomy). What to do, for instance, with a company that is a pillar of economic welfare and sustains a country's GDP, but does so at the cost of human rights violations or environmental damage? Would Europe support developments that allow formerly colonized countries to acquire more autonomy and income, even if this happens at the cost of European influence? And in a more relevant example today: should we bolster the Dutch economy with cheap imported gas or tax benefits to foreign companies and oligarchs, at the cost of our political autonomy, accountability and human rights? There are many instances where supposedly value-driven projects conflict with economic and political interests. Possibly, no existing nation-state can avoid these kinds of ambiguities and conflicts, but it is crucial to identify them if we venture into the analysis of geopolitical and geo-economic struggles.

The LAC region can become a crucial partner for Europe for two clear reasons. First, there is a huge potential for economic relations, which in today's world may become a necessity for each of them. Second, their shared political and cultural heritage makes LAC a crucial region for the consolidation of the values that are propagated by the EU. For LAC, Europe can play an increasingly important role as an alternative and possibly an intermediary in its wish to diversify its political and economic partnerships. For LAC governments and civil society actors, in addition, the shared values present a very important instrument to strengthen accountability and transparency and to consolidate democracy in general.

In some ways, Europe's position resembles that of Latin America. Both European and Latin American ruling elites consider themselves part of the Western world, although Europe is more Atlantic than Latin America, and Latin America more hesitantly 'Western' than Europe. Both regions adhere to multi-party democracy as the preferred political system and leave, in general, ample space for civil society movements. And both regions are important in their own right, but in a dependent position within the geopolitical struggle between the US and China. Europe's and LAC's international position between the two superpowers thus offers many opportunities for cooperation and shared multilateral action. Both regions need each other, but long-term strategies and commitments will be necessary.

Because this final report in the series aims at analysing these geopolitical and geo-economic struggles, it will – when relevant – highlight these ambiguities and tensions. At the same time, it will make clear that the LAC countries – their elites and populations – are not merely recipients of support by world powers, but that they actively shape these relations. The results may not always be to our liking in terms of socio-economic consequences or preferred values, but identifying and assessing them is crucial for our analysis.

## 2 THE GLOBAL REPOSITIONING OF LAC

Latin American and Caribbean societies carry the memory of a long history of colonialism and imperialism. This explains why their leaders have constantly been looking for ways to minimize their dependence on colonial and imperial powers. They could not, of course, escape trading and negotiating with these powers, but they were very sensitive to the negative effects of this subordinate position. It is no coincidence that the famous literature on dependency originated in Latin America. As Cardoso and Faletto showed, this was just as much an analysis of global inequality as an expression of the elite's frustration about this situation.<sup>6</sup> Today, multiple perspectives towards the West exist in LAC. The strong anti-imperialist and anti-US tendencies may be the most visible, and these do not only come from the socialist left, but also from conservative groups. For different reasons, these groups reject the economic and cultural hegemony of the US and seek better contacts with Europe and its culture. At the same time, LAC administrations reject economic isolationism and are urgently looking for economic relations with Western countries.

This frustration has had two, seemingly contradictory, sides. Initially, it showed a region-wide rejection in LAC of the political and economic power and presence of European influence and, mainly, the US. More recently, however, especially after 9/11, it also led to an equally deeply-felt frustration about the neglect of Latin America by the US. Even under US President Barack Obama, who held a powerful speech about the importance of Latin America for the US in 2008 before being elected US president and who visited Cuba in 2016, there was not much interest in what was happening in the LAC region.<sup>7</sup> Economically, the 2005 failure of the Free Trade Area of the Americas had cooled US–LAC relations, while the 2007–2008 global financial crisis had caused many US companies to end or scale down their activities in the region. The subsequent Trump administration was basically only interested in Latin America in the context of stopping Latin American immigration to the US and it deepened the transactional US approach to the region.<sup>8</sup> Finally, President Joe Biden has hardly scaled up the US's agenda on the LAC region during his first year in office.

Although less important for the LAC region, the European presence has been similarly fading in recent decades under the influence of the troublesome construction of the European Union, the emphasis on the EU's own economic recovery after the global financial crisis of 2007–2008, and the ongoing challenge of large immigration flows to Europe from Africa and the Middle East crisis, etc. In the context of this report, crucial questions are to what extent present-day geopolitical events will influence the LAC region and how this may affect European and KNL policies and interests. The first and second reports in this series documented the remarkably fast and broad expansion of China's primarily economic and also political role in the region. This expansion was especially noteworthy in some areas, such as mining, agricultural exports and construction, and in development loans and close cooperation with some

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<sup>6</sup> Cardoso, F.H. and Faletto, E. (1979), *Dependency and Development in Latin America*, Berkeley: University of California Press.

<sup>7</sup> Obama, B. (2008), '[Remarks to the Cuban American National Foundation in Miami](#)', Florida, 23 May. See also Reid, M. (2015), 'Obama and Latin America: A Promising Day in the Neighborhood', *Foreign Affairs*, September/October.

<sup>8</sup> For a critical insider's view on the long-standing empathy deficit and selective moralism of US policies towards Latin America, see the article by former US diplomat Scott Hamilton: Hamilton, S. (2022), '[US Policy in Latin America: Time for a New American Realism](#)', *Global Americans*, 17 May.

regimes that were excluded from Western loans, like Venezuela. In other areas, China's influence in LAC is still emerging, including in digital technology and renewable energy. In yet other fields, Chinese expansion was piecemeal, uneven and cautious, such as in military and security cooperation. While Chinese influence varies widely in different LAC countries, for most of them, the first two decades of intensified relations with China have brought (extensive) economic benefits.

One clear consequence of the Chinese engagement in LAC has been the provision of more room to manoeuvre for LAC governments, allowing them to obtain investments and loans that had not been possible before. This helped them, for instance, to weather the economic storm of 2007–2008 and to maintain the social reforms of the so-called 'pink tide'. It also helped them to overcome the first stage of the COVID-19 pandemic, when Western nations were slow to react to pleas for help from the LAC region. Another consequence, however, has been the consolidation of some authoritarian states in LAC, which had been cut off from Western aid. China provided them with cheap loans, (medical) donations and military equipment, which was sometimes used against their own populations. Although China's presence in the region is not primarily politically motivated, this support supported authoritarian leaders in LAC, and thereby their human rights violations and their repressive administrations.

Many observers explain the relatively positive perceptions of China within LAC society as a direct result of the US attitude of overlooking the needs and perspectives of its southern neighbours. Trying to explain the appreciation among LAC (business) elites for the region tightening its bonds with China, the business-oriented Mercator Institute for China Studies (MERICS) concludes that: 'given that the United States has frequently been a fickle partner for these [LAC] countries, their government and business leaders will continue to look for alternatives'.<sup>9</sup> The emerging presence of China over the past two decades thus occurred at a time when the US and Europe were withdrawing from the region and the LAC elites were eager to receive new partners. After the economically and financially challenging decades of the 1980s and 1990s, LAC economies were doing well in the 2004–2013 period, partly as a result of 'pink tide' policies that stimulated internal demand in large countries like Brazil, Argentina and Ecuador, and partly because of the new Chinese demand for their commodities. This new demand was a consequence of the new architecture of the global economy and especially of China's economic growth and its new global insertion. During this period, Brazil's President Luiz Inácio Lula da Silva (2003–2010) put a lot of effort into institutionalizing South–South cooperation and was a leading figure in the establishment of the alternative power bloc of major emerging economies known as the BRICS countries (Brazil, Russia, India, China and South Africa). Interestingly, this was also a relatively 'quiet' period in LAC's conflictive history and this societal stability probably made the LAC region more attractive to Chinese investors.

LAC leaders sometimes feel that accusations made against Chinese policies are exaggerated, such as, for instance, the risk of 'debt traps'. And where misgivings exist, the benefits of potential investment or cheap technology appear to outweigh the costs. Chinese firm Huawei's 5G technology may be a case in point. Some LAC countries and internet service providers are willing to accept the risks of surveillance or dependency on Chinese technology for lower prices and accessible equipment. For the hurricane-vulnerable Caribbean countries, the cheap 'wireless' 5G communication offered by Huawei has many

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<sup>9</sup> Ferchen, M. (2022), '[Growing US–China Rivalry in Africa, Latin America and South-East Asia: Implications for the EU](#)', *MERICs China Monitor*, 14 March.

benefits. In addition, countries with an antagonistic posture regarding the Western liberal order consider China to be a welcome political and economic alternative.

We have observed that China's engagement in LAC is not limited to left-wing or populist governments, and that the LAC's openness to Chinese projects, loans and collaboration is also not primarily ideologically charged. This may also be explained by the region's increasingly ideological fragmentation. After the so-called 'pink tide', a more right-wing populist wave ensued in the 2010s, most notably in countries like Brazil, Argentina, Chile, Ecuador and Bolivia. Some countries have moved ideologically back and forth, but others seem to escape the traditional contrast between left and right and have produced what we may call 'hybrid populism'. Radical political ideologies today sometimes escape traditional left-wing/right-wing contrasts. The Peronist party that has dominated Argentine politics during recent decades has traditionally mixed right- and left-wing ideologies. Present-day Mexico is another telling example, where a supposedly left-wing government presents an authoritarian mix of different, often contrasting agendas. El Salvador and, very recently, Costa Rica are other examples just as difficult to place in traditional political categories.

LAC countries, individually and jointly, are formulating their own responses to China's engagement. Depending on their political colour, as well as the size and nature of interactions with Chinese actors, they either welcome or worry about this engagement, and try to encourage, or rather limit, or adapt the relations with Beijing. Sometimes they fear that Chinese engagement may endanger the democratic and liberal values that most LAC countries respect, and sometimes their worries are caused by specific Chinese projects that endanger environmental or human rights. This has happened in the case of mining projects, but is also visible in the illegal fishing carried out by Chinese vessels off the coast of Chile, Ecuador and Peru. While many Latin Americans continue to welcome Chinese investments and the construction of public utility buildings and infrastructure, some of the darker sides of Chinese engagement have also become clear. Chinese enterprises, especially in oil and mining, have demonstrated the same ruthlessness as US enterprises. Social rights have often been disrespected, and examples of land grabbing and pollution have emerged. In agro-exporting regions, questions have started to be asked about soil degradation and deforestation, which the relentless Chinese demand has engendered. Civil society organizations have criticized the supposed bribes and kickbacks in obscure negotiations with Chinese enterprises, as well as the increasing debts and the utility of some grandiose construction schemes. It is therefore fair to say that the honeymoon between LAC and China is now over and that the two parties are entering a new, more business-like relationship, with more sensitivity to the ways in which civil society responds. China has stopped throwing money at the LAC region and is more carefully choosing the areas and countries where it wants to invest. Chinese policy-bank financing has practically dried up. Meanwhile, LAC administrations have become more aware of the possible drawbacks of Chinese loans and investments.

These developments are part of a global process. In an interesting analysis, Matt Ferchen has endeavoured with a comparative approach. His point of departure is that South-East Asia, Africa and Latin America are key regions in the broader contest for global primacy between China and the United States, and that it is vital for the EU's interests to understand the full dimensions of the China-US rivalry. Just as we did in our reports here, Ferchen observes that China's role in Latin America is mostly defined by trade in commodities and finance. He concludes: '[China's] economic and political influence in Latin America will be only as strong as its commodity-based links to the region'. He adds, however, that LAC governments and business leaders will continue to look for alternatives to US involvement as a result

of the US's recent history as a 'fickle partner'. This highlights the complex challenge for leaders of LAC countries.<sup>10</sup>

The French sociologist Alain Rouquié in 1987 famously called Latin America the 'extreme West', implying that Latin America partially belongs to the Western world, but in its own ways.<sup>11</sup> This idea that Europe, and to a certain extent the US, has a special relationship with Latin America echoes up to today, also in LAC countries, which feel connected to Western values, and many feel that this connection is an important element of LAC interests. Latin American elites are closely linked to the global, Western-dominated economy, but their interests are often served by connecting to Chinese businesses and loans. We can expect this predicament to remain an issue for LAC leaders in the decades to come. If the EU wishes to remain a relevant partner for LAC countries, it will therefore need to fortify its presence in the region and to build on its long-standing economic and cultural ties to provide the basis for sustainable and long-term cooperation.

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<sup>10</sup> Ferchen (2022), 'Growing US–China Rivalry in Africa, Latin America and South-East Asia'.

<sup>11</sup> Rouquié, A. (1987), *Amérique latine: Introduction à l'Extrême-Occident*, Paris: Seuil.



### 3 LAC AS A NEW GEOPOLITICAL PLAYING FIELD?

While the shape of future China–US tensions and shifts in the geopolitical world order are unpredictable, there is no doubt that we are in a phase of profound global changes. The Ukraine war has confirmed, for the moment, US leadership of the Western world. In the rest of the world, however, suspicions about the superpower’s real intentions remain. The political and social polarization within the US and uncertainty about the 2024 presidential election make it difficult to predict the future of the US as the world’s superpower. China has consolidated its position in the world, but its economy is encountering multiple problems that have not yet been solved. China’s radical policies to contain the COVID-19 virus are severely affecting both the Chinese and global economies and may weaken Xi Jinping’s position in the future. The People’s Republic of China (PRC) stands at a juncture between returning to an internal focus or continuing or even accelerating its Going Out policies. In general, the focus of China’s geopolitical attention will be the region surrounding it. However, the Russian assault on Ukraine has added another challenge for the Chinese leadership. What will be its eventual choices in confronting the new geopolitical and geo-economic challenges on a world scale? And to what extent will the relations between not only China and the US, but also Europe and the LAC region, change in the coming years? In the longer term, we can expect global concerns and crises over food, energy and technology supplies, and especially climate change, to put greater pressure on these international relations.

It is important to note that the open rivalry between the US and China is only very recently and gradually becoming apparent in the LAC region. Under the Obama administration, Chinese and US officials still maintained a successful dialogue mechanism: the US–China Sub-Dialogue on Latin America and the Caribbean, which was aimed at discussing opportunities for cooperation and minimizing misunderstandings.<sup>12</sup> Only under the Trump administration did the US really start to push back against the growing Chinese influence. When the Biden administration came into office at the start of 2021, the US’s focus remained on the ‘extreme competition’ with China. This has also been driving policies in the LAC region, especially in Central America. The Biden administration did not overturn most of the legislation implemented by the Trump administration, but its actions are less confrontational and it looks for opportunities for cooperation between LAC countries and the US. It remains to be seen how the US and G7’s Build Back Better World (B3W) programme will work out, where Latin America will be its major testing ground.

Meanwhile, the EU is demonstrating a similar hardening of its posture towards China and Chinese interests. This can be seen by the fate of the EU–China Comprehensive Agreement on Investment (CAI), which was concluded in December 2020, just before the inauguration of President Biden in the US. However, the European Parliament refused to ratify the agreement and effectively stopped it. This reflected the increasing anti-Chinese feelings and doubts among European members. Since then, amid

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<sup>12</sup> Pu, X. and Myers, M. (2021), ‘Overstretching or Overreaction? China’s Rise in Latin America and the US Response’, *Journal of Current Chinese Affairs*, p. 7.

geopolitical tensions, there have hardly been any successful steps to implement the agreement, and in September 2021, the European Parliament adopted a resolution for a new, more assertive EU–China strategy to counter China’s increasing economic competition and systemic rivalry. Concerns about a range of negative (geo)political, human rights (Hong Kong, Xinjiang) and security (Huawei, 5G, espionage) trends have produced protective and assertive discourses and regulations.

### 3.1 Russia and China in LAC: security concerns

Russia has been an important player in several authoritarian left-leaning countries in LAC. Under President Vladimir Putin, Russia strengthened its relations with the LAC region and not only with its traditional allies: Cuba, Nicaragua and Venezuela. Russia also provided the regimes of Hugo Chávez (in Venezuela) and Daniel Ortega (in Nicaragua) with military equipment, including war planes, helicopters, air-defence systems, armoured vehicles and patrol boats. As recently as January 2022, Russia threatened to deploy military forces in Venezuela and Cuba.<sup>13</sup> In the rest of LAC, Russian presence is negligible, although we should not underestimate the soft power of socialist anti-US feelings and the lingering sympathy for Russia in left-wing circles. Russia has traditionally been seen as an antidote to US imperialism and, before 1989, many Latin American intellectuals and politicians studied in Russia.

The current geopolitical transition as a result of Russia’s invasion of and war with Ukraine, however, may also have military repercussions in LAC. Moscow intensified its diplomatic activity in Latin America in the weeks before the invasion of Ukraine on 24 February 2022. After Argentina’s and Brazil’s presidents visited the Kremlin, Russia’s Prime Minister Yuri Borisov visited Russia’s principal allies, Venezuela, Cuba and Nicaragua, in a 16–18 February tour. After 24 February 2022 and the Russian invasion of Ukraine, these countries not surprisingly supported Russia in the United Nations and elsewhere. Venezuela has a sizable Russian military presence and, after Borisov’s visit, Venezuelan President Nicolás Maduro confirmed again its ambition of ‘powerful military cooperation’.<sup>14</sup> This situation has regional repercussions. Colombia, in particular, is increasingly concerned about Venezuela’s supposed interference in the border regions and its efforts to improve its intelligence systems. Similar concerns are voiced over the strengthening of Russian cooperation in Nicaragua, which includes a plan for a nuclear plant in the country.<sup>15</sup> We may doubt whether Russia will be able to act upon these promises of cooperation in the current circumstances, but these geopolitical shifts could potentially affect China’s (military) presence in the LAC region. It may well be that Russia’s inability in reality to support Daniel Ortega’s regime will force Nicaragua to rely more heavily on China after these countries moved closer to each other in December 2021. Venezuela presents a more complicated case because of disenchantment about Chinese interests in its economic model and its inability to pay back Chinese debts, but China could also in this case be inclined to replace (or complement) Russian interests in Venezuela.

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<sup>13</sup> Ellis, R.E. (2022), ‘Russia’s Latest Return to Latin America’, *Global Americans*, 19 January; and Latin News Intelligence Research, Regional Report: Caribbean and Central America (2022), ‘Nicaragua: Deepening Ties with Russia Amid Increasing International Isolation’, London: Latin News Intelligence Research, March.

<sup>14</sup> Latin News Intelligence Research, Andean Group (2022), ‘Alarm over Military Drift in Venezuela–Russia Relations’, London: Latin News Intelligence Research, March.

<sup>15</sup> Latin News Intelligence Research (2022), ‘Nicaragua: Deepening Ties with Russia Amid Increasing International Isolation’.

Meanwhile, the relationship between Russia and China is ambiguous. Although they work together on a global scale in their ambition to resist US hegemony, their relations are historically fraught with tensions. The weakening of Russia as a result of the war in Ukraine will shift the balance definitively and China will probably replace Russia as the main representative of anti-US feelings and a successful South–South partner.

### 3.2 US–China rivalry in LAC

While the US and EU still hold a dominant position in terms of economic size and networks, but also technology and innovation, China has been catching up and is now a superpower in its own right, staunchly defending its agenda and ambitions, both on a global and regional scale. Although partly embryonic, China would hope to challenge Western hegemony in the coming decades in the fields of the monetary system (including the role of the US dollar and crypto currency), the legacy of the Bretton Woods order and the dominance of large Western technology firms. It could be said that in 5G technology, China has already succeeded in acquiring global hegemony, which ‘enables it to shape international standards’.<sup>16</sup>

Since 2018, several commentators have suggested that a new Cold War between the US and China is in the making.<sup>17</sup> Others, however, have argued that we need a more precise understanding of the ostensibly economic and political relations between the US and China. There is rivalry and competition, but, equally, interdependence and shared interests in the existing world order. Some commentators even predict, however, that the tensions between the US and China will ease in the short and middle term.<sup>18</sup>

This debate is also crucial for the LAC region. On the one hand, we can see indications of a consolidation of the existing, non-conflictual economic presence of Chinese companies in LAC; on the other, we can foresee a situation, partly incensed by the Russian war in Ukraine, where the world will fall apart in competing blocs and US–Chinese relations in the LAC region will become more confrontational. The first scenario could be labelled as ‘interconnected competition’, and the second scenario as ‘decoupled confrontation’. Of course, there will be many nuances and varieties, but both will require a coherent strategy from the European powers.

In a first scenario, the US and China will continue to compete in the world economic and political order, yet without endangering their mutual interdependence and global networks, which they have built up over the past three decades. In this scenario, the EU will have sufficient space and autonomy to maintain a more or less independent position in the global economy. It will compete and cooperate with both power blocs to safeguard EU interests and protect the position of European global companies. China and the US will try to get LAC countries on their side in their rival relations. They will do so in the region, but also in multilateral organizations. The PRC will keep looking for alliances with LAC countries in multilateral fora. For the rest, it will continue its cautious investment strategy in this scenario, careful not to antagonize or politicize its economic presence. US measures to push back and

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<sup>16</sup> Seaman, J. et al. (eds) (2022), *Dependence in Europe’s Relations with China: Weighing Perceptions and Reality*, Paris: IFRI, April, p. 29.

<sup>17</sup> Riecke, T. (2020), [Resilience and Decoupling in the Era of Great Power Competition](#), China Monitor Perspectives, Berlin: MERICS | Mercator Institute for China Studies, 20 August.

<sup>18</sup> Davis, B. (2022), [‘A Forecasting Model Used by the CIA Predicts a Surprising Turn in US–China Relations’](#), *Politico*, 26 May.

to reclaim its hegemony will also continue. In 2021, the newly created US International Development Finance Corporation (DFC), for instance, offered Ecuador support to repay its loans to China, in exchange for excluding Chinese telecommunications companies from Ecuador's networks.<sup>19</sup> This renewed US attention may bring extra funding to LAC countries and politicize economic dealings and development finance. The recent G7 plans air a similar approach of countering China's political and economic influence through massive investments across emerging economies. What was initially dubbed the Build Back Better World (B3W) was detailed in June 2022 as a joint global infrastructure initiative with a plan to offer loans for a total value of \$600 billion. This initiative explicitly aims to compete with China's Belt and Road Initiative (BRI), but it needs to be seen how (soon) and to what extent it will materialize. In addition, because of the BRI's focus on Asia and Africa, the G7 counter-initiative is also likely to focus on these regions, rather than LAC.

A second scenario is based on a more polarized economic and political rivalry between China and the US, which will divide the world into two blocs and force other countries and regions to join one of them. To accomplish this, both powers will use Cold War strategies of sticks (in the form of sanctions and tariffs) and carrots (access to finance, markets and technology). In this scenario, Western powers and China will increasingly see each other as enemies and will act accordingly. This will lead to a process of increased shielding of technology and surveillance and the interruption of value chains, including energy and other indispensable raw materials. In this scenario of deep divisions on a global scale, Russia will have no other choice than to move towards China, probably in a deeply subordinate position.<sup>20</sup> The EU will ally itself more closely with the US, even though it may object to certain US policies, as happened during the Trump era. Most LAC countries (and other developing nations) will be forced to choose sides. Some bigger South American countries may try to use their commodities for favourable arrangements, but the space for sovereign decision-making and non-alignment will be restricted. It is unlikely that, in a context of competing blocs, there will be much room for independent EU policy towards Latin America and intensive international cooperation to address global challenges such as climate change, food security or, indeed, a pandemic.

There is no doubt that there are other scenarios that could be contemplated, depending on the end of Russian's war in Ukraine, the outcome of the 2024 US elections and the coherence of the EU, etc. However, in the end, they will eventually all come down to one of the above scenarios. On the part of China, there are also some unknowns. China's presence in the world may further expand in the coming decades, but it might just as well be redirected and even decrease, especially in 'marginal' and distant regions like LAC. Chinese development bank loans to LAC have been nil in the past few years and many investments have stalled or been downsized. The war in Ukraine also affects Chinese interests, and not necessarily in economically positive ways. This may reinforce Chinese hesitations about its Going Out policies and strengthen its inward-looking tendencies. In a recent article, Pu and Myers have indicated that these two tendencies are clearly visible in current Chinese debates about China's engagement with Latin America. They observe: 'As China's global role expands, the various and mounting obstacles to Chinese overseas engagement have led some Chinese elites to rethink China's

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<sup>19</sup> Adam Boehler, [DFC Chief Executive](#): 'It is a novel approach that very strongly combines both missions of the DFC. The first is that we are going to impact development in Ecuador in a very positive way. [...] DFC was created so that no single authoritarian country had undue influence over another country and we are addressing that factor with this agreement'.

<sup>20</sup> In a 15 May 2022 tweet, Professor of Strategic Studies at St Andrews University Phillips P. O'Brien wrote: 'The astonishing thing is that Russia, the largest country in the world by size, is basically undefended except for nuclear weapons. If the Chinese had any interest in taking parts of Russia, there is nothing Russia could do'.

overseas outreach. China's academic community is actively considering whether and how a rapidly growing overseas profile is leading to a rising backlash on the global stage. If so, they wonder, does China face a potential problem of "strategic overstretching" or a situation in which the cost of maintaining the existing system exceeds the benefits?<sup>21</sup> These debates address the concrete challenges of Chinese engagement 'overseas' in general, and more specifically in Latin America. If we take them as serious indicators of foreign policy debates in Beijing, different scenarios for China–LAC relations are possible. The concrete outcome of these scenarios, however, will depend on contingent elements such as the outcome of the COVID-19 crisis, China's economic recovery and possible changes of leadership in China, but they draw attention to potential contingencies in Chinese politics.

### 3.3 Europe's changing role in LAC

The China–US rivalry in the LAC region is well documented, also in these reports, but the EU's role in this polarized situation is less clear. While usually less alarmistic or hawkish than the US, European views on China (across political divides) have since 2020 converged into a generally more negative direction. In a 2021 resolution, the European Parliament (EP) expressed the ambition of countering China's increasing economic competition and systemic rivalry. The EP calls for a consistent strategy based on six pillars, including the 'Defence and promotion of core European interests and values by transforming the EU into a more effective geopolitical actor'. In this assertive new EU–China strategy, the EU intends to build partnerships with like-minded allies, foster open strategic autonomy, and promote and defend European interests and values by becoming a better global player. In addition, the EP calls for the EU member states 'to invest in stronger cooperation with other democratic and like-minded partners such as the US, Canada, the UK, Japan, India, South Korea, Australia, New Zealand and Taiwan, and calls on the [European External Action Service] EEAS and the Member States to prioritize and strengthen the Strategic Partnerships with [the Association of South-East Asian Nations] ASEAN and the African Union' (point 32). In May 2022, during his speech for Europe Day, the Dutch Minister of Foreign Affairs (MFA) Wopke Hoekstra similarly expressed a new, confrontational attitude towards China, and made a plea for a 'geopolitical Europe'.<sup>22</sup> And in a recent report of the *Institut Français des Relations Internationales*, Marie Krpata stresses the EU ambition to develop a distinct political positioning in a context of polarized international relations and increased Sino-American rivalry through the concept of 'strategic autonomy', which is both a goal and a means to achieve this ambition.<sup>23</sup>

These ambitions are not very visible (yet) in the case of LAC. On the contrary, Europe does not consider LAC to be a region of crucial interest. This also colours EU views on China's influence. Spain's former Foreign Minister Ana Palacio warns that the EU's neglect of the LAC region's struggle with (COVID-induced) economic stagnation, democratic backsliding and a lack of citizens' trust in institutions could drive Latin America into the arms of China: 'Europe can ill afford to ignore Latin America's strategic importance'.<sup>24</sup> We already saw that Europe's role in LAC has decreased in recent decades. This has been a longer-term trend, but it accelerated after the 2007–2008 global financial crisis when European

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<sup>21</sup> Pu and Myers (2021), 'Overstretching or Overreaction?', *Journal of Current Chinese Affairs*, 51(1), p. 2.

<sup>22</sup> <https://www.rijksoverheid.nl/documenten/toespraken/2022/05/09/speech-hoekstra-maastricht-europa>.

<sup>23</sup> In Seaman *et al.* (2022), *Dependence in Europe's Relations with China*, p. 26.

<sup>24</sup> Palacio (2021), '[Forgotten Latin America](#)'.

governments and businesses scaled back their presence in the region. The European representations (which function like embassies) in LAC suffer from underfunding and, possibly except for Germany and Spain, most European countries lack a clear strategy towards the region.

### Box 1: Repositioning the Netherlands in the LAC region

In the past three decades, the presence of the Netherlands in Latin America and the Caribbean has been fading.<sup>25</sup> While the EU has assumed greater visibility in international trade and aid relations, Dutch development assistance became focused on a limited number of the world's poorest countries (mainly in Africa). Economic diplomacy became the buzzword and Dutch bilateral relations with LAC countries were primarily directed at serving the Netherlands' economic interests. This situation was sustained by a central narrative that the LAC region is no longer seen as a region in need of aid or international cooperation because of its national middle-income levels. Both sides see foreign trade as the crucial vehicle for prosperity, growth and employment. While this bears some resemblance to China's win-win narratives, in practice Dutch government-to-government relations in LAC have narrowed. The lauded 'economic diplomacy' dissolved large parts of the once appreciated and celebrated value-driven Dutch development cooperation in the region. While more attention was given in the KNL to the economic potential of the LAC region, five embassies were closed from 2011–2012, Dutch diplomatic staff were almost halved and bilateral development cooperation was all but stopped. Diplomatic representation became focused on a restricted number of LAC countries that were deemed most promising for business opportunities.<sup>26</sup> Yet these policies tended to neglect the LAC region's continuing inequality, institutional weaknesses, democratic fragility and the one-sided dependence on commodity exports.

There are extensive Dutch economic relations and interests in the LAC region (see Reports 1 and 2). For instance, the Netherlands is the third largest source of stock investment in the region, which is larger than China. Together with major imports of LAC commodities and the provision of Dutch technical expertise, its role as a prominent provider and intermediary of foreign investments places the Netherlands in a threefold front-row position in the LAC region: interest; influence; and responsibility. In the Caribbean Basin, the KNL also has some more explicit geopolitical interests. Although – as elements of the colonial heritage – these geopolitical interests may be problematic, at the same time they reflect a historical responsibility and the continuing present-day presence of the KNL in the region.

At the same time, the Netherlands has traditionally been a standard-setter in fields such as human rights, peace-building and sustainable development. Less visible but just as important, the Netherlands has also been an important country in pushing standards for product quality

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<sup>25</sup> This was already the main message of the IOB (2013), *Op zoek naar nieuwe verhoudingen: Evaluatie van het Nederlandse buitenlandbeleid in Latijns-Amerika*, Evaluatie #382.

<sup>26</sup> It was Dutch Minister of Foreign Affairs Uri Rosenthal who, in 2011, said that Latin America is no longer a problem continent. He also stated that Rutte's cabinet is a pro-business cabinet: 'Not a cabinet for pickpockets but for economic growth and innovation, for boosting employment here and abroad'; see Baud, M. and Hogenboom, B. (2012), 'Nederland en Latijns Amerika' [The Netherlands and Latin America], *Openbaar Bestuur*, no. 7, July, pp. 23–28.

and consumer protections. European standards have in many ways become hegemonic and globally accepted. The same could be said, for instance, about ecological standards like non-deforestation. These new norms and standards are an extremely important mechanism to hold businesses and governments accountable, and at the same time to create a level playing field on a global scale. Because of these new legal and political mechanisms, LAC countries tend to see Europe (and the KLN) as a symbol of responsible capitalism, quality of life and soft power, where material and value-oriented interests are in some way harmonized.

### 3.4 China and LAC in the multilateral arena

In recent years China has started to act more visibly and assertively in UN institutions. One line of its action is directed at changing the United Nations system on human rights. To this end, the PRC first proposed a ‘win-win’ resolution to the United Nations High Commissioner for Refugees (UNHCR) in 2018, which was adopted by 28:1 votes, with the US being the only opposition. This resolution ‘set out to replace the idea of holding states accountable, with a commitment to dialogue, [omitting] a role for independent civil society in HRC [Human Rights Council] proceedings’.<sup>27</sup> In June 2020, China proposed another resolution to the UNHCR on ‘mutually beneficial cooperation’, which was adopted by 23:16 votes plus eight abstentions. LAC support came from Argentina, Brazil, Mexico, Uruguay and Venezuela, with abstentions by Chile and Peru. This resolution was criticized by non-governmental organizations in a joint statement: ‘the resolution re-centres the Council’s work around dialogue and cooperation, at a cost of accountability’.<sup>28</sup> China also hosts the South–South Human Rights Forum<sup>29</sup> and is the main donor of the UN Office for South–South Cooperation (UNOSSC), representing 45 per cent of total funding from 2009–2016.<sup>30</sup> Still, among senior leaders in the UN (Assistant Secretary-General and higher), Americans clearly outnumber Chinese officials: in 2020, 26 compared to only three, respectively.<sup>31</sup> As we saw in Report 2, voting patterns in the United Nations General Assembly (UNGA) demonstrate a strong resonance between the PRC and Central American and Caribbean positions, but a slightly growing divergence in the 2010s, compared to the 2000s.<sup>32</sup>

On human rights issues in China, LAC positions are predominantly neutral. Since 2019, there have been several joint declarations at the UNHCR concerning the situations in both Xinjiang and in Hong Kong. These initiatives were led by Western nations. In 2019, no LAC country signed the letter condemning the human rights situation in Xinjiang, whereas three LAC nations supported China’s counter-letter: Cuba; Bolivia;<sup>33</sup> and Venezuela. Cuba is the most supportive of the PRC over human

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<sup>27</sup> Richardson, S. (2020), ‘China’s Influence on the Global Human Rights System’, *Human Rights Watch*, 14 September.

<sup>28</sup> ISHR (2020), ‘[HRC43: Vote on “Mutually Beneficial Cooperation” Resolution Highlights Divisive Nature of Chinese Initiative](#)’, Geneva: International Service for Human Rights (ISHR), 22 June.

<sup>29</sup> [http://p.china.org.cn/2017-12/10/content\\_50095729.htm](http://p.china.org.cn/2017-12/10/content_50095729.htm).

<sup>30</sup> Ruiz, P.X. (2020), ‘La estrategia de cooperación Sur–Sur china: Ideas para América Latina’, *Revista Zero*, 24 January.

<sup>31</sup> Feltman, J. (2020), *China’s Expanding Influence at the United Nations – And How the United States Should React*, Washington: Brookings Institution, September.

<sup>32</sup> Xi, J. (2022), ‘China Expands Influence in Central America’, *VoA News*, 23 February.

<sup>33</sup> Bolivia refrained from voting in 2020 during the interim presidency of Jeanine Áñez, but returned to its support for China in 2021 with the new MAS government.

rights, repeatedly sending the Council letters of support for how China treats the Uyghurs in Xinjiang (in 2019, 2020 and 2021). It did the same regarding China's introduction of the National Security Law in Hong Kong in 2020. Since 2020, several more LAC countries have expressed support for China's reaction to criticism, but simultaneously some have condemned the human rights situation. These are all Central American and Caribbean countries whose position mirrors their diplomatic relationship with either China or Taiwan (see Table 1). In total, only ten of the 33 LAC countries have taken a stand in these statements at the UNHCR between 2019 and 2021.

Table 1: UNHRC statements by LAC on human rights in China (2019–2021)

	Over human rights situation in Xinjiang, 2019 <sup>34</sup>	Over human rights situation in Xinjiang, 2020 <sup>35</sup>	Over Hong Kong National Security Law, 2020 <sup>36</sup>	Over human rights situation in Xinjiang, 2021 <sup>37</sup>
<b>Antigua and Barbuda</b>			Support	
<b>Belize</b>			Condemnation	Condemnation
<b>Bolivia</b>	Support		Support	Support
<b>Cuba</b>	Support	Support	Support	Support
<b>Dom. Republic</b>		Support		Support
<b>Grenada</b>		Support		Support
<b>Haiti</b>		Condemnation		Condemnation
<b>Honduras</b>		Condemnation		Condemnation
<b>Nicaragua</b>		Support	Support	Support
<b>Venezuela</b>	Support	Support	Support	Support

Source: *The Diplomat*, UK Government; authors' elaboration.

The fact that most of the larger Latin American countries neither signed the denouncement statements nor the counter-statements on China's human rights violations is a clear example of the strategy of active non-alignment that has become the geopolitical doctrine of many LAC countries. This implies a conscious and sustained effort to remain politically independent in global politics.<sup>38</sup> It also means that the LAC region's multilateral positioning differs from the Western position.

This became very clear in the LAC region's multilateral voting on the Russian invasion in Ukraine, where the region takes a more fragmented and ambiguous position than the EU and the US. The first UNGA Resolution demanding an end to Russia's offensive in Ukraine on 2 March 2022, shortly after the start

<sup>34</sup> At the 41st session of the UNHCR; see Putz, C. (2019), '[Which Countries Are For or Against China's Xinjiang Policies?](#)', *The Diplomat*, 15 June.

<sup>35</sup> At the 44th session of the UNHRC; see Putz, C. (2020), 2020 edition of '[Which Countries Are For or Against China's Xinjiang Policies?](#)', *The Diplomat*, 9 October.

<sup>36</sup> At the 44th session of the UNHRC; see Eleanor, A. (2020), '[Which Countries Support the New Hong Kong National Security Law?](#)', *The Diplomat*, 6 July.

<sup>37</sup> At the 47th session; see GOV.UK (2021), '[UN Human Rights Council 47: Joint Statement on the Human Rights Situation in Xinjiang](#)', UK Government, 22 June.

<sup>38</sup> Fortín, C., Heine, J. and Ominami, C. (eds) (2012), *El no alineamiento activo y América Latina: Una doctrina para el nuevo siglo*, Santiago de Chile: Editorial Catalonia.



of the Russian invasion, was supported by most (that is, 24) LAC countries,<sup>39</sup> with Bolivia, Cuba, El Salvador and Nicaragua voting against, and four abstentions (Venezuela was not allowed to vote because of its debts to the UN).<sup>40</sup> However, most LAC countries have refrained from clearly choosing sides in the Ukraine war. This reminds us of a similar quest for neutrality during the Second World War, when LAC countries only hesitantly opted to support the Allied forces against Nazi Germany. Today, this posture relates to Latin American adherence to international principles of non-intervention and self-determination, as they previously did on the US invasions in Afghanistan and in Iraq. With respect to the UNGA resolution of 7 April 2022, which suspended Russia's membership of the UN Human Rights Council, a majority of LAC nations voted in favour, although this time more countries abstained from voting, including Brazil and Mexico.<sup>41</sup>

In contrast, on the issue of sanctions against Russia, the region has been remarkably united: no LAC country has adopted sanctions. This is consistent with the LAC region's traditional preference for multilaterally supported decisions over economic measures. Similarly, as J. Luis Rodriguez points out, 'Latin American policy-makers do not support sending military equipment to Ukraine without multilateral authorization, arguing that these transfers might escalate the violence even further'.<sup>42</sup> He also notes that over the course of the first few months of the invasion, the official reaction of LAC countries has been very inconsistent, up to 'schizophrenic'. While career diplomats criticized Russia, LAC presidents like Brazil's Bolsonaro and Mexico's López Obrador did not condemn Russia's President Putin. Such political inconsistencies – especially by the two largest Latin America countries – can have multilateral implications, also in the UN Security Council, because of the non-permanent membership of the Security Council of Mexico (from 2021–2022) and Brazil (from 2022–2023).

EU and US sanctions on Russia have a severe impact on Latin America, and it remains to be seen to what extent either China, the US or the EU is prepared to lend a helping hand.<sup>43</sup> As Russia and Belarus are important producers of fertilizers, South American agricultural producers are heavily affected. Brazil is by far the largest importer of Russian ammonium nitrate, the crucial ingredient of fertilizer, and Peru ranks fifth.<sup>44</sup> Consequently, they have been pushing to exclude fertilizers from the sanction regimes.<sup>45</sup> With China being the largest importer of South American soy, the PRC can be expected to help to guarantee the LAC region's access to fertilizers, from Russia or elsewhere. While agro-exporting countries can potentially be also expected to benefit from the scarcity and higher prices of agricultural products, the effects on food security are a cause of great concern in the region. For Russian allies, the impact is even greater. Venezuela had moved the offices of its state-owned oil company PDVSA from

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<sup>39</sup> Antigua and Barbuda; Argentina; Barbados; Brazil; Chile; Colombia; Costa Rica; Dominican Republic; Ecuador; Grenada; Guatemala; Guyana; Haiti; Honduras; Jamaica; Mexico; Panama; Paraguay; Peru; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Trinidad and Tobago; and Uruguay.

<sup>40</sup> Rivas Molina, F. (2022), 'Ucrania: Venezuela, Cuba, Bolivia, Nicaragua y El Salvador exhiben su alianza con Rusia en la ONU', *Internacional, El País*, 3 March.

<sup>41</sup> Also Belize, El Salvador, Guyana, St Kitts and Nevis, St Vincent and the Grenadines, and Trinidad and Tobago abstained, while Bolivia, Cuba and Nicaragua supported Russia. Meanwhile, Argentina, Colombia, Chile, Costa Rica, Dominica, the Dominican Republic, Ecuador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Panama, Paraguay, Peru, St Lucia and Uruguay voted in favour.

<sup>42</sup> Luis Rodriguez, J. (2022), '[Explaining Latin America's Contradictory Reactions to the War in Ukraine](#)', *War on the Rocks*, 27 April.

<sup>43</sup> Pineda, J. (2022), '[Sanciones a Rusia podrían alcanzar a aliados del Kremlin en Latinoamérica](#)', *DW.com*, 4 March.

<sup>44</sup> Gro-Intelligence (2022), '[Russia Bans Fertilizer Exports; Will Weigh on Brazil Corn Crop](#)', *Gro-Intelligence.com*, 4 February.

<sup>45</sup> Samora, R. (2022), 'South American Nations Push to Exclude Fertilizer from Russia Sanctions', *Reuters*, 10 March.

Lisbon to Moscow in 2019, to avoid EU and US sanctions on Venezuela and to keep selling oil via intermediaries. This move has now backfired and Venezuela is facing problems with its money in Russian bank accounts. Cuba and Nicaragua will also face challenges. For example, spare parts for military equipment from Russia are more difficult to access, and the countries' cooperation over medicine and nuclear energy has been complicated.

In light of the fact that China's engagement in the LAC region was facilitated by the withdrawal of US and European interests, it is interesting to see how difficult it is for the US to reinstate its position in the LAC region. The Summit of the Americas in June 2022 is a clear example of this challenge, showing the hesitancy and lack of a clear strategy on the part of the US, as well as the ideological resistance and ambiguous quest for a more autonomous position on the part of the LAC governments. The Summit of the Americas became a source of intense controversy, both between the US and LAC, and within the LAC region. The Biden administration, which was hosting the Summit of the Americas, decided to invite only 'democratically elected leaders' to the summit, thereby excluding Cuba, Nicaragua and Venezuela. Although they do not necessarily agree with these countries, most LAC leaders, under the leadership of Mexican President Andrés Manuel López Obrador, protested this one-sided exclusion and in the ensuing debates, all the political sensitivities between the US and LAC erupted again.<sup>46</sup>

### **3.5 Challenges for Latin America and the Caribbean**

The LAC region's geopolitical position at the margins of today's geopolitical struggles presents many opportunities for the region's leaders, but it simultaneously brings complex geopolitical and economic challenges. LAC leaders seek support for their social and economic development programmes, but they try to do so without becoming dependent on one trade partner or political ally. Until now, the region's relative autonomy has allowed the LAC region to choose its own partners and to develop its own answers and solutions in the shadow of the US–China rivalry. The main challenge for the LAC region's leaders will be to maintain this autonomy and room for manoeuvre to solve the region's pressing problems.

Many of these problems and challenges faced by the LAC's political society are not directly linked to either China or the US, but their solution very much depends on the context created by these two superpowers and their willingness to help LAC governments to solve these problems. It is important to stress that the nature and content of these answers are the result of political processes on a national scale, which are determined by democratic procedures and shifting political constellations. They can therefore change radically from one government to another. On the other hand, as we saw in Report 1, some LAC politics are determined by structural characteristics that guide policies irrespective of political changes. Countries like Mexico and Argentina, with their traditions of populist democracies, are examples of these structural tendencies. Some answers are also formulated on a regional level in regional organizations like the Community of Latin American and Caribbean States (CELAC), the Southern Common Market (MERCOSUR), the Caribbean Community and Common Market

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<sup>46</sup> Winter, B. (2022), '[What the Summit of the Americas' Mess Really Tells Us](#)', *Americas Quarterly*, 12 May.

(CARICOM), etc., in which similarly different political winds prevail, but where resulting policy changes tend to be less volatile.

Mining is the economic area where the Chinese presence has had concrete consequences. Together with Western companies, Chinese corporations have played an important role in the rapid increase of mining activity in LAC, mainly in the Andean region, but also in smaller, less visible locations, such as gold in the Dominican Republic and nickel in Cuba. In this context, China's presence in the LAC region became associated with environmental pollution and land-grabbing. This has damaged the PRC's reputation in some regions, but also for the LAC governments that allowed these practices. Popular resistance and court cases have forced Chinese companies to adapt their local strategies somewhat, but environmental issues continue to undermine this development model. LAC governments need to find solutions to make mining activities more sustainable, while at the same time diversifying their economies.

The same could be said about the dramatically increased export of agrarian products to the Chinese market. Although initially providing producers with windfall profits, especially in Argentina and Brazil, critical voices have become louder in the region, mainly because of environment-related problems, deforestation, soil pollution and erosion. In general, the LAC region will benefit from diversified trade relations. Agricultural products play a large role here, but recent history has demonstrated that it is very difficult to improve the position of LAC agriculture in the global market, especially because most economic blocs tend to protect their own markets. Recently, there is also increasing attention for the food-security situation in LAC countries, which are endangered by the one-sided focus on crops for export. LAC governments therefore need to develop agrarian models that make export-oriented agriculture more sustainable, while at the same time promoting food production for national and regional markets. This means a reorientation and renegotiation of their agricultural relations with both China and the US, the result of which will depend on the development of the US–China rivalry.

The LAC region's industrial development continues to undergo the consequences of global developments. For many years, a strategic consensus existed between US business and political elites and the Chinese state: that all partners would benefit if a range of industrial activities were moved to China, where salaries were lower and working conditions less regulated. Interestingly, this process started already under the Washington Consensus and the ideas of a neoliberal world market favoured by the so-called 'Chicago Boys' (an influential group of young Latin American economists that had studied at University of Chicago), but they continued under the influence of China's emergence in the global economy. The result was an overall process of de-industrialization, not only in the US but also in LAC. Today, this tendency is slowly reversing, both as a result of the diminishing of global wage differences, and a new consciousness of the risks of dependence on the world market for crucial industrial products. The new opportunities that this offers to an economy like Mexico's can explain its reluctance to deepen its relations with China (see Report 1). To what extent this process of decoupling will develop in the coming years is as yet unknown, but we can expect that it will support LAC initiatives to increase industrial production. However, in the case of industrial development, political issues will increasingly influence industrial policies and investments.

In a global context where access to technology and connectivity have become crucial, LAC countries face increasing challenges with respect to their digital infrastructure. The use of Chinese surveillance

(and other digital) technology in Latin America involves complex security issues. Chinese technology is necessary to increase digital capabilities in LAC societies, but it can also be used in the monitoring and repression of civil society organizations and social movements. US–China rivalry in technology and other sectors produces many challenges for LAC countries. Chinese technology is far cheaper and accessible than most Western products, but US pressure is making the use of Chinese digital technology increasingly difficult and risky for LAC countries. This complicates the LAC region’s ambitions to modernize and extend digital infrastructure, and increasingly makes technical choices politically sensitive.

In terms of the LAC region’s stance in multilateral organizations, the challenges will be different. Multilateral voting patterns reflect the outcome of political choices made in LAC governments and their ideologies. However, increasing geopolitical tensions will influence these choices and make a consistent position of neutrality less viable. The question is thus how long LAC politicians can sustain their strategy of ‘active non-alignment’ in a conflictive world order. Economic support will increasingly come with a political price and LAC countries are faced with difficult choices, especially in a scenario where China and the US openly confront each other in the region.

One of the greatest challenges in the multilateral arena is presented by value-oriented choices. Most LAC countries have very strong preferences for the principle of electoral democracy and the protection of human rights. This is partly a consequence of their sense of belonging to the Western cultural hemisphere and their adherence to Western values. It is also a reflexive reaction to the dark period of military dictatorships in the 1970s and 1980s and their struggles for justice and remembrance that followed them. Today, this belief in human rights has been extended to include sexual rights; some LAC countries have become front-runners for these rights on a global scale. This preference for democracy and protection of human rights, however, increasingly collides with a position of non-alignment and the LAC region’s refusal to condemn human rights abuses in multilateral organizations. In an increasingly polarized world, LAC countries cannot avoid choosing ‘whose side they are on’. This will also have its influence in the region itself. So far, China’s influence in Latin America and the Caribbean has not been ideologically driven, with the one clear exception of its One China policy. The United States’ pushback to Chinese influence has also been motivated more by economic than by political considerations. If China’s political and ideological influence becomes more significant, conflicts involving the values of transparency, accountability and the protection of rights will be unavoidable.

The areas of human rights and the rule of law also present challenges for LAC governments. China’s preference for bilateral agreements has provoked suspicions and rumours about the nature of its bilateral negotiations with LAC elites, possible corrupt practices, nepotism and illicit practices in general. These suspicions are notoriously difficult to verify, but as a social and political phenomenon, they diminish public trust in LAC governments and leaders. Trust has traditionally been a huge problem in most LAC societies, and the lack of transparency in conditions for the Chinese engagement in the LAC region can further undermine democratic processes and the protection of rights in the region. In a scenario of more polarization, conflict and distrust, the Chinese engagement with the LAC region will come under increasing scrutiny. This will certainly not be advantageous for China’s economic interests and the PRC may do all it can to avoid such a situation, but LAC countries will increasingly be drawn into these political and value-driven tensions between China and the West.

Political accountability and transparency are two contested fields in the LAC region. Although most LAC countries and their populations in principle support electoral democracy, in practice, the political processes in the LAC region present extreme challenges. Elections sometimes lead to various forms of authoritarianism, and in other instances they lead to political instability and chaos. External actors cannot be directly blamed for these problems, but it is important to ascertain to what extent they play a part or can be instrumental in solving them. In this respect, China's engagement has certainly not been helpful in fostering transparency. China's preference for secret bilateral negotiations has tended to exacerbate political fragilities in the LAC region and in this way has been one of the main factors in undermining public trust in the region's political processes.

The most important challenge of the LAC region is, without doubt, to connect economic development to social inclusion and to diminish inequality. This is not an issue that is directly connected to the geopolitical developments briefly sketched above, but they certainly influence them. In the first place, they are a matter of national policies, which, themselves, are the result of electoral preferences in LAC countries. However, the solution for the endemic inequality in LAC will be the principal challenge in the decades to come, both for LAC leaders and for their allies. This highlights the need for economic development, which is directly and openly connected to the ambitions for social inclusion and equality.

## 4 CONCLUSIONS AND RECOMMENDATIONS

Latin American and Caribbean actors are formulating their own responses to China's engagement, as we have seen in this report as well as Reports 1 and 2. While many LAC governments, entrepreneurs and citizens continue to welcome Chinese projects, some of the disadvantages of such engagement have also become more clear. We conclude that the honeymoon between LAC and China is now over and that the two parties are entering a new, more business-like relationship, with more sensitivity to the ways in which civil society responds. China has stopped throwing money at the LAC region and is more carefully choosing the areas and countries where it wants to invest. Chinese policy-bank financing has practically dried up in the past few years. Meanwhile, LAC administrations have become more aware of the possible drawbacks of Chinese loans and investments.

Should we consider China a 'normal' superpower that is basically defending its interests? Or is there something more inherently dangerous in our engagement with China, which may in the longer or shorter turn be undermining democracy, exporting repressive centralism and promoting autocracy? These doubts are currently more urgent than ever, especially since European countries feel that they have for years underestimated the real intentions of Putin's Russia. European nations are now intent on not making the same mistake in the case of China. We have also seen this shift taking place in the Netherlands in the past few years. When former Dutch Minister of Foreign Affairs Stef Blok presented his China strategy in April 2019, it seemed that no one was really satisfied.<sup>47</sup> For some, the strategy was too business-oriented and did not sufficiently stress the Chinese state's human rights abuses and China's digital espionage. For others, it was not realistic enough and was too value-driven, thereby harming Dutch interests overseas. These reactions not only reflected the traditional contrast between '*de koopman en de dominee*' (the merchant and the clergyman), but displayed the ambiguity and confusion in understanding the 'Chinese challenge' in the Western world.

In this report we have discussed how the changing global geopolitical relations that result from China's new position in the world affect the LAC region, its international relations and multilateral positioning. The LAC region's geopolitical position at the margins of today's geopolitical struggles presents opportunities for the region's leaders, but it simultaneously brings complex geopolitical and economic challenges. LAC leaders seek support for their policies and development programmes, but they try to do so without becoming dependent on one economic partner or political ally. Until now, the region's relative autonomy has allowed the LAC region to choose its own partners and to develop its own answers and solutions in the shadow of the US–China rivalry. The main challenge for the LAC region's leaders is to maintain this autonomy and room for manoeuvre to solve the region's pressing problems. As we have seen, the increasing global tensions between the US and China could lead to an 'interconnected competition' or more disruptively, to a 'decoupled confrontation'. In the case of the former scenario, a consolidation of the existing, non-conflictual economic presence of Chinese companies in LAC is probable. However, in the case of the latter scenario, we can foresee a situation

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<sup>47</sup> <https://www.trouw.nl/politiek/huiswerk-voor-stef-blok-kamer-eist-dat-hij-zijn-china-strategie-overdoet~b9108189/>; and <https://new.cgcb.nl/2019/06/06/de-china-strategie-van-het-kabinet-is-geen-strategie/>.

where the world will fall apart in competing blocs and US–Chinese relations in the LAC region will become more confrontational, which would also impact multilateral politics. Of course, there will be many nuances and varieties, but both scenarios will require a coherent strategy from the European powers.

### *Reasons to develop new European relations with LAC*

There is no doubt that Latin America and the Caribbean will be a crucial region in the coming decades, not only for its resources and economic opportunities, but also for security concerns and multilateral partnerships. In this respect, Europe's policy scope and narrative on LAC are in need of recalibration. Looking at the challenges facing the LAC region in the context of a rapidly changing world order, the EU and its member countries need to devise policies that incentivize inclusive and sustainable investments in the region and that help Latin American and Caribbean governments and societies in strengthening institutions that support transparency, human rights, labour rights and environmental protection. LAC countries have in some ways fallen into a middle-income trap: too rich to receive assistance; yet too poor to solve urgent social and economic problems. This is the main reason why LAC nations welcomed Chinese finance and business. However, LAC countries are deeply interested in long-lasting and reciprocal engagements with the EU and European countries. Trade as a vehicle for mutual prosperity is not sufficient here; nor is the more general globalization narrative of open markets.

The Netherlands can play a vital role in this shift towards inclusive and sustainable investments and supporting LAC efforts to strengthen institutions, transparency, and social and environmental rights. The LAC region's perception of the Netherlands as a successful example of combining economic and value-oriented interests has a direct appeal in this respect. The country has also been successful as an interlocutor between the US and LAC. It is very important for the Netherlands to define long-term policies and programmes (possibly in agreement with a like-minded nation like Germany) for Latin America and the Caribbean, in which the promotion of business relations is connected to the defence of values like accountability, social justice and transparency.

If Europe wants to find itself a clear and autonomous position in the LAC region, it needs to define its goals, the nature of its engagement and a new strategy. The new geopolitical context of the EU's LAC relations require clear programmes and decisions. Recent media reporting shows that Brussels is aware of the urgent need to step up its collaboration with the region.<sup>48</sup> It will be difficult, but certainly not impossible, for the EU to find itself an autonomous relationship with the LAC region between and independent of the two superpowers. The broad US–China strategic rivalry, including increased competition in the LAC region, will intensify in the years ahead. This underscores the relevance of Europe as an attractive partner for LAC governments and a possible intermediary between the competing powers. It is evident that the war in Ukraine has led to a focus on Europe, but it is also clear that this war and the increased geopolitical polarization will require a more defined presence and stronger engagement by the EU in the LAC region, both because of the need for geopolitical partnerships and the access to trade opportunities and natural resources. Although the alliance between the EU and the US is of understandable importance at a time of war and geopolitical tensions,

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<sup>48</sup> <https://english.elpais.com/international/2022-08-18/brussels-prepares-diplomatic-offensive-to-stop-the-advance-of-china-and-russia-in-latin-america.html> and <https://www.dw.com/en/eu-plans-charm-offensive-in-latin-america/a-62927238>.

there is thus much to be said in favour of a stronger and independent EU relationship with, and policies towards, Latin America. It will be crucially important for the EU to formulate its own strategies towards the LAC region and China's presence in it. This will be more successful if the EU can do so together with LAC countries or, even more so, with interest groups and civil society organizations in the LAC region. To do so successfully, the EU could take the fundamental challenges faced by the LAC that are discussed in this report as its point of departure.

There are at least six urgent reasons to develop and formulate a new role for the EU and the Netherlands in their bilateral and bi-regional relations with Latin America and the Caribbean. These reasons are all informed by China's recent presence in the region (see Reports 1 and 2), the current global geopolitical changes (as noted in this report) and more long-standing concerns about the EU's withdrawal from the region.<sup>49</sup> First of all, the current world order demands new political and economic strategies, in which the search for regional and national access to food, commodities, and essential industrial and medical products takes centre stage.

Second, after a period of relatively peaceful creation of the EU and the sustained development of democratic policies in the Americas, new global tensions and uncertainties raise questions about the democratic values and human, labour and environmental rights that have been at the roots of these processes. At the same time, the existing global architecture has come under pressure. This transformation calls for a reorientation of the governance, mission and toolbox of the international relations of all countries.

Third, recent EU debates and policies regarding China have tended to neglect Latin America and the Caribbean, and thereby the importance of the region for both China and the EU. The same can be said about Dutch debates and policies. If the EU and the KNL want to maintain a role in the LAC region, clear and longer-term strategies are needed, which address both the economic and value-driven interests of both the EU and LAC.

Fourth, in every geopolitical scenario, the EU and its member countries will need to strengthen their relations with the 33 LAC countries. Beyond mutual economic dependency, the regions need one another to address successfully this era's immense challenges: to halt climate change; and to achieve sustainable and inclusive development, social justice and strong institutions. This also indicates that development assistance has become a two-way street, where sustainable development in the Netherlands and Europe also requires good relations with Latin America and the Caribbean.

Fifth, since the start of this century, we have witnessed greater LAC assertiveness regarding the political and economic influence of foreign powers in their region. Conditional loans, transactional foreign policy and untransparent deals have all been criticized and increasingly rejected. LAC countries are now looking for equal and reciprocal partnerships, instead of attitudes and relations in which the region is merely perceived as a sphere of influence. In this respect, the attraction for the LAC region of China's win-win and non-interference discourse can provide lessons for the EU and the Netherlands. European

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<sup>49</sup> Hogenboom, B. and Baud, M. (2019), 'Latijns Amerika verdient Nederlandse ondersteuning' [Latin America Deserves Dutch Support], *NRC Handelsblad*, 7 November; and Baud and Hogenboom (2012), 'Nederland en Latijns Amerika', pp. 23–28.



actors need to work towards equal and longer-term relations with LAC state and civil society partners, based on shared values and mutual and/or reciprocal interests.

Finally, the difficulties of institutionalizing CELAC and other LAC regional organizations limit the EU's capacity to build strong bi-regional relations. In effect, the relevance of good bilateral relations between EU and LAC countries goes beyond nation-to-nation affairs. The long-standing relations between the Dutch government – but also the private sector and civil society – and LAC countries can support bi-regional agenda-building. Bilateral relations between European and LAC countries can also serve as an important vehicle for supporting the EU's agenda of the European Green Deal, human rights and global sustainable development.

## 4.1 Recommendations for the EU and the Netherlands

Returning to the distinction presented at the beginning of this report, a stronger relationship between the Europe (the EU and its member countries) and LAC, and a clear perspective on Chinese engagement in the region, should be directed towards both realist and value-oriented goals. In the recent report of the *Institut Français des Relations Internationales*, Marie Krpata gives a good example of a realist perspective.<sup>50</sup> She points at some important European vulnerabilities in the EU's relations with China and their economic, security and geopolitical implications: import-related vulnerabilities; supply-chain-related vulnerabilities; market-access-related vulnerabilities; competitiveness-related vulnerabilities; security-related vulnerabilities; and vulnerabilities relating to China's geopolitical aspirations. If the EU and the Netherlands and other member countries take their values as important elements to guide their policies, it will be necessary to add these values in their strategic considerations. Based on our explorations of Chinese engagement in LAC, we have identified three of these values: democracy; (human) rights; and environmental considerations.

Against the backdrop of the increasing US–China rivalry, Europe has an important role to play in Latin America and the Caribbean region. The LAC region is vital for the EU's efforts to expand its role as a rules- and standards-setter in trade, technology and green energy, all of which are included in negotiations over economic association such as the EU–MERCOSUR trade agreement. However, it is interesting to see how Spain's conservative former Minister of Foreign Affairs Ana Palacio, who we quoted in the introduction of this report, blames exactly these stringent EU environmental and labour standards for getting in the way of stronger ties with Latin America. This shows how challenging it will be to reconcile the more material and value-oriented goals of the EU.

We have already presented a number of policy recommendations in our study on the role of China in Latin America (see Annex 1 for the recommendations of Report 1) and in our study on the role of China in the Caribbean and Central America (see Annex 2 for the recommendations of Report 2). Based on this final report, we propose the following recommendations:

1. **A new EU framework for LAC will need to take the many economic (value-chain) connections between the regions and their shared history into account, just as much as fundamental values that both the EU and LAC wish to promote.** In the first place, it will be

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<sup>50</sup> In Seaman *et al.* (2022), *Dependence in Europe's Relations with China*.

necessary for the EU to rekindle and transform its historical partnerships with LAC countries. A regional project such as the recent Escazú agreement, a binding LAC arrangement for environmental rights, presents an excellent example of a project that mirrors European values and that also opens opportunities for collaboration on a wide range of initiatives. In this sense, Europe has an important role to play in Latin America and the Caribbean region against the backdrop of US–China rivalry.

2. **As both the LAC region and the EU face opportunities and challenges in the development of digital technology and infrastructure with regard to China's prominent role in this area, there is ample room and a pressing need to expand EU-LAC digital collaboration and exchange information and knowledge.** Creemers observes that in studying China as a global actor, 'a global perspective' is necessary.<sup>51</sup> He suggests that the risks of Chinese digital supremacy are connected to the emergence of a fragmented and less-stable world order. The digital revolution is eminently technical and it is important to acquire an accurate and multi-dimensional assessment of trends and developments. This is already a challenge in Europe itself, but is even more challenging in the LAC region, where the digital revolution has led to political landslides, both generating populist leaders and weakening democratic institutions. On the other hand, as elsewhere, digital connectivity has also supported social movements and public institutions that enhance transparency and human and sexual rights. Cooperation between EU and LAC governments to promote digital literacy in government institutions and among populations could be an important goal.
3. **It will be important for the EU to assess and react to China's evolving presence in Latin America's energy sector.** This includes Chinese firms' growing role in South America's energy transmission grids and in the competition for minerals that are important for renewable-energy technologies. US firms will also continue to be active in these arenas, as well as in other areas of connectivity, as Washington seeks to partner with Latin American governments on renewable-energy infrastructure, potentially heightening competition with Chinese and European firms. However, there is room for cooperation as well as competition in this realm. The EU also possesses a well-developed business sector, as well as academic knowledge in the fields of water and infrastructure, which is urgently needed in the LAC region. The EU could support these sectors more intensely in order to obtain a more level playing field with respect to tenders and state projects, and in this way can reassert its position in Latin America and the Caribbean.
4. Individual countries in both the EU and LAC have a special position in bi-regional and international relations. Of the EU countries, Spain has the deepest economic, diplomatic and people-to-people links to the LAC region. It thus has an important role to play in the EU's evolving ties with Latin America and the Caribbean, but in view of the region's post-colonial sensitivities and the range of opportunities, **it will be beneficial if other EU countries also**

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<sup>51</sup> Creemers, R. (2021), [China's Long and Winding Road in Global Cyberspace: Great Power Relationships or Common Destiny?](#), Research Paper, Social Science Research Network (SSRN), 17 March.

**engage more actively with the region**, for instance, regarding their participation in the EU ‘embassies’/diplomatic representations in LAC.

5. In the LAC region, Venezuela continues to be of importance and hold special interest for Europe, the United States and China alike, because of its crucial reserves of fossil fuels on the one hand, as well as its multi-pronged economic, political and humanitarian crisis. An effective response to Venezuela’s political and social crisis and the long-term, destabilizing and climate-unfriendly dependence on its oil reserves is complex but necessary. **A well-constructed European-led recovery plan presents an opportunity for an important EU role in Venezuela and the region in the years ahead.**
  
6. Finally, given its upgraded tools such as its Global Gateway, Indo-Pacific strategies and EU–Africa relations, the EU is well positioned to provide attractive development alternatives in Latin America as well as Africa and South-East Asia. Yet for those alternatives to be attractive and for the strategies to live up to their potential, including in key areas such as green energy and technology, **a coordinated diplomatic presence, as well as the provision of concrete projects and measures for progress, are required.** In this respect, the EU could learn lessons from China’s quick and deep connection-building throughout Latin America and the Caribbean. The PRC has managed its relations with all of the LAC countries through a narrative of equal partnerships, strategic support and trying to address LAC needs such as medical supplies during the COVID-19 pandemic, loans and investments, and infrastructure. **The EU can use its traditional, historical and cultural ties, as well as its long history of development cooperation, to build ‘decolonized’ partnerships that would benefit both its material interests and its value-oriented goals.**

## ANNEX 1: Recommendations of Report 1

### *China's Economic and Political Role in Latin America*<sup>52</sup>

#### Recommendations for the EU and the Netherlands

Europe has had strong economic, cultural and political ties with Latin America, originating long before Chinese actors became actively engaged with the region. Economically, Europe remains an important trade partner for Latin America – with the port of Rotterdam as major hub – and a key source of foreign investment in the region. European corporate actors have had a long-standing presence in Latin America. This is the case for Dutch multinationals such as Ahold, Unilever, Shell, Boskalis and Heineken, although some sold their regional assets (for example, Ahold) and others have become less connected to the Netherlands (Unilever and Shell). Politically, Latin American nations often linked up to European actors to counterbalance US interests and perspectives. This happened, for instance, during the period of military authoritarianism in the 1970s and 1980s when Europe played an important role in supporting the struggle for human rights.<sup>53</sup> A similar crucial role was played by development cooperation, by which European countries such as the Netherlands furnished Latin American governments and civil society actors with funds and know-how to solve pressing social and economic problems. However, with the expanding presence of Chinese trade, companies and banks in Latin America, the relative weight of Europe's economic connections has decreased. The traditionally strong networks around human rights and development cooperation have been scaled down, but many of them still exist in formal or informal ways. Overall, the LAC region politically treasures its relationship with Europe.

It is not easy to understand how China's presence in, and impact on Latin America will affect the economic and political interests of the KNL. Even more difficult is how to judge the balance of challenges, threats and opportunities. Here, we will present the main implications and recommendations for European and Dutch economic and political interests in Latin America, as well as the value-driven connections, including bilateral and biregional, non-economic ambitions and the multilateral dimension. There is no doubt that, in multilateral organizations, Western and Chinese interests are often in conflict. The complexity of this conflictive relationship on a multilateral level will be discussed in Report 3. Here, though, it suffices to say that such conflictive relations are not very frequent in the LAC region. This is the result of the still relatively modest weight of Chinese interests in the region and the reluctance of Chinese diplomats to become embroiled in national politics. This situation may change in the future, either leading to an increase or a decrease of the Chinese presence. Finally, this report has not directly addressed issues like transnational organized crime and related insecurity in Latin America, because studies indicate that these issues are hardly related to the Chinese presence in the region. However, digital security issues and indirect security effects of the growing Chinese presence deserve attention.

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<sup>52</sup> Hogenboom, B., Baud, M., Gonzalez-Vicente, R. and Steinhöfel, D. (2022), [China's Economic and Political Role in Latin America](#) (China's Role in Latin America and the Caribbean, No. 1), Amsterdam: CEDLA-UvA.

<sup>53</sup> See, for instance, Michiel Baud (2018), 'Between Academia and Civil Society: The Origins of Latin American Studies in the Netherlands', *Latin American Perspectives*, 45:4, July 2018, pp. 98–114.



## Recommendations for the EU

1. The LAC region is important for Europe, not only economically, but also because it shares many values with its European partners. This was recently confirmed in the Foreign Affairs Council of the EU. There is a risk that human rights and democracy become of less priority in the LAC region's multilateral affairs as a result of China's positions in multilateral fora under the increasingly authoritarian leadership of Xi Jinping. The same can be said about the weakening of multilateral negotiations on environmental and labour issues, as many Chinese corporations have routinely rejected participation in multilateral fora such as the Extractive Industries Transparency Initiative. The decreased EU and US political interest in the region has added to this risk. Europe should be aware that the Americas at large (South, Central and North America and the Caribbean) are natural partners to protect universal human rights and global democratic values and practices. **Since Europe's economic relevance for the region has somewhat decreased, its political and diplomatic efforts towards LAC governments and civil societies will have to revitalize the linkages. In addition, the bi-regional relations with CELAC require intensified efforts.** Doing so fits well with the EU's development programme for the Americas and the Caribbean for 2021–2027, especially on 'Democratic governance, security and migration' and 'Social cohesion and fighting inequalities'.<sup>54</sup>
2. Concerning Latin America's experience with the COVID-19 pandemic and its aftermath, the EU seems to have missed an important opportunity to extend its soft power and solidarity towards the region. European countries have largely left the LAC countries to themselves during the pandemic, not only delaying a solution to the medical and social crisis in the region, but also missing out on commercial interests connected to the medical supply chain. In the meantime, Chinese medical support and trade reached several LAC countries, with a positive effect on the immediate health crisis and some of the pandemic's social and economic effects, such as unemployment and income loss experienced by vulnerable parts of the population, which eroded trust in the LAC national governments. Even though most Chinese vaccines were sold rather than donated to the region, this was often more than what the EU and US had to offer, and this outreach was well received in the region. It is clear, however, that recovering from the pandemic and solving the resulting social problems are a massive challenge for Latin American countries. **The EU needs to make a greater effort to support Latin American governments and civil society, to focus on the root causes of poverty in the region, especially unemployment, economic instability and institutional weaknesses.**<sup>55</sup> The EU can explore the options of harmonizing policies with the Biden administration's ambitions in this direction.
3. A considerable number of Latin American observers have criticized the lack of transparency among Chinese actors. This is especially disconcerting because this takes place in a region

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<sup>54</sup> [The Americas and the Caribbean Regional Multiannual Indicative Programme 2021–2027](#).

<sup>55</sup> CEPAL/ECLAC (2021), [Resilient Institutions for a Transformative Post-Pandemic Recovery in Latin America and the Caribbean: Inputs for Discussion](#), Santiago de Chile: ECLAC, October.

that is already suffering from corruption and a lack of transparency.<sup>56</sup> The so-called Odebrecht scandal caused by this Brazilian construction company in several LAC countries brought this problem into the open and showed how corruption was widespread in the region. The Chinese presence may indirectly bolster this problematic characteristic of the region. Despite some progress, the commitment to transparency in Chinese companies, banks and policies remains limited, which allows for – or even creates – the conditions for illegal and damaging local and national practices. **The EU needs to uphold and improve its transparency standards and policy (implementation), support Latin American political and social actors that fight corruption, and positively show the value of transparent ways of doing business and politics.**

4. The export and use of Chinese surveillance and other digital technology in Latin America involves complex issues. The security risks of such technologies have not even been structurally solved in Europe, let alone in the LAC region. These technologies are presented as instruments that support security and the fighting of crime, but signs exist that in countries like Ecuador and Nicaragua, they are also used in the monitoring and repression of civil society organizations and social movements. **In cases where European and Latin American actors perceive surveillance and other digital technology as (potential) threats to human rights and democracy, the EU and European governments need to help and strengthen public and civil society capacities of digital security in the LAC region.** The EU can also invest more in digital infrastructure and capacities in the region, going beyond its 2016–2021 research and education programme, ‘Building the Europe Link to Latin America’ (BELLA). This can enhance security and business opportunities, based on the five principles of the Digital for Development (D4D) Hub of the European Union: win–win partnerships; multi-stakeholder expertise; sustainable and green digital transformation; a human-centric approach; and data security and protection.
5. China has recently invested in the expansion of Confucius Institutes in the region, as well as in other instruments of soft power. The Chinese state has realized that economic activity needs to be accompanied by activities that highlight the value of Chinese culture. These Chinese initiatives come at a time when Europe and the US have decreased their funding for development activities, cultural programmes and academic cooperation in the LAC region. This may cause a growing distance between Europe and LAC, a region where a large part of the population traditionally considered itself part of the West. **More emphasis on, and EU engagement with, soft power will be an important instrument to maintain cultural and political influence in the Latin American region. This engagement should emphasize values of democracy, human rights, cultural diversity and appreciation for indigenous cultures.** In recent years, the facilities and access of Latin American students have been decreasing, largely because LAC is considered a region of middle-income countries. In the context of soft power, this has been an unfortunate development. Europe should expand its track record of training Latin American students in a wide range of (applied) science

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<sup>56</sup> Weekly Report (2022), ‘Corruption and Threats to Democracy Menace Latin America’, WR-22-04, *Latin News*, 27 January (on the Corruption Perceptions Index by Transparency International).

programmes. This bridge in higher education feeds cross-Atlantic social and cultural linkages among citizens and stimulates economic and political collaboration.

6. There are indications that Chinese corporations and diplomats will not reject collaborative efforts with Latin American national governments to combat crime. **The EU can become a partner in anti-crime efforts and take care that the focus will not exclusively be on repressing illegal activities and protecting corporate interests, but equally on the improvement of root causes of social fragmentation and illegality.** Without being naïve, these activities could be linked to the increasing up-take of CSR practices in the Chinese corporate sector. At the same time, Europe can play a crucial role in combatting the increasing criminalization of social activism across the region, a trend in which Chinese and Western corporations have been involved.
7. **In all the above-mentioned areas, and also more generally, the EU needs to continue to play an active role in international standard-setting.** Strong partnerships with the LAC region could support these renewed international efforts.

## Recommendations for the Netherlands

Although the Netherlands is small compared to countries like the US and China, and its economy ranks as number 19 on the global list, the Netherlands' economic, political and cultural relevance for the LAC region should not be underestimated. Direct investments from the Netherlands in Latin America have been considerable, also when compared to Chinese investments. For example, the Netherlands appears in recent statistics as the largest investor in Brazil in certain years. This primarily reflects the position of the Netherlands as a key intermediary hub for globally operating companies. The Central Bank of Brazil calculated that while 25 per cent of all foreign investment into Brazil in 2015 came from the Netherlands, only 4 per cent was truly Dutch-controlled.<sup>57</sup> In terms of accumulated investment stock, the Netherlands even appears as the third largest foreign investor in Latin American and the Caribbean. Meanwhile, China is a much more recent source of investment and is not even in the top ten.<sup>58</sup>

Together with the EU, the Netherlands can strengthen its relations with the LAC region in general, and especially with the LAC countries that share its values. This also implies that the Netherlands can cooperate more intensively with LAC nations in multilateral organizations. At the same time, the KNL should look at its own position as a major intermediary in trade and financial flows. Too many profit-oriented efforts without putting into practice its (supposed) value-oriented aims may negatively affect the KNL's regional relations. In the long term, business relations also profit from more general support to, and cooperation with, the region (improving an 'enabling environment'). Cooperation may also extend to areas in which the Chinese presence may (directly or indirectly) be a factor of concern, such as Chinese surveillance and other digital technology and related security concerns (see recommendation 13), and the crisis in Venezuela (see recommendation 14).

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<sup>57</sup> Banco Central do Brasil (BCB) (2018), [Relatório de Investimento Direto no País](#), p. 17.

<sup>58</sup> UNCTAD (2021), ['Foreign Direct Investment in Latin America Plunges by 45% Amid Pandemic'](#), News, 21 June.



8. The Dutch role as both provider and intermediary of major investments places the Netherlands into a three-fold front-row position in Latin America: interest; influence; and responsibility. **The Netherlands' economic prominence can be used to support and devise policies that incentivize inclusive and sustainable investments in the LAC region – even in instances of weak local or national institutions – and to actively support Latin American governments in strengthening their institutional capacity and frameworks to deal with crucial issues of transparency, labour rights and environmental protection.** It does so already in relatively small, civil-society-oriented programmes, but it is necessary to pursue these goals more structurally in the context of government-to-government and government-to-business relations. At the same time, the KNL should look at its own position as a major intermediary in financial and trade flows, and to policy coherence (between various domestic and foreign policies).
9. The massive commodity exports from the LAC region to China have not harmed exports to the Netherlands, which have in fact tripled in value during the period 2002–2021.<sup>59</sup> Dutch imports from Latin American and the Caribbean totalled \$20.9 billion in 2021 (3.8 per cent of total imports). More than half of these imports consist of (bulk) agricultural products, such as soy from the Amazon. In the context of these trade relations, **the Netherlands needs actively to pursue its global commitment to the Sustainable Development Goals (SDGs)** and offer greater support for climate action and other environmental and social goals, civil society organizations and local private-sector development (including food value chains and regional food systems) to address root causes of poverty and to help transition to a sustainable economic system, which cannot be achieved by trade instruments only.
10. Dutch expertise in infrastructural projects, and in particularly concerning sea facilities and ports, faces increasing competition from Chinese companies. Through the difference in size and corporate style, as well as Chinese state support and the opaque nature of Chinese infrastructure loans, a level playing field is illusionary. However, **the Dutch government and its diplomatic representatives can be more active in promoting Dutch expertise and showcasing the advantages of Dutch-run projects among Latin American governments,** possibly also by offering more loans or other arrangements. Competition for the dredging of the Paraná River in Argentina may be an example where the Netherlands can actively support Dutch companies. An example of a missed opportunity could be Ecuador's national Water Plan (*Plan de Agua*), which was executed by a Chinese company despite evident Dutch expertise. On the other hand, the large Dutch multilateral enterprises that are active in Latin America do not need support and appear not to be threatened (yet) by Chinese expansion. In addition, it is not necessary only to see Chinese influence in the region in terms of competition. Dutch companies can also seek opportunities to collaborate with their Chinese counterparts.
11. An area for potential cooperation between China and the Netherlands is climate adaption, as laid out by the Dutch MFA. China has become a leading player in the field, as it significantly increased its investments in renewable energy in LAC, such as hydroelectric dams, electric

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<sup>59</sup> Open data from CBS StatLine, <https://opendata.cbs.nl/statline/#/CBS/nl/> (accessed 17 June 2022).

vehicles and battery production, and wind and solar energy. **Dutch companies have expertise in sustainable mobility and the circular economy. This presents a potential for cooperation to reach the goals of the Paris Agreement and the SDGs.** The Netherlands should, however, remain a critical partner and promote structural reflection on the practices of these new projects, especially the increasingly criticized hydroelectric power generation. In doing so, it can actively promote and sustain the regional Escazú agreement on environmental rights, as well as human rights assessments, such as those undertaken by the Collective on Chinese Financing and Investments, Human Rights and the Environment (CICDHA) and Human Rights Watch.

12. The lack of transparency in Chinese projects in Latin America's extractive sector may hamper Dutch competitive strengths, but is also a concern for the wider ambitions of equality, accountability and transparency in the region. In its China policy, the Dutch MFA aims at cooperation with China in the United Nations (UN) and the Organization for Economic Cooperation and Development (OECD) to increase transparency in the mining industry.<sup>60</sup> **The Netherlands can actively support Latin American countries to make progress in the field of transparency**, for instance through its membership of the Extractive Industry Transparency Initiative (EITI). The Netherlands can collaborate with Latin American member countries and stimulate other countries to join this initiative. Even though China is not a member, Chinese companies have been willing to report in 25 of the 43 EITI member countries, including Peru. This can increase transparency and accountability and create a level playing field for Dutch and European companies in the extractive sector.
13. With the EU, **the Netherlands can also increase its investments in digital infrastructure and capacities in the LAC region in ways that support economic and social development.** These goals are also reflected in the Dutch Digital Agenda for Foreign Trade and Development Cooperation (BHOS). Concrete measures should be capacity-building for civil society and institutions in LAC on topics of digital security, internet freedom and data protection, including a focus on gender equality.
14. The crisis in Venezuela is a major regional security concern, especially for the many surrounding countries, including the Caribbean parts of the Kingdom of the Netherlands. The crisis has led to a massive out-migration of Venezuelans, which is having a destabilizing effect on the entire region. While China's government and Chinese banks and companies are also negatively affected by this situation, economically they help to sustain Venezuela's Maduro regime. A range of (geo)political scenarios for internally or externally-driven escalation of violence could happen if Venezuela's current problems and pressures intensify (see Report 3). However, continuity of the status quo may be more probable, only exacerbating the current problems of massive migration, illicit economic activities, and political tensions in the region and beyond. The Caribbean islands of the KNL that border on Venezuela are strongly affected by these problems. The tense situation between the EU and Venezuela has disrupted the food supply

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<sup>60</sup> Dutch Ministry of Foreign Affairs (2019), *Nederland-China: een nieuwe balans [The Netherlands and China: A New Balance]*, The Hague: Dutch Ministry of Foreign Affairs, May, p. 59.

to these islands, leading to scarcity and inflation. **The KNL and the EU could try to call on China to take greater responsibility in supporting initiatives for a peaceful and democratic solution for the current social and political crisis in Venezuela.**

15. Finally, China's diplomatic efforts and its successes with the use of soft power in Latin America indicate the ongoing relevance of diplomacy and soft power. While China offers attractive deals to almost all countries in the LAC region, including undemocratic regimes that violate human rights, European countries have to make a greater effort to support Latin American actors that share common values. **The Netherlands needs to support human rights and democracy more actively (including democratic actors and institutions), both in cooperation with government institution and civil society organizations in Latin America.** The Netherlands has a good name and diplomatic track record in the region on issues like the rights of women, indigenous peoples and the LGBTQI+ community, free press and democratic institution-building. Building on existing formal and informal relations on these issues, new programmes can be developed. Considering the growing presence of Confucius Institutes in Latin America, the Netherlands must consider reopening NUFFIC programmes (that is, programmes of the Dutch Organization for Internationalization in Education) for academic training to Latin American citizens.

## ANNEX 2: Recommendations of Report 2

### *China's Economic and Political Role in the Caribbean and Central America* <sup>61</sup>

#### Recommendations for the EU and the KNL

While China's engagements have produced various benefits for Caribbean and Central American countries, there are also debates about the risks of Chinese investments and loans, and about how to shape their establishment and conditions to better serve public needs. The lack of transparency of negotiations between Chinese companies and local authorities is one of the key concerns. Untransparent arrangements tend to provoke suspicion, distrust and resistance. This may do damage to potentially beneficial projects and ultimately diminishes trust in democratic systems and institutions. It is important to note that this lack of transparency cannot be blamed only on Chinese parties; a crucial problem in some countries of the Caribbean Basin region (including the CAS islands) is the weakness of democratic institutions, both in terms of transparency and accountability and of technical and legal expertise. Considering Europe's extensive historical and contemporary relations with the region, it is of crucial importance that the EU and European actors actively support Caribbean and Central American countries to deal with such long-standing and new challenges.

#### Recommendations for the EU and other European actors

1. **Europe needs to support institution-building, and to reinforce independent media, multi-party democracy and transparency in the Caribbean Basin**, in order to help develop or sustain open and well-informed societies, democracy and human rights. As well as their general value, these elements are indispensable for well-informed and transparent decision-making on large loans and projects.
2. In the Caribbean Basin region generally, but certainly also in small island nations, **it is of crucial importance that European actors help to strengthen the capability and accountability of state institutions and politicians** in order to better address the challenges presented in this report. Obvious fields of attention are the environmental consequences, social conditions and security concerns regarding large Chinese (as well as other foreign) projects.
3. In this respect, European actors can also offer much-needed **support to trade unions, NGOs and other civil society organizations promoting human rights, workers' rights and environmental protection** in the Caribbean and Central America.
4. European institutions can offer **valuable assistance in stimulating clear rules and regulations that define due diligence, and the ways that this due diligence is monitored**

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<sup>61</sup> Baud, M., Hogenboom, B., Gonzalez-Vicente, R., Pin, R. and Steinhöfel, D. (2022), [China's Economic and Political Role in the Caribbean and Central America](#) (China's Role in Latin America and the Caribbean, No. 2), Amsterdam: CEDLA-UvA.

**and enforced.** These efforts could partly be undertaken and concretized in regional settings such as the CARICOM.

5. More generally, it will be important for European countries to re-evaluate their colonial past and to foster instruments and policies that will allow them to **deal with governments in Central America and the Caribbean region as equal partners.** These partnerships will also be important in multilateral fora.

## Recommendations for the KNL

6. The relative isolation of the CAS islands within the region may weaken their negotiation position with large powers such as China. It would be helpful to **start a constructive dialogue within the KNL about this relative isolation of the CAS countries.** Organizing some form of open dialogue with other countries of the Caribbean Basin about their desired sustainable future, the geopolitical transformation in the region and the prospects for more cooperation and exchange could be the beginning of a solution.
7. In relation to the CAS islands, the abovementioned points of action (for European actors) also need to be included in the development of a broader **joint assessment, vision and agenda for the Kingdom of the Netherlands regarding relations with China and Chinese investors.** Dutch and Caribbean experiences could be shared and used to develop a strategy for future Chinese investment plans and loans in the KNL. Evaluating why the large Chinese project plans in the CAS islands did not materialize, and what lessons can be learned, should be part of the joint assessment.
8. The KNL has long historical ties with Suriname, which translate into continuous, strong, but not always easy, relations. Meanwhile, Chinese interests in Suriname are increasing, especially in the fields of natural resources and digital infrastructure. And despite its location, Suriname is economically and politically not well integrated with other South American countries. It may therefore be **beneficial to start an open dialogue between Suriname and the KNL about past experiences and future relations with China and Chinese interests** (possibly in connection with the joint assessment with the CAS islands).
9. The KNL and Dutch corporate sectors can **cooperate with their partners in the Caribbean region to encourage Chinese enterprises (and other transnational investors) to work according to rules and legislation on due diligence** in the entire cycle of each project.
10. Finally, the Caribbean Basin is geopolitically a highly chequered region with a great variety of regional organizations and influential external actors, including the US, the EU, China and Russia. In effect, the (small) countries of the Caribbean Basin could be negatively affected by the increasing global tensions and US–China rivalry (see Report 3). The KNL holds good relations with many global and regional actors and organizations. Therefore, **the KNL can be more proactive in improving the dialogue between the actors that influence the**

**Caribbean Basin**, preferably in cooperation with Caribbean, Central American and European partners.