

China in Latin America and the Caribbean: A Structural Power Approach

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Abstract

In less than one century, the People's Republic of China has emerged from an inward-looking nation unable to feed or protect its citizens to a global actor that has shifted the distribution of power and caused alarm in the international community. A crucial aspect of China's emergence is its regional engagement to secure access to resources and markets. These pursuits sustain China's domestic economy and enable its worldwide growth.

However, the discourse encompassing a rising China often lapses into the well-traveled space of predicting what type of power China will become and its consequences. Debates regarding status-quo or revisionist power, and peaceful rise versus confrontation with the existing hegemonic order, while initially applicable, are increasingly outmoded questions with reduced capacity to provide novel insight. So too, is the question of whether a grand strategy motivates China's rise, viewed here as less fertile ground for new exploration. Moving past these questions to a holistic examination of China's rise offers another path for understanding.

The missing piece to the puzzle of China's engagement with regions worldwide, such as that found in Latin America and the Caribbean, and a deeper understanding of concepts of power can be found in the nexus between that regional presence and the development of structural power. The present research examines the transitional space of agenda-setting power located at the sub-international system level rather than assessing it only after that power has allegedly already been attained.

It is argued that power-as-resources approaches, or actor-centric relational power concepts, provide an incomplete solution to the puzzle. On the other hand, theories of structural power offer a more nuanced approach to understanding China's engagement. Susan Strange's analytical framework of structural power emerges as a particularly useful paradigm. Building on Strange's original idea that the control and exercise of certain key elements by a state can produce structural power, this study examines China's activities in Latin America and the Caribbean through a structural power lens to provide new insight.

Understanding the far-reaching implications of China's rise is enabled by utilizing an approach that conceptualizes power as less direct, less perceptible, and less coercive. It is a subtle form of power that can have systemic effects. This project leverages these ideas to construct a bridge between China's presence in Latin America and the Caribbean and the development of capabilities that advance its capacity to realize system level structural power.

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Map of the Americas



The Americas

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Acronyms

(ABC) Agricultural Bank of China	(CNNC) China National Nuclear Corporation
(ADB) Asian Development Bank	(CNOOC) China National Offshore Oil Corporation
(AIIB) Asian Infrastructure Investment Bank	(CNPC) China National Petroleum Corporation
(BIT) Bilateral Investment Treaty	(COW) Correlates of War project
(BOC) Bank of China	(DAC) Development Assistance Committee
(BoCom) Bank of Communication	(DCA) Defense Cooperation Agreement
(BRI) Belt and Road Initiative	(DOD) Department of Defense – US
(BRICS) Brazil, Russia, India, China, South Africa	(DSR) Digital Silk Road
(CCB) China Construction Bank	(ECLAC) Economic Commission on Latin America and the Caribbean (UN)
(CCCC) China Communications Construction Company	(FBIC) Foreign Bilateral Influence Capacity
(CCECC) China Civil Engineering Construction Corporation	(FEALAC) Forum for East Asia-Latin American Cooperation
(CCP) Chinese Communist Party	(FDI) Foreign Direct Investment
(CDB) China Development Bank	(FTA) Free Trade Agreement
(CELAC) Community of Latin American and Caribbean States	(GATT) General Agreement on Tariffs and Trade
(CGIT) China Global Investment Tracker	(GDP) Gross Domestic Product
(China Ex-Im Bank) Export-Import Bank of China	(GPI) Global Power Index
(CHEC) China Harbour Engineering	(GNP) Gross National Product
(CI) Confucius Institutes	(HSK) Hanyu Shuiping Kaoshi
(CIC) China Investment Corporation	(HST) Hegemonic Stability Theory
(CINC) Composite Index of National Capability	(ICANN) Internet Corporation for Assigned Names and Numbers
(CNEEC) China National Electric Engineering Company	

(ICBC) Industrial and Commercial Bank of China	(OFDI) Outbound Foreign Direct Investment
(IDB) Inter-American Development Bank	(OOF) Other Official Flows
(IFI) International Financial Institution	(PLA) People's Liberation Army
(IGO) Inter-Governmental Organization	(PLAN) People's Liberation Army Navy
(IPE) International Political Economy	(POE) Privately Owned Enterprise
(IMF) International Monetary Fund	(PRC) People's Republic of China
(IR) International Relations	(PTA) Preferential Trade Agreement
(LA) Latin America	(REE) Rare Earth Elements
(LAC) Latin America and the Caribbean	(ROC) Republic of China
(LRBIO) Liberal Rules-Based International Order	(RMB) Renminbi
(M&A) Mergers and Acquisitions	(SAFE) State Administration of Foreign Exchange
(MNE) Multi-National Enterprise	(SAM) Surface-to-air missile
(MOF) Ministry of Finance, People's Republic of China	(SASAC) State-Owned Assets Supervision and Administration Commission of the State Council
(MOFCOM) Ministry of Commerce, People's Republic of China	(SDR) Special Drawing Rights
(MoU) Memoranda of Understanding	(SEZ) Special Economic Zone
(MSR) Maritime Silk Road	(Sinopec) China Petroleum and Chemical Corporation
(NATO) North Atlantic Treaty Organization	(SL) Sovereign Lending
(NDB) New Development Bank	(SOE) State-Owned Enterprise
(NIC) National Intelligence Council	(SP) Structural Power
(NOC) National Oil Companies	(SRI) Silk Road Initiative
(NSSF) National Council for Social Security Fund	(SWF) Sovereign Wealth Fund
(OAS) Organization of American States	(TNC) Transnational Corporation
(ODA) Official Development Assistance	(UNCTAD) United Nations Conference on Trade and Development
(OECD) Organization for Economic Cooperation and Development	(USD) United States Dollar
	(WTO) World Trade Organization

Chapter 1

Introduction

As the twenty-first century unfolds, the rise of China stands as one of the most transformative events in the global political landscape. With its rapid economic growth, expanding military capabilities, and accompanying influence, China's ascendancy has vast implications for international financial markets, trade, sociocultural exchange, and, undoubtedly, the specter of conflict. For the global community of nations, these titanic changes incubate novel cooperative partnerships but also produce new challenges that are based in terms of security, economic and political dependencies, and regional alliances that collectively are producing shifts in the geopolitical balance of power.

Within this complex milieu, understanding China's rise is not only about recording its military or economic data. To fully comprehend the depth and breadth of China's influence requires stepping away from mapping overt actions to achieve power. It demands an appreciation for the subtle, yet profound ways China influences regional and international structures and the norms and rules under which they operate. This is where the concept of structural power emerges as pivotal in the research puzzle of this project.

Structural power focuses on the indirect manifestation of power by delving into the undercurrents of influence. Unlike the direct application of often coercive measures, structural power functions by indirectly setting agendas, shaping perceptions, and defining what is considered "normal" in the international political economy. In essence, structural power is less concerned with why a state does what it does and more about how it indirectly fosters change in the broader system.

Given the intricate nature of structural power and to capture China's multifaceted influence, this thesis adopts a hybrid approach. Using a structural power lens, an in-depth qualitative case study investigation of China's engagement with Latin America and the Caribbean lays the foundation, while an integrated quantitative assessment of China's security cooperation, bilateral trade, financial activities, and, finally, the diffusion of its ideology sharpens the resolution, allowing for a comprehensive and nuanced understanding of how China's rise is reshaping the world.

Background

China's relations with Latin America and the Caribbean (LAC) date back to the sixteenth century. This early contact mainly revolved around trade and immigration from China to the region. Much later, following US President Richard Nixon's landmark trip to China in 1972, LAC region countries began the process of establishing more formal diplomatic relations with the Asian mainland. However, it was not until China's entry into the World Trade Organization (WTO) in 2001, when it became increasingly integrated into the international economic order, that China initiated more extensive economic, political, and cultural contact with the LAC region.¹

In 2017, China surpassed the United States as the largest economy in the world, and despite a pandemic-related slowdown, its economy has continued to grow (see Figure 1).² Regional engagement, such as that found with China's presence in Latin America and the Caribbean, has been an important factor driving this development.

The premise put forth in this project is that China's regional engagement is consequential for developing capabilities that may be conveyed and expressed not just in the LAC region but ultimately can produce systemwide effects. I submit that theories of structural power can assist in illuminating these dynamics.

China engages with the LAC region for three general reasons. First, there are its economic objectives. Foremost among these is resource-seeking to support a market-driven, export-oriented economic model. Although the Chinese mainland has considerable natural resources, per-capita quantities are insufficient to meet its requirements. Securing access to resources such as fossil fuels, minerals, and agricultural products from international suppliers accomplishes state objectives of

¹Diana Roy, "China's Growing Influence in Latin America," Council on Foreign Relations, April 12, 2022, <https://www.cfr.org/backgrounder/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>.

² Measured by purchasing power parity (PPP) GDP. "GDP, PPP (current international \$)," World Bank, n.d., accessed June 9, 2022, https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD?end=2017&most_recent_value_desc=true&start=1990. Many economists believe that PPP GDP is superior to nominal GDP because this method considers local differences in the cost of living of a country by calculating GDP using a common basket of goods and services. See "Purchasing Power Parities (FAQs)," OECD, accessed November 28, 2021, <https://www.oecd.org/sdd/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm>. Also, because China's currency exchange rate is pegged rather than allowed to float based on market conditions, nominal GDP understates its level of total economic output. See "The World Factbook: China," Central Intelligence Agency, 2021, <https://www.cia.gov/the-world-factbook/countries/china/#economy>.

providing cheap raw materials to support China's economy.³ The acquisition of resources is a well-known objective of China's activities in the LAC region. Closely associated with assuaging China's material needs are ordinary profit motivations. Through various direct (and indirect) investment opportunities, China has an interest in commercial, for-profit ventures. These are lesser recognized objectives and consist primarily of financial flows targeting the region designed to produce capital gains and revenue. The second main reason for China's presence arises from its political goals. Improving existing and cultivating new governmental relationships with countries in the region not only assists China's economic objectives but also advances its geopolitical goals of increasing its own influence while degrading US influence regionally and globally. Additionally, expanding its official ties with the countries of LAC decreases Taiwan's influence regionally and globally. Finally, there is the ideological motivation. With all of the (understandable) attention paid to China as a rising power, it needs to be remembered that China is, after all, a Communist state. It has a fundamental desire to spread its ideology to fellow travelers in the region. This ambition inevitably extends its global brand as well.

These three general rationales are inexorably interconnected and related. They produce synergies (and tensions) that blur the line between the economic and the political, and even the ideological. In fact, we will see that for the paradigm selected to untangle the dynamics of China's regional engagement, the economic and the political elements are inseparable. These objectives also drive (or are driven by) foreign (and domestic) policy and thus potentially motivate the creation of grand strategy. However, while these discussions are important, and the reasons for *why* China is engaged with the region viewed here as legitimate areas of research, for this project, they are considered less interesting for new inquiry. Instead, let us begin with what is evident—China is already deeply engaged with the LAC region. So, the *what* and the *how* become much more interesting and relevant.

Discussed later, the theoretical framework employed for the project facilitates the examination of the processes and mechanisms beyond the *why* by directly addressing and interacting with the *what* and the *how*. With this framework, policies become less

³ Ping Deng, "Outward Investment by Chinese MNCs: Motivations and Implications," *Business Horizons* 47, no. 3 (2004): 11.

central to the discussion.⁴ Accordingly, the project focuses on the methods of China's engagement and how they produce outcomes. Regardless of China's priorities, however, its engagement with Latin America and the Caribbean is an example of an indirect and clearly less coercive manifestation of influence—and power.

Several notable events have marked China's arrival onto the world's economic stage.⁵ Although China's association with the World Bank goes back to its inception in 1945, as the People's Republic of China (PRC), its membership dates to 1980.⁶ China is an original member of what became known as the G-20.⁷ In 2001, after its initial 1986 GATT application was sanctioned, China ascended to the WTO as its one-hundred-forty-third member.⁸ In 2016, the Chinese yuan joined the US dollar, euro, yen, and British pound in the IMF's special drawing rights (SDR) basket of reserve currencies.⁹ China has been a member of the highly influential Asian Development Bank (ADB) since 1986 and has led the creation of new multilateral institutions, including the New Development Bank (NDB) in 2014 and the Asian Infrastructure Investment Bank (AIIB) in 2016.¹⁰ China has been persuasive in advancing its own global ventures as well.

The Belt and Road Initiative (BRI), a massive infrastructure project containing several regional subcomponents, such as the Maritime Silk Road (MSR) and the Latin

⁴ Importantly, I do not assert that China's strategies and policies are *unimportant*. Rather, by using a structural power model for the examination, these discussions arguably become *less* important yet still permit the creation of new knowledge.

⁵ It is acknowledged that these are arguably causes as well as consequences of China's economic rise. For example, WTO accession was both a source and an outcome of China's emergence.

⁶ "Member Countries," World Bank, April 16, 2019, <https://www.worldbank.org/en/about/leadership/members#3>.

⁷ The G-20 was formed as a result of a 1999 G-7 meeting inviting finance minister counterparts from other "systemically important countries" to join the conversation within the framework of the Bretton Woods system. See "The Group of Twenty: A History," 2007, <http://www.g20.utoronto.ca/docs/g20history.pdf>, 8.

⁸ "Accessions China," World Trade Organization, 2020, https://www.wto.org/english/thewto_e/acc_e/a1_chine_e.htm. China's accession was facilitated with US support.

⁹ "China's yuan joins elite club of IMF reserve currencies," Reuters, September 30, 2016, <https://www.reuters.com/article/us-china-currency-imf/chinas-yuan-joins-elite-club-of-imf-reserve-currencies-idUSKCN1212WC>.

¹⁰ "About ADB: Members," Asian Development Bank, 2020, <https://www.adb.org/about/members>, Daniel Runde, "The Asian Development Bank: A Strategic Asset for the United States," Center For Strategic & International Studies, December 18, 2019, <https://www.csis.org/analysis/asian-development-bank-strategic-asset-united-states>, "About Us History," New Development Bank, <https://www.ndb.int/about-us/essence/history/>, and "Asian Infrastructure Investment Bank," AIIB, accessed November 28, 2021, <https://www.aiib.org/en/index.html>. The NDB is a BRICS development bank. The AIIB is a multilateral development bank.

American addition to the BRI, extends China's overseas development and provides synergies, which include enhancing its security interests.¹¹ The Digital Silk Road (DSR), an internet infrastructure related subcomponent of the BRI, is yet another Chinese initiated project that is beginning to rouse global interest.¹²

The rise of China has principally been an economic phenomenon, and the enormity of this progress is impressive. Next to the United States, in 2019, China was the world's second largest economy measured by nominal GDP. The US at US\$21 trillion and China at US\$14 trillion dwarfed third-place Japan at US\$5 trillion for the year.¹³ While the US continues to be the top recipient of foreign direct investment (FDI), in 2018, China was the largest among developing economies and second globally at US\$139 billion. Beginning at the end of the previous century and rapidly accelerating in the early 2000s, China has materialized as an important source of FDI worldwide.¹⁴ China was second in outbound FDI (OFDI) in 2018, at US\$130 billion, slightly behind Japan's outbound investment activities of US\$143 billion.¹⁵ But the trajectory of China's global OFDI during the first two decades of the new century has been momentous. Between 2000 and 2019, its OFDI stock increased by over 7,000 percent and currently stands at roughly US\$2 trillion.¹⁶

Since 2017, China's OFDI flows have contracted, partially due to state mandated government policies aimed at restraining overseas investment.¹⁷ Due to fears over lower returns from its OFDI and increased systemic risk in its financial markets, China strengthened guidelines to address the types of investments its state-owned enterprises

¹¹ "Military and Security Developments Involving the People's Republic of China 2020," U.S. Department of Defense, 2020, <https://media.defense.gov/2020/Sep/01/2002488689/-1/-1/1/2020-DOD-CHINA-MILITARY-POWER-REPORT-FINAL.PDF>, 8.

¹² "The Digital Silk Road: Expanding China's Digital Footprint," Eurasia Group, April 8, 2020, <https://www.eurasiagroup.net/files/upload/Digital-Silk-Road-Expanding-China-Digital-Footprint-1.pdf>.

¹³ "GDP (current US\$)," World Bank, accessed November 28, 2021, https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?most_recent_value_desc=true.

¹⁴ "China's Outward Direct Investment," OECD Investment Policy Reviews, 2008, <https://www.oecd.org/daf/inv/investmentfordevelopment/41792683.pdf>, 66.

¹⁵ "World Investment Report 2019," UNCTAD, 2019, https://unctad.org/system/files/official-document/wir2019_en.pdf, 4,7.

¹⁶ Author's calculations. Source: "World Investment Report: Annex Tables," UNCTAD, June 21, 2021, accessed November 28, 2021, <https://unctad.org/topic/investment/world-investment-report?tab=Annex%20Table>. Stocks are the accumulated total value of FDI at a point in time, while flows are the amount of FDI in a given time period (typically yearly).

¹⁷ UNCTAD, "World Investment Report 2019," 6.

(SOEs) can make.¹⁸ China’s total stock of investments abroad has grown despite recent downward trends. This pattern is expected to continue as China uses its sizeable foreign exchange reserves as an increasingly important source of OFDI and because outward investment is official government policy.

Coincidentally, China’s investment in Latin America and the Caribbean rapidly accelerated around the same time that its GDP surpassed the region in the early 2000s (see Figure 1). Also worthy of note here is the visible dip in the GDPs of both the US and China (and LAC as well) as a consequence of the global pandemic. However, it is equally noteworthy that China’s dip was significantly less than that of both the US and LAC.

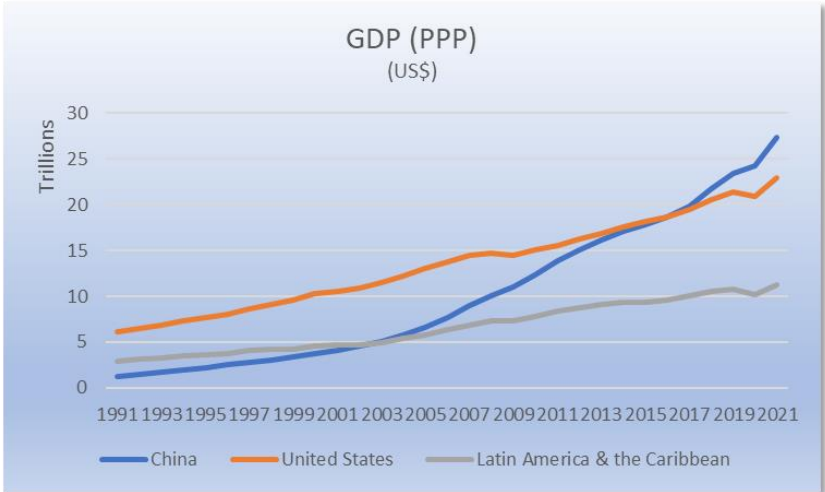


Figure 1: China, the United States, and LAC Region GDPs Compared. Source: World Bank, “GDP, PPP (current international \$).”

China’s investment activities augment its global trade, which is illustrative of an export-oriented economy. According to the Observatory of Economic Complexity (OEC), in 2018, China exported products valued at US\$2.6 trillion (first of 222 countries). The top destination for China’s products was the United States (20 percent of China’s total exports). China’s annual imports were valued at US\$1.6 trillion (second of 221 countries). The extractive sectors dominate China’s worldwide imports. Upmost among these are crude and refined petroleum products, coal, iron ore, copper ore, manganese, and zinc.¹⁹

¹⁸ Zixuan Huang and Heiwai Tang, “Why China Is Curbing Outbound Direct Investment,” August 22, 2017, <https://www.piie.com/blogs/china-economic-watch/why-china-curbing-outbound-direct-investment>.

¹⁹ “International Trade Data: China,” OEC, 2018, <https://oec.world/en/profile/country/chn>.

China's phenomenal economic growth, particularly over the past twenty years, certainly ranks among the most outstanding achievements of any developing country in history. Although China's rise is arguably not singularly unique among earlier rising powers, the considerable global impact of sustaining its economic engine definitely contributes to its distinctiveness.²⁰ The effects of China's worldwide quest for resources have repercussions not only for its own destiny but affect regions far from its home shores as well.

While Chinese presence in the LAC region is centuries old, interest by the PRC here dates to its creation in 1949. From 1949 to the mid-1960s, China embraced a strategy of winning friends in Latin America based on (perceived and actual) shared history, interests, goals, and, importantly, mutual opposition to "US imperialism."²¹ In the Caribbean in 1960, Cuba and the PRC established official diplomatic relations, commencing a close multifaceted association that has endured for over half a century.²²

China's interest in the LAC region has considerably expanded in the twenty-first century. As China's state-run media service, Xinhua noted when reporting on remarks by Liu Qibao, vice chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) at the thirteenth China-LAC business summit in December 2019:

China is prepared to bolster its relations with Latin America and lift ties to a higher level. Building a China-Latin American community with a shared future proposed by Chinese President Xi Jinping in recent years would usher in a new era of China-Latin America relations. China is prepared to

²⁰ There are other cases of spectacular economic ascents leading to "great power" status; besides Imperial Germany, the Dutch Republic and the US are relevant examples. China's economic rise, on the other hand, is undoubtedly *contemporarily* unique, even compared to the likes of India, various SE Asian countries, or smaller Eastern European countries, for that matter. Reinhard Wolf refutes the exclusivity of China's rise by noting that parallels exist between its recent emergence and the rise of imperial Germany before World War I. Wolf argues that Germany's impressive development under the Kaiser strengthened its economic and military capabilities. This, Wolf suggests, presented similar strategic predicaments and is particularly relevant for the analysis of contemporary China. See Reinhard Wolf, "Rising Powers, Status Ambitions, and the Need to Reassure: What China Could Learn from Imperial Germany's Failures," *The Chinese Journal of International Politics* 7, no.2 (2014): 185–187.

²¹ William E. Ratliff, "Communist China and Latin America, 1949–1972," *Asian Survey* 12, no. 10 (October 1972): 846.

²² Adrian Hearn, "China, Cuba, and the United States: Intersections and Divergences," *The Asia Dialogue*, February 28, 2018, <https://theasiadialogue.com/2018/02/28/china-cuba-and-the-united-states-intersections-and-divergences/>.

work with Latin America to jointly build the Belt and Road and deepen economic and trade cooperation and people-to-people exchanges.²³

A reflection of an often-difficult relationship spanning two centuries, US interest in the region has waxed and waned.²⁴ More recently, writing for *Foreign Affairs* in 2016, then US Vice President Joseph Biden, stated:

... Latin America, and the Caribbean have an outsize impact on our domestic security and prosperity, and in the twenty-first century, the Western Hemisphere should figure prominently among our top foreign policy priorities.²⁵

Notwithstanding now President Biden's remarks, Latin America scholar Michael Reid noted that the defining paradox of US-Latin America relations is that although the political, economic, and sociocultural ties that bind Latin America and the Caribbean to the United States are among the most important to the US of any region in the world, no other region receives *less* foreign policy attention.²⁶ In 2019, this lack of interest by the US was noted by Laurentino Cortizo, newly elected president of Panama.

While they're not paying attention, another one is making advances.²⁷

It was understood who *is* paying attention.

China's engagement with Latin America and the Caribbean cuts across a wide swath of geopolitical, economic, military and defense, sociocultural and other relationships, and partnerships. These interactions often consist of formal accords,

²³ "Chinese Senior Political Advisor Calls for Further China-LatAm Cooperation," Xinhuanet, December 11, 2019, http://www.xinhuanet.com/english/2019-12/11/c_138622995.htm.

²⁴ Now nearly two hundred years old, what eventually came to be known as the Monroe Doctrine was issued in 1823. The doctrine warned European powers that further involvement in the Americas would be considered a hostile act and fundamentally altered the course of US-Latin American relations. The legacy of the Monroe Doctrine continues to this day.

²⁵ Joseph R. Biden, "Building on Success: Opportunities for the Next Administration," *Foreign Affairs* 95, no. 5 (September–October 2016): 48.

²⁶ Michael Reid, *Forgotten Continent: A History of the New Latin America* (New Haven, CT: Yale University Press, 2017), 337. Emphasis added. While this assertion may be contestable (Sub-Saharan Africa emerges as an example), the juxtaposition of US-LAC reciprocal links and their importance against a *relatively* lower policy attention might be one interpretation of Reid in this instance.

²⁷ Mat Youkee, "The Panama Canal Could Become the Center of the U.S.-China Trade War," FP, May 7, 2019, <https://foreignpolicy.com/2019/05/07/the-panama-canal-could-become-the-center-of-the-u-s-china-trade-war/>.

alliances, and membership in regionally targeted bilateral and multilateral institutions and other forums. In this respect, China's presence in the LAC region is not uncharacteristic of its activities found in other areas of the world, including Africa, or its engagement closer to home in Asia.

China currently maintains official diplomatic relationships with twenty-six of the thirty-three LAC independent states. The most recent LAC country to switch its recognition to the People's Republic of China was Honduras in 2023.²⁸ Intriguingly, of the twelve UN member states that remain in the Taiwan-Republic of China (ROC) sphere of influence worldwide, seven, or nearly two-thirds, are located in the LAC region.²⁹ Of the many varied ways of China's engagement, its financial relationships with the LAC region are particularly noteworthy.

Estimates of China's direct capital flows to the LAC region can vary widely depending on data sources, types of financial instruments included, and periods covered. For purposes of this study, a very conservative estimate of roughly one-quarter of a trillion dollars (US) is used. This figure encompasses only China's verifiable OFDI, sovereign lending activities, and official development assistance (ODA) directed to the LAC region. China's capital flows to Latin America and the Caribbean also consist of indirect investments made through sovereign wealth funds (SWFs) and region-specific funds. The bulk of this capital movement has occurred since the start of the twenty-first century. However, if a broader rendering of China's financial presence is used, this figure grows appreciably to as much as a half-trillion dollars.³⁰ China's direct investments in Latin America and the Caribbean are supported by its policy and commercial banks (which are the principal sources of sovereign financing to LAC governments), its SOEs and private multinational enterprises (MNEs).

²⁸ Helen Davidson, "Honduras says there is 'only one China' as it officially cuts ties with Taiwan," *The Guardian*, March 26, 2023, <https://www.theguardian.com/world/2023/mar/26/honduras-says-there-is-only-one-china-as-it-officially-cuts-ties-with-taiwan>.

²⁹ In the LAC region, Belize, Guatemala, Haiti, Paraguay, Saint Kitts & Nevis, Saint Lucia, and Saint Vincent & the Grenadines remain diplomatically aligned with Taiwan. The One-China principle espoused by the PRC states that there is only one sovereign Chinese nation, and that Taiwan is a part of China.

³⁰ In this instance, sovereign wealth funds, regional investment funds, and other categories of capital flows are included. However, this figure is only an approximation. See the Appendix for an examination of China's total financial impact in the LAC region.

Since 2005, China's policy banks have underwritten over 100 loans to sixteen of the thirty-three LAC countries, totaling nearly US\$140 billion. Most of these loans have been directed toward extracting natural resources and supporting natural resource-associated infrastructure projects.³¹ The cross-border movement of goods and services between China and the LAC region is also substantial. In the first two decades of the new century, bilateral trade between China and the LAC region grew twenty-six-fold. By 2020, total trade amounted to US\$315 billion.³² Remarkably, trade value was practically unchanged from pre-pandemic (2019) levels. Where the LAC region recorded an estimated 13 percent year-on-year contraction in overall exports in 2020, China stood out as the only exception among its major destination markets, registering a 2 percent increase to the Asian mainland. The strength (and resiliency) of trade between China and the LAC region is expected to continue, with assessments that it will double by 2035 to more than US\$700 billion annually.³³

As part of its infrastructure building efforts in the LAC region, China is increasing its investment in the technology sector. Chinese telecommunication MNEs are active in nearly all South American countries. Well-known Chinese hi-tech companies Huawei and ZTE are two examples of MNEs targeting the LAC region. Huawei, in particular, has become a core part of the telecommunications infrastructure and operates in twenty countries in Latin America. By 2019, Huawei had signed contracts related to 5G technology with seven regional countries.³⁴ China has also become dominant in

³¹ Kevin P. Gallagher and Margaret Myers, "China-Latin America Finance Databases," *The Dialogue*, May 6, 2019, https://www.thedialogue.org/map_list/#.W21N6y2ZPKl, and Margaret Myers and Carol Wise (eds), *The Political Economy of China-Latin America Relations In the New Millennium Brave New World*, (New York, NY: Routledge, 2017), 51.

³² Bilateral trade is the sum of exports by LAC region countries to China and imports from China to the LAC region.

³³ Felipe Larrain and Pepe Zhang, "How Latin America Can Navigate the China-US Trade Wars," *Americas Quarterly*, September 8, 2021, <https://americasquarterly.org/article/how-latin-america-can-navigate-the-china-us-trade-wars/>, and Pepe Zhang and Tatiana Prazeras, "China's Trade with Latin America is Bound to Keep Growing. Here's Why That Matters," *World Economic Forum*, June 17, 2021, <https://www.weforum.org/agenda/2021/06/china-trade-latin-america-caribbean/>. Bilateral Trade Between China and the LAC Region in 2019 was US\$308 billion. See "WITS World Integrated Trade Solution," World Bank, accessed December 1, 2021, <https://wits.worldbank.org/CountryProfile/en/Country/LCN/Year/LTST/TradeFlow/Export/Partner/all/>.

³⁴ R. Evan Ellis, "The Strategic Dimension of Chinese Engagement with Latin America," William J. Perry Center for Hemispheric Defense Studies, 2013, http://williamjperrycenter.org/sites/default/files/publication_associated_files/The%20Strategic%20Dimension%20of%20Chinese%20Engagement%20with%20Latin%20America.pdf, 49, and "Huawei Expanded in

surveillance systems and has sold AI-powered cameras and associated information technology systems to several LAC countries.³⁵ Although technology related infrastructure projects have the potential for more significant future impact, both in scale and scope, China is heavily investing in more traditional projects in the LAC region, such as roads, railways, ports, and electrical transmission facilities. The preceding discussion reveals that China is engaged in several critical sectors in the LAC region, including finance, energy, minerals, agriculture, and technology.

China is also cognizant of the advantages to be found in areas that potentially have more coercive uses. China's military and defense engagement with the LAC region is subordinated to economic necessities; however, its presence is growing. China's defense cooperation activities include bilateral and multilateral military exercises, naval port calls, senior-level personnel exchanges, technology transfers associated with enhancing external (and internal) security arrangements, and arms sales with many LAC region countries. Unlike its military activities in Africa, China does not officially maintain any permanent military installations in the region. However, it does have a satellite downlink station in Argentina that the People's Liberation Army (PLA) operates. China's military diplomacy is an essential part of its broader foreign policy goals to favorably shape its image and develop influence capacity. Historically, China has been more apt to downplay or conceal its military resources. However, over the past decade, it has placed increasing emphasis on its influencing efforts by actively displaying its military and security capabilities.³⁶

Perhaps not quite as intense or obvious in its impact as its financial presence or its security related activities, China's soft-power diplomacy and cultural engagement in the LAC region is nevertheless influential. Cultural exchange is facilitated by a sizable Chinese population in the LAC region. In fact, there are more Chinese living in Latin

Latin America During 2019," Newtechmag.net, December 21, 2010,

<http://newtechmag.net/2019/12/21/huawei-expanded-in-latin-america-during-2019/>.

³⁵ Sophie Perryer, "Surveillance Cameras Have Become One of China's Most Valuable Exports—Here's Why," World Finance, October 29, 2019, <https://www.worldfinance.com/featured/surveillance-cameras-have-become-one-of-chinas-most-valuable-exports-heres-why>, and Evan Ellis, "Chinese Surveillance Complex Advancing in Latin America," Global Americans, April 18, 2019, <https://theglobalamericans.org/2019/04/chinese-surveillance-complex-advancing-in-latin-america/>.

³⁶ Kenneth Allen, Phillip C. Saunders, and John Chen, "Chinese Military Diplomacy, 2003-2016: Trends and Implications," Institute for National Strategic Studies, <https://www.ssri-j.com/MediaReport/DocumentUS/INSSreportChinaPerspectives.pdf>, 1-2.

America than in Europe, Oceania, and Africa combined.³⁷ Other methods employed by China to spread its culture and belief systems include student exchange programs and Asia-related research programs located at major LAC region universities.³⁸ Sister cities foster people-to-people relationships, exchange of ideas, culture, and business knowledge, and encourage more tangible interactions such as trade, tourism, and investment.³⁹ The establishment of its well-known Confucius Institutes (CIs) facilitates the diffusion of China's culture and ideology as well.⁴⁰

Finally, China relies on a host of bilateral arrangements, including free trade agreements, memoranda of understanding, less formal partnerships, and cooperative agreements, as well as official Strategic Partnerships to build relationships and advance its goals with the countries of the LAC region. In addition to the aforementioned homegrown institutions like the NDB and AIIB, China participates in numerous regional multilateral institutions such as CARICOM, the China-CELAC forum, the Caribbean Development Bank, the Pacific Alliance Latin America trade bloc, and MERCOSUR South American trade bloc. Coupled with its trade, foreign direct and passive investments, and other financial commitments, China's engagement with existing institutions and the creation of new multilateral forums, and the signing of cooperation agreements and partnerships, give it a voice in Latin America and the Caribbean. Furthermore, in line with China's political ambitions, its engagement degrades US influence and diminishes Taiwan's participation and influence in the region.

³⁷ See "The Chinese Community in Latin America," Biblioteca del Congreso Nacional de Chile, November 11, 2008, <https://www.bcn.cl/observatorio/asiapacifico/noticias/chinese-community-latin-america>; "International Migration in the Americas," OAS - Organization of American States: Democracy for Peace, 2017, <http://www.oas.org/documents/eng/press/SICREMI-2017-english-web-FINAL.pdf>; and Wendy W. Tan, "Chinatowns in Latin America," City University of New York (CUNY), 2017, https://academicworks.cuny.edu/cgi/viewcontent.cgi?article=1360&context=hc_pubs.

³⁸ Margaret Myers, "China/Chinese Studies in Latin America," China and Latin America: Inter-American Dialogue, December 20, 2011, <https://chinaandlatinamerica.com/2011/12/20/chinachinese-studies-in-latin-america/>, and Tom Phillips, "Study of Portuguese and Spanish Explodes as China Expands Role in Latin America," *The Guardian*, September 2, 2018, <https://www.theguardian.com/world/2018/sep/02/study-of-portuguese-and-spanish-explodes-as-china-expands-role-in-latin-america>.

³⁹ "Sister Cities in China," Sister Cities of the World-sistercity.info, accessed November 29, 2021, <http://en.sistercity.info/countries/cn.html>.

⁴⁰ "Confucius Institutes," Chinese International Education Foundation, accessed November 29, 2021, <https://www.cief.org.cn/kzxy/>.

Since its opening in the 1970s, China has realized extraordinary economic growth, although more recently, this has moderated somewhat. It has gradually but assertively integrated itself into the international order, directing efforts at institution building and promoting its global infrastructure projects. Not surprisingly, China's presence in Latin America and the Caribbean is closely linked to its emergence on the global stage. The acquisition of raw materials and agricultural products to support its export-oriented economy is a well-known objective of China's activities in the LAC region. Less recognized objectives align with commercial profit-making opportunities. China's political ambitions in the LAC region mirror its economic objectives, and this complementary attribute creates outcomes that advance its influence and power through a variety of engagement channels. To better understand the underlying forces of China's engagement in Latin America and the Caribbean and how its presence can be consequential, the project draws on theories of structural power for the examination.

Emerging from neorealist concepts, theories of structural power speak to a state's ability, through its interactions with other states, to shape underlying rules, norms, and institutions to better align with its own interests, goals, and values. Structural power is typically (but not exclusively) conveyed non-coercively by a state through political, economic, technological, and even sociocultural means. Although this undoubtedly suggests intentionality on the part of the state, in truth, this is not a necessity, either in theory or in practice. In fact, structural power has been described as unintentional or indirect power, yet with the capacity to generate favorable outcomes. It is viewed here as nonpurposive power—structural power as a byproduct of state engagement and interaction. Importantly, structural power does not need to be deliberately sought to be genuine or operational.⁴¹

Structural power imparts a state with the ability (even if unintended) to affect international structures, but this capability does not emerge from the ether. Subsystem elements are obviously a component in the equation. This results in complex interactions and dynamics among many key players, including the source(s) of influence, the targets of influence, and the institutions themselves. To further puzzle out these processes,

⁴¹ This is not to imply that structural power is somehow arbitrary or random.

Susan Strange's framework of structural power is used as the theoretical lynchpin for the project.

In her seminal text, *States and Markets* (1988), Susan Strange proposed a simple yet compelling idea: the control and exercise of certain key elements by a state gives it agenda-setting power—structural power.⁴² Strange's framework specifies a comprehensive taxonomy of power to examine how states can exert influence and power over the international political economy through influence generated within four dimensions of power: security, production, finance, and knowledge. This project operationalizes Strange's concept by reducing and clarifying her dimensions of structural power into tangible vectors of influence.⁴³

It is argued that Strange's organizing framework closely aligns with China's broad-based engagement in the LAC region. Regional engagement in LAC develops confirmable outcomes for China, and this has had a role in its emergence as a global political and economic leader—a participant on the international stage. This (structural) power can, in turn, act as a catalyst to facilitate the shaping of regional institutions and power dynamics. For example, theories of structural power allow us to investigate how China uses its increasing economic power to shape regional structures by establishing trade agreements, providing investment capital and loans, and development assistance. Decoding how China's regional engagement translates into influence and power, furthering its global development exposes the essence of structural power and forms the basis for why it is considered useful and relevant as a paradigm for this project. A structural power lens offers several advantages for the project.

Structural power concepts connect China's engagement methods in the LAC region with how those activities may produce beneficial outcomes. It facilitates the exploration of alternative, less coercive forms of power such as persuasion and attraction through influence efforts from economic, political, and diplomatic power. This methodology results in a comprehensive examination of power dynamics. Structural power, and Strange's framework in particular, is well-known and encourages a rigorous

⁴² Susan Strange, *States and Markets* (London: Bloomsbury, 2015).

⁴³ The indicators employed in the analysis derive directly from Strange and other researchers and are fully developed later in the project.

and systematic analysis, but as will be addressed later, it is an admittedly less conceptualized framework. On the other hand, this is viewed as an advantage here because it gives the researcher a wider latitude for developing new concepts and interpreting the results of their application within the examination. Theories of structural power have heretofore seen little application directed to the topic of China and the LAC region. My research can provide new insight into rising powers by applying a structural power model to China's engagement with LAC.

As stated above, Strange's innovative idea of structural power was that those states who can shape key components within four specific dimensions of power are imbued with distinct power. This is power that equates with the capacity to not merely determine how states operate and interact but to decide who has a seat at the table making the rules. And that such power—while not necessarily deliberately sought—can nevertheless affect favorable outcomes to states who possess it. Her analytical framework of structural power provides insight into these processes; however, the presentation is principally from a top-down perspective examining a state (the US was her archetype) that has purportedly already achieved this status. I propose that further understanding can be gained by examining power through a state's multifaceted regional activities and the influence that these activities generate.

Examining structural power at the subsystem level is unconventional. The traditional approach (and the approach that Strange used) involves investigating a structurally powerful state and its effects on the international system. Rather than beginning the investigation after the fact, it is believed that new conceptualizations of power can be brought to the forefront by examining regional engagement through a structural power lens—this is where structural power arguably derives—and working forward. China's engagement with Latin America and the Caribbean provides a topically relevant case study to apply this methodology.

New research on rising powers suggests the importance of addressing broader questions, conceptualizations, and models. As Deborah Larson points out, contrasting with the previous, narrow-minded focus on hegemony and hegemonic war within power transition literature, scholars examining the effects of rising powers on broader areas of global governance find that instead of attempts to overturn the current system, some seek

to establish a parallel order operating within it. This argument does not fit neatly into the conventional status-quo versus revisionist narrative of China's rise. Larson suggests that research such as this is more diverse, realistic, and conceptually innovative. Notably, she argues that it provides a means to break away from old modes of thought that prevent making sense of a changing world order.⁴⁴ Methodologies are needed to examine the use of power by states that do not precisely align with traditional, directly observable, and often coercive forms (in other words, conventional realist perspectives).

Argument

The argument of the project is that China is building durable structural capacity through its sustained, mainly economic, engagement with Latin America and the Caribbean. The capabilities that arise from China's presence may ultimately be articulated in international arenas but originate and can be deployed at the subsystem level of structural power. Fundamentally, it is argued that structural power can be observed, and, critically, be operative in a different space than structural power writ large and the international system in which it resides. It is posited that Susan Strange's structural power framework materializes as an instrumental concept to support the argument.

In using Strange's theoretical foundation of structural power to examine China's presence on the ground in the LAC region, it is considered less important if it has a deliberate strategy to generate specific outcomes because its efforts are nevertheless part of a broader shaping of the system.⁴⁵ Notably, the project does not argue that China, through its engagement with the LAC region, is developing agenda-setting structural power on par with Strange's concept. Nor is it contended that structural power (at any level) is indeed measurable with any degree of certainty or confidence. Rather, what is observed are precursors to actual or realized structural power.

⁴⁴ Deborah Welch Larson, "New Perspectives on Rising Power and Global Governance: Status and Clubs," *International Studies Review* 20, no. 2 (2018): 247, 252.

⁴⁵ While this project suggests that debates surrounding China's grand strategy (or not) versus less strategic, ad hoc arrangements are less relevant, this is not to suggest that these matters are academically unimportant or insignificant from a real-world perspective. It will become evident that the project is agnostic regarding this debate.

Original Contribution

This project makes an original contribution to existing knowledge in the China-IR subfield by addressing two significant gaps in the current research.

First, despite a large body of work on the subject, there is a widely recognized under-theorization of power concepts in the fields of International Relations (IR) and security studies, which continues presently. An overreliance on traditional IR theory concepts too often focusing on state-centric, principally coercive dimensions of power results in inquiries that ignore the multifaceted and nuanced nature of modern power projection. This absence of scholarly work is especially acute with innovative research into theorizing on China.

Second, there has been limited application of structural power concepts to the question of the regional engagement of rising powers, such as China. The existing (and admittedly inadequate) scholarship on China's activities in Latin America and the Caribbean stereotypically relies on conventional realist concepts and the direct impact of that engagement, which these theories submit as origin points of influence and power. A structural power approach, using Susan Strange's framework, offers a more holistic examination by considering how political-economic, financial, and knowledge-based factors build durable structural capacity in contemporary state interaction. This investigation reveals how China's influence originates from multidimensional regional engagement, providing insight into the foundations of its global ambitions.

The systematic application of Strange's framework of structural power to China's engagement in LAC contributes to the China-IR subfield in three important ways.

First, by employing theoretical innovation, this project applies structural power concepts to regional engagement. This methodology moves away from arguably outdated realist-directed approaches. Second, through empirical insight, the project produces an in-depth case study of China's engagement in the LAC region. An empirical inquiry provides rich details into how regional engagement produces influence and power for China. Finally, the project bridges conceptual gaps in IR theory with the realities of China's engagement. This approach binds seemingly abstract structural power theoretical concepts with real-world power dynamics in today's increasingly complicated international environment. The research puzzle driving this investigation is:

Can theories of structural power better explain China's engagement in Latin America and the Caribbean than conventional realist conceptualizations or their variants?

By addressing this puzzle, the present research advances original conceptualizations of power within IR and security studies. It additionally provides practical insight into the mechanisms that underpin China's regional influence and those that extend beyond LAC.

As discussed above, rather than examining a state that has allegedly achieved the status of a structurally powerful entity, the project instead refocuses the discussion on the subsystem level of structural power. To implement the analysis, a new concept of structural power is introduced.

It is proposed that regional engagement may be viewed as the *emergence domain of structural power*. For the purposes of this project, these terms are essentially synonymous. In essence, by looking at the origin point—at the emergence domain—we can increase the granularity of the analysis, which is an advantage, rather than looking only at structural power after it has been reached. The emergence domain of structural power can be understood as a more detailed exploration of the processes at work within Strange's fourfold taxonomy of structural power. It allows the examination to delve into the actions of states, such as China, to build influence and power within the international system by focusing on subsystem elements.

On the other hand, viable counterarguments can be advanced. It might be posited for example, rather than building long-lasting structural power through its regional engagement, China is wasting its time and, importantly, its money in the LAC region. In the Theoretical Framework chapter, an alternative interpretation will be submitted. The focus will be on potential economic-financial, political-diplomatic, and cultural-ideological vulnerabilities resulting from China's engagement with LAC that leaves it weakened. The implications of this alternative perspective will be explored, and it will be demonstrated that the original argument of the thesis offers a more comprehensive and nuanced understanding of the questions at hand, thus reinforcing the position of the project.

Project Goals

- Conduct an in-depth and up-to-date case study examination of China's engagement with Latin America and the Caribbean through a structural power lens.
- Build on Susan Strange's analytical framework of structural power by analyzing how China's engagement in the LAC region produces emergent structural power by shaping regional security elements and economic, political, and cultural institutions.

Project Specifics

Scope

- Thematic: The examination of China's activities in the LAC region across four dimensions of structural power.
- Geographic: Limited to China's engagement in the thirty-three sovereign nations of the LAC region, but it is submitted that the methodology employed here applies to other countries and regions.
- Temporal: Principally from the end of the twentieth century through the present day.
- Theoretical: Constrained to a structural power paradigm, but there are alternative theories, and these will be addressed.

Relevance and Significance

The phenomenon of "China's rise" is a topic that has garnered immense interest and trepidation among the international community of nations. China's growing engagement, and consequently, its influence within the LAC region, has implications not only for bilateral trade, investment, and development within the region but for balance of power relations with the United States and, indeed, global power dynamics as well.

Limitations

Although structural power and Strange's framework, specifically, are well-established and widely recognized approaches to understanding the dynamics of power in the fields of international relations, International Political Economy (IPE), and security studies, there are some concerns worth noting. First among these is the constantly evolving nature of power. Susan Strange's framework of structural power was developed in the closing decades of the twentieth century. Much has happened in the world during

the ensuing years since her influential yet arguably now dated *States and Markets* text was published. Her framework needs restructuring and modernizing to bring it up to date to better align with the dynamics of twenty-first-century political, economic, technological, and security environments.

Relatedly are the complications inherent in understanding concepts of power and in applying theories developed for its examination. Structural power is a complex, multidimensional, and multifaceted concept. Can specific indicators be isolated, which will capture all aspects of China's influence and power in the LAC region? Closely associated with this is the difficulty in its operationalization. Measuring and quantifying structural power is challenging, at best. It involves assessing the intangible and indirect aspects of influence and power. This makes the development of clear empirical indicators useful for that type of analysis difficult.

Another potential area of concern involves agency. Is the agency of LAC actors being minimized or even overlooked? Power is not a one-way street. LAC countries can shape their own relationships with China and influence the dynamics and the destiny of the region themselves. Finally, the project does not address the policy implications of China's engagement with the LAC region and, specifically, US national security consequences of its activities. Nor does the project investigate other regions of interest, such as China's engagement with Africa, for example. However, it builds a foundation and specifies the environment for future innovative research in these areas by arguing that the structural power approach employed in this project yields new knowledge.

Methodology Synopsis

A mixed methods single case study research design is used for the project. The population sample consists of all thirty-three sovereign states in the LAC region. The specific technique employed to address the question of China's engagement in LAC is referred to as a dialogical model. This technique blends aspects of both inductive and deductive research approaches to produce a collaborative discussion among the major elements of the project. The principal data sources for the empirical case study include trusted websites of popular press newspapers and magazines, institutional-based sources, research institutes, and think tanks. The quantitative portion of the project uses

highly respected datasets used by researchers and government agencies, which are both publicly available and free of cost. Issues of project validity and limitations of the research design approach are addressed in the methodology chapter.

Plan of the Thesis

Following the Introduction is a review of relevant literature and an explanation and justification of the overarching theoretical framework employed for the project. Chapter 2 comprises an evaluation of research covering the conceptualization of power. After establishing a common language and approaches to studying its concepts, I focus on power in the context of China's rise. I then proceed with a discussion of how researchers have advanced understandings of structural power. Next, a discussion of alternative relevant theories is presented. Omissions in the existing literature complete the survey.

In Chapter 3, I move from the broader interpretations of concepts of power to an in-depth theoretical examination of Susan Strange. After discussing how other scholars have evaluated her concept of structural power, I proceed with my method to operationalize her framework. A brief discussion of different approaches to the measurement of national power is followed by a step-by-step explanation of the methodology used to extend Strange's framework to render it of use for the specific goals of the current project.

In Chapter 4, I discuss my methodological approach, including a justification for the method used in the project. Specific topics include an examination of the research design and approach used to reconcile the project puzzle, and case study selection and sampling boundary rationale. A discussion of key source data and validity aspects of the project completes the chapter.

Chapters 5 to 8 cover Strange's security, production, financial, and knowledge structures. In each chapter, I present an in-depth empirical examination of China's engagement with the LAC region. The case study is pursued through the lens of Strange's fourfold framework and presented in a descriptive narrative format. An assessment of China's structural power capabilities in the LAC region is woven into the case study examination with the assistance of the influence metrics, which were developed in the theoretical chapter. Chapter 9 completes the thesis with findings and conclusions drawn

from the case study of China's presence in the LAC region examined through a structural power lens.

“Informal Empire”

By examining China's engagement with Latin America and the Caribbean, it becomes apparent that the “informal empire” concept emerges as a valuable cross-discipline lens to view contemporary state-to-state interaction. This offers an opportunity to underscore the intrinsic interdisciplinary nature of IR and security studies while enriching the analysis by incorporating a historical perspective, thus connecting the past with present-day events.

Two comparisons between the current research and the concept of informal empire will become evident throughout the project. First, there are similarities between Susan Strange's framework of structural power and informal empire that highlight the mechanisms of how a state may exert influence over another without resorting to direct coercive-based control. Second, the specific case study of China's engagement (and its subsequent influence) with LAC reveals that modern forms of structural power concepts conspicuously arise from earlier yet unquestionably contrasting notions of imperialism and empire, thus exposing the ever-evolving nature of global influence and control.

To counter traditional interpretations of Great Britain's nineteenth-century overseas expansion (as well as the idea of “empire” more generally), eminent British historians John Gallagher and Ronald Robinson (further) advanced the existing concept of informal empire in their influential 1953 article “The Imperialism of Free Trade.”⁴⁶

In their work, the authors point out that the conventional understanding of British imperial history had heretofore been illuminated only in terms of the “empire of formal dominion,” in other words, solely using formal empire, and that this explanation was, at that time, regarded as historically complete. Contrasting with that long-standing narrative,

⁴⁶ John Gallagher and Ronald Robinson, “The Imperialism of Free Trade,” *The Economic History Review* 6, no. 1 (1953): 1–15. Although the idea of informal empire had been in use before their article, see, for example, work by Charles Fay and Keith Hancock, Gallagher and Robinson are credited with reforming the original (by then arguably obsolete) concept. See Bernard Attard, “Informal Empire: The Origin and Significance of a Key Term,” *Modern Intellectual History* 20, no. 4 (October 20, 2022): 1241.

Gallagher and Robinson argue that this orthodox (but narrowly defined) interpretation does not adequately (or entirely) describe British imperialism in the 1800s.⁴⁷

The authors' principal argument was that Great Britain expanded its global influence and power in the nineteenth century not only by "acquiring dominion in the strict constitutional sense" using formal, colonial methods but by employing the means of informal empire as well. Importantly, early in their article, they argue that from an economic perspective, it is unrealistic to define imperial history based only on observing British colonies on a map.⁴⁸ Gallagher and Robinson assert a broader but more nuanced interpretation of British overseas expansion, which includes both formal and informal imperial measures to build its empire.

Gallagher and Robinson challenge not only "the old, legalistic, narrow idea of empire" but the notion that the "old idea of informal empire" has too often stressed only the economic component of expansion. What has been overlooked, in their estimation, is the interrelationship between the economic and the political. In fact, the interplay between these two arms, how one leverages the other and vice versa, which they note is both "subtle and complex," is the key to their more comprehensive definition of the concept of informal empire.⁴⁹ Their interpretation includes another feature regarding the economic component.

In describing Britain's industrial revolution, Gallagher and Robinson make an important distinction between formal and informal empire:

... mercantilist techniques of formal empire were being employed to develop India in the mid-Victorian age at the same time as informal techniques of free trade were being used in Latin America for the same purpose.⁵⁰

Mercantilist principles of direct political government control of local economies versus free trade policies, while not the sole defining difference, nevertheless represent a significant contrasting characteristic between formal and informal empire.⁵¹

⁴⁷ John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," 1, 3.

⁴⁸ *Ibid.*, 1.

⁴⁹ *Ibid.*, 6,7.

⁵⁰ *Ibid.*, 6.

⁵¹ The idea that "free trade" is truly free is contested. In addition to Gallagher and Robinson, see Attard, "Informal Empire: The Origin and Significance of a Key Term." Even the title of Gallagher and Robinson's article hints that free trade is not detached from the consequences of imperial expansion.

Informal empire can thus be described as the expansion of a (more dominant) state's global reach by means that comprise not only economic-driven imperatives, including free trade over that of methods of economic dominion but also the synergistic, mutually supporting interaction between economic and political aspects that produce influence. Finally, although the instruments of formal empire would typically include coercive measures used against the less dominant state, such as conquest and subsequent colonialism, it cannot be ignored that informal empire was not devoid of similar forceful methods. Economic and political sanctions and even military intervention would often be instruments of informal empire.⁵²

In fact, British expansion into the countries of Latin and Central America was characterized by a mix of interventionist strategies and less compelling methods. Gallagher and Robinson write that "...British governments still intervened, when necessary," yet when governments who were willing to collaborate were identified (of course, this was usually because those countries had become dependent on trade with Britain), intervention was not necessary on behalf of British interests. This was the case for Argentina and Brazil, whose governments were more pliable. Nevertheless, "...in the more backward states..." interventionist methods were applied as needed. Examples here included Columbia, Guatemala, Honduras, and Mexico.⁵³

Gallagher and Robinson use British imperialism in Latin America as a vehicle to illuminate their discussion of informal empire. Other work, which goes into greater detail on Britain's expansion in Latin America include Henry Ferns, who describes British informal empire practices in Argentina during the nineteenth century. The author notes the importance of Argentina's foodstuffs and raw materials to Britain, but the method employed to gain control over these resources is particularly relevant. Fern suggests that

⁵² This description is derived from Gallagher and Robinson and demonstrates how a country operationalizes informal empire. More prescribed definitions of informal empire typically include features of extraterritorial privileges through legal control by a country's elite or government, economic domination, and the threat of sanctions by a stronger country over a weaker country, which enables the stronger to exert significant control over the policies of the weaker. For a valuable and interesting discussion of informal empire in practice, see Gregory A. Barton and Brett M. Bennett, "Forestry as Foreign Policy: Anglo-Siamese Relations and the Origins of Britain's Informal Empire in the Teak Forests of Northern Siam, 1883–1925," *Itinerario* 34, no. 2 (2010): 65–86, and Gregory A. Barton and Brett M. Bennett, "Decolonizing Informal Empire: The Loss of the British Teak Trade in Thailand, 1941–1958," *Pacific Historical Review* 90, no. 2 (2021): 211–32.

⁵³ John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," 9–10.

the consequences of an unauthorized and ultimately unsuccessful private “invasion” by a previously court-martialed officer led to the realization that the forceful methods of military intervention and political interference were unnecessary when mutually beneficial economic and financial relationships could be developed.⁵⁴

Ferns presents an example of the practical employment of informal empire by Great Britain. British trade dominance acquired through its purchase of agricultural products and raw materials resulted in Argentina becoming economically dependent. Accordingly, direct interventionist policies, whether political or military, were unnecessary for Britain to gain presumptive control over Argentina’s resources.

Although commonly associated with the British Empire and its global trade and investment activities, many nations have practiced informal empire before and after. States (and empires) have found it advantageous to extend their influence without the complexities or expense of formal political, i.e., colonial rule.

Before the British, the Venetians established significant trading networks across the Mediterranean and Black Seas regions in the late Middle Ages. In the seventeenth century, the Dutch Empire was principally trade-based, using maritime routes and relied less (relative to the British, for example) on colonial conquest. In Latin America, empowered by the Monroe Doctrine and the Roosevelt Corollary, the US has exerted substantial influence without using the methods of formal empire. Interestingly, it could be maintained that US activities in LAC closely align with Gallagher and Robinson’s notion of informal empire as a consequence of its economic investment and, at times, less coercive policies, but also its recurrent political intervention, support for regimes that were aligned with US interests, and military intervention when deemed necessary.

Finally, China’s present-day global ambitions align with the concept of informal empire. For instance, China’s Belt and Road Initiative and the Maritime Silk Road are

⁵⁴ See H. S. Ferns, “Britain’s Informal Empire in Argentina, 1806–1914,” *Past and Present*, no. 4 (November 1953): 61–63, and H. S. Ferns, “Investment and Trade between Britain and Argentina in the Nineteenth Century,” *The Economic History Review* 3, no. 2 (1950): 203–218. P. J. Cain and A. G. Hopkins add to the discussion of British imperialism with their theory of “gentlemanly capitalism.” This concept has similarities to informal empire, but rather than contrasting the mechanisms of formal and informal control; the focus is on the actors themselves and the landed interests and the financial magnates that succeeded them, which, as the authors suggest, left an enduring mark on British overseas expansion. See P. J. Cain and A. G. Hopkins, “Gentlemanly Capitalism and British Expansion Overseas I. The Old Colonial System, 1688–1850,” *The Economic History Review* 39, no. 4 (November 1986): 501–525.

massive global investment projects that have economic impact and generate geopolitical influence. Robbin Laird writes that China's BRI and its expansion in Africa and Latin America "follow the model of shaping a global informal empire." Laird notes that distinguished British historian Kenneth Maxwell has joined in the discussion with others who have commented on a lack of interest by Western powers (especially that of the US) in the reality of China's use of informal empire techniques.⁵⁵

In his comments on the Summit of the Americas held in Los Angeles, California in 2022, Maxwell was especially critical of US inattention to Latin America and China's global and regional engagement in particular:

... China was the real elephant in the room at Los Angeles and was barely mentioned.⁵⁶

China has traditionally focused on its internal stability and security over that of expansion. The Great Wall of China vividly epitomizes this inward defensive posture rather than outward conquest. After the Communist revolution, principles of respect for sovereignty, noninterference in the internal affairs of other governments, and peaceful coexistence have been distinguishable features of this political position. China has advocated for decolonization and has supported newly independent states worldwide. Although seemingly a self-serving objective, the return of its territories in Hong Kong and Macau has been a (successful) part of this geopolitical strategy.

As China has grown in its economic and political influence and power, it has taken a more assertive stance internationally. These strategies have characteristics mirroring key features of informal empire. China's development of global trading partners, investment and other capital flows, and infrastructure projects, such as the BRI, provide economic leverage, which (as discussed) exists in close collaboration with political influence. This approach involves a nuanced balance of traditional noninterventionist

⁵⁵ Robbin Laird, "China's Informal Empire in Latin America: The Challenge for the Biden Administration," Second Line of Defense, July 3, 2022, <https://sldinfo.com/2022/06/chinas-informal-empire-in-latin-america-the-challenge-for-the-biden-administration/>. Coincidentally, Kenneth Maxwell, a noted Latin America expert, studied under Ronald Robinson at Cambridge.

⁵⁶ Kenneth Maxwell, "The Summit of the Americas 2022: An Assessment," Defense.info, June 12, 2022, <https://defense.info/global-dynamics/2022/06/the-summit-of-the-americas-2022-an-assessment/>.

ideals and evolving strategies of exerting influence and power globally without resorting to direct political control characteristic of formal empire.

The subject of the present research, China's twenty-first-century engagement with LAC, parallels aspects of Great Britain's informal empire in Latin America in the nineteenth century. Similar to its worldwide economic, political, and soft power strategies, China's substantial trade and financial investment, coupled with cultural diplomacy and growing yet cautious military engagement in the region, extends its reach without coercive methods of conquest.

In their application of informal empire, the British Empire of yesterday and a rising China of today and tomorrow illustrate the complex and subtle interrelationship between the economic and political aspects of control. Discussed throughout this project, this closely aligns with Strange's concept of indirect, less visible power and the inseparability of the political and economic arms of influence.

China's centuries-long interest in Latin America and the Caribbean emerges from various factors. Early contact had mainly trade and Chinese diaspora motives, but later objectives included resource-seeking and commercial opportunities. Yet, these economic activities are also cloaked in politically and ideologically motivated goals. While China's objectives undoubtedly have a meaningful impact, for this project, they are found to be less interesting than the structural capabilities this engagement arguably produces. This manifestation and China's successes (and failures) in that realm are realized within the broader context of power in IR, IPE, and security studies. The theoretical framework selected for the project provides the impetus as well as the anchor for the review of literature and the subsequent examination of China's engagement with the LAC region and the assessment of structural power development.

This project is a study of power and influence. Among the many varied themes studied by scholars in international relations, concepts of power are by far the most researched and disputed. Yet, conceptualizing power remains contentious. This arises largely from a lack of agreement by scholars on a precise definition of the term and its associated terminology.

Chapter 2

Conceptualizing Power: A Literature Review

“Power may be defined as the production of intended effects.”

– Bertrand Russell, 1938.

Russell’s definition of power is concise and precise: power is goal-directed. Strategies and outcomes, and the resources necessary to attain them, are implicit. Russell also notes that power is a “quantitative concept.”⁵⁷ That is, power is a measurable phenomenon.

In contrast with Russell, Susan Strange believed that power *could be unintentional*; it is power that is “less visible,” and that can be exercised by just “being there.” Yet, she plainly held that those who possess structural power could affect change over others. Structural power permits one “to choose the game as well as to set the rules under which it is to be played.”⁵⁸ As it was for Russell, the concept of intentionality was a component (just not an essential one) of Strange’s framework of power.

Power is the most examined and debated subject in the field of International Relations. It is the topic of this research project as well. Not surprisingly, there is widespread agreement among scholars as to the importance of power as a subject of study.⁵⁹ Nevertheless, despite this, a generally accepted definition of power eludes both scholars and practitioners. Although the concept of power is fundamental in IR and IPE, it is generally acknowledged that it is not an easy concept to grasp. The notion of power

⁵⁷ Bertrand Russell, *Power: A New Social Analysis* (Abingdon, Oxon: Routledge, 2004), 23. Another succinct definition is offered by Dennis Wrong, who slightly modifies Russell: “...the capacity of some persons to produce intended and foreseen effects on others.” Dennis Wrong, *Power: Its Forms, Bases, and Uses* (Abingdon, Oxon: Routledge, 2017), 21.

⁵⁸ Strange, *States and Markets*, 33, 41, and Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press, 1996), 26.

⁵⁹ For example, Harold Lasswell and Abraham Kaplan write: “The concept of power is perhaps the most fundamental in the whole of political science...” See Harold D. Lasswell and Abraham Kaplan, *Power and Society: A Framework for Political Inquiry* (London: Routledge, 2017), 75. For Strange, power is essential for her argument of structural power: “It is power that establishes the relationship between authority and market.” See Strange, *States and Markets*, 25. Felix Berensköetter submits an excellent illustration of the centrality of power in politics: “it enables us to identify pertinent actors and relationships in the international system, to locate sites of political activity and holders of responsibility for shaping our lives.” See Felix Berensköetter and M. J. Williams, eds. *Power in World Politics* (London: Routledge, 2007), Introduction.

is, by necessity, broad in scope. Its terminology is considerable and can be complex. David Baldwin notes that apart from its long history of discussion, scholars have differing views not only on the role of power in politics but also on its nature.⁶⁰ This view is widely shared by scholars.⁶¹ Baldwin suggests that even though there is agreement as to its importance, this does not imply a consensus on how to define power or its accompanying terms such as “control, influence, persuasion, authority, coercion, and so on.”⁶² To establish a common terminology, many who write on the concept of power first examine its vocabulary.

Although power is an abstract concept and its terminology is not precisely specified, its fundamental elements are widely accepted, even if exact definitions escape their authors. *Forms* of power is an example; its referents are individuals or groups and an encounter that influences another actor. In classifying forms of power, Russell was concerned with the ability of one actor to influence others and how that influence attempt is carried out, either by coercion, persuasion, or propaganda.⁶³ Dennis Wrong builds on Russell’s characterization that power involves intentionality. For Wrong, force, manipulation, and persuasion are exercised by authority.⁶⁴ This is a traditional method of classifying the forms of influence and power and aligns with generally accepted thinking on the subject. Harold Lasswell and Abraham Kaplan study forms of influence and power by examining their *scope* and *base* values. These refer to the causes or reasons

⁶⁰ David Baldwin, “Power and International Relations,” in *Handbook of International Relations*, eds. Walter Carlsnaes, Thomas Risse-Kappen, and Beth A. Simmons (London: Sage Publications, Ltd., 2013), 273.

⁶¹ Robert Gilpin, for example, describes the concept of power as “one of the most troublesome in the field of international relations and, more generally, political science.” See Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), 13. Likewise, Michael Barnett and Raymond Duvall write that power is a “complex and contested concept.” See Michael Barnett and Raymond Duvall, “Power in International Politics,” *International Organization* 59, no. 1 (2005): 66. Daniel Drezner echoes these observations on power and its study in the field of politics: “Power may be the central concept of the discipline, but scholars cannot agree on how to define or measure it.” See Daniel Drezner, “Power: A Temporal View,” The Notre Dame International Security Center (March, 2019), accessed December 7, 2022, https://ndisc.nd.edu/assets/313840/power_paper.pdf, 4. Dennis Wrong devotes an entire chapter to the problems of defining power in his book on the subject. See Wrong, *Power: Its Forms, Bases, and Uses*.

⁶² D. A. Baldwin, *Power and International Relations: A Conceptual Approach* (Princeton, NJ: Princeton University Press, 2016), 2.

⁶³ Russell, *Power: A New Social Analysis*, 23–24.

⁶⁴ Wrong, *Power: Its Forms, Bases, and Uses*, Chapters 1 and 2, 65.

motivating the exercise of power and the range of its influence—the *why* and *by how much* of power.⁶⁵

Power over and the *means* by which power is exercised are also familiar ideas in its conceptualization—the *who* and *how* of power. Michael Barnett and Raymond Duvall argue that any discussion of power must consider how, why, and when actors have power over others.⁶⁶ Michel Foucault also wrote about the *how* of power as it relates to knowledge. This idea will be taken up later in the project. The *means* of power has played an essential role in its conceptualization and is useful for understanding where power comes from.

Baldwin examines the “multiple dimensions of power,” which are more akin to attributes of power. Baldwin’s dimensions or attributes of power include, among other elements, the means of power, and he refers to the “tools” or “techniques” as a property concept of power statecraft.⁶⁷ Harold Lasswell proposed a taxonomy of the methods that actors can use to manipulate the environment. His original nomenclature of symbols, violence, goods, and practices has been reinterpreted as the means of propaganda, military force, economics, and political-diplomatic influence.⁶⁸ Robert Gilpin views power in terms of the “capabilities of states” and includes resources such as military, economic, and technological properties.⁶⁹ Joseph Nye refers to the “types” of power as military and economic and incorporates his concept of soft power.⁷⁰

⁶⁵ Lasswell and Kaplan, *Power and Society*, 87. It will be discussed later that for Strange, influence and power are synonymous. This is not controversial; many scholars view power and influence as roughly similar. For purposes of this project, power and influence are reciprocal and generally interchangeable as terms.

⁶⁶ Barnett and Duvall, “Power in International Politics,” 41.

⁶⁷ Baldwin, *Power and International Relations*, 52-54, 55, and Baldwin, “Power and International Relations,” 274.

⁶⁸ Harold Lasswell, *Politics: Who Gets What, When, How* (Whitefish, MT: Literary Licensing, 2011), 25. One example of this taxonomy is the DIME (Diplomacy, Information, Military, and Economics) concept, which arguably originates with Lasswell’s original terminology and encompasses those elements as the “instruments of national power.” See, for example, Brandon Morgan, “Dropping Dimes: Leveraging all Elements of National Power on the Multi-Domain Battlefield,” *Modern War Institute*, September 18, 2019, <https://mwi.usma.edu/dropping-dimes-leveraging-elements-national-power-multi-domain-battlefield/>.

⁶⁹ Gilpin, *War and Change*, 13. Other means of power can include diplomatic-political and information-knowledge. Both Foucault and Strange add substance to this group. See Michel Foucault, *Power (The Essential Works of Foucault, 1954–1984, Volume 3)*, ed. Paul Faubion (New York, NY: New Press, 2001), 51, and Strange, *States and Markets*, 33.

⁷⁰ Joseph S. Nye, *The Future of Power* (New York, NY: PublicAffairs, 2011), Contents.

Sources of power is closely associated with the means and types of power, but it is frequently used to identify specific resources that a nation can bring to bear to exert power.⁷¹ In addition to traditional metrics such as population and wealth, newer kinds can include information and knowledge. Finally, the vocabulary of power must include the *uses* of power. Wrong discusses the uses of power and notes that power as a primary drive, a “lust for power,” is deeply entrenched in Western political thought and has its roots in a Machiavellian-Hobbesian interpretation that a need for power is a fundamental human quality.⁷²

Where power originates, why power is exercised, and by how much that exertion has been successful (or not) are elements of the lexicon of power. Arising from both Russell’s and Strange’s notions, a central premise of the current research is that power may be used to achieve deliberate goals. Additionally, power can also be attained unintentionally and still produce outcomes that are beneficial for its possessor.

Approaches to the Study of Power

The examination of power concepts can be reduced to three broad ideas. Power can be studied as an actor-centric phenomenon or a resource-based effect. Power can also be examined by how combinations of those two elements produce certain outcomes. Those outcomes can be intentionally chosen and purposive, or unintentional.

The first approach involves thinking about power as a force or influence attempt exerted on someone. This is the exercise of power, and it can be portrayed as relational. The second method is to view power in terms of an allocation of resources, i.e., some entity is “powered” by something, such as mechanical power, military power, or economic

⁷¹ John Mearsheimer and others discuss the sources of power, particularly as it relates to military capability. See John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York, NY: W. W. Norton & Company, Inc., 2014), 60–62. Nye’s notion of soft power can be a source as well. See Joseph Nye, “Soft Power,” *Foreign Policy*, no. 80 (1990): 160, 167. Shaun Breslin suggests that perception can be a source of power. For example, Breslin views the real source of China’s power as a consequence of the notion that other countries *perceive* it has power, regardless of its actual form. See Shaun Breslin, “Understanding China’s Regional Rise: Interpretations, Identities and Implications,” *International Affairs* 85, no. 4 (2009): 818. William Wohlforth is also interested in the perception of power. He argues that while quantitative measures in the distribution of power are important as estimators, perceived power is indispensable in the analysis. See William Wohlforth, “The Perception of Power: Russia in the Pre-1914 Balance,” *World Politics* 39, no. 3 (1987): 353, 381.

⁷² Wrong, *Power: Its Forms, Bases, and Uses*, 218–219.

power. The third approach is to view power not from the aspect of its inputs but rather from the perspective of the consequences of their use: its outputs. Power as outcomes assesses whether an entity has achieved its desired goals.⁷³

These approaches to the study of power are ubiquitous in scholarly work on the subject, and each method has its supporters and detractors. Joseph Nye, for example, believes that it is outcomes realized through a “behavioral or relational approach” that is important. As Nye points out, knowing a vehicle's horsepower is of little use in determining if it will get you to your final destination.⁷⁴ On the other hand, John Mearsheimer argues that assessing power involves nothing more than measuring the resources available to a state.⁷⁵ While evaluating the concept of power from the perspective of control over resources has been central as a methodology, Jeffery Hart suggests that observing events and outcomes is the better approach because it considers interdependence and collective action among actors.⁷⁶

The literature acknowledges that conceptualizing power *only* in terms of resources is inadequate. With some exceptions, resources cannot be considered in total isolation because of the prerequisite that, in some manner, they must eventually be converted into their effects on actors.⁷⁷ Notwithstanding its limitations, defining and understanding power in terms of resources has a long tradition in IR. The *power as a property* concept is a core tenet of realism and its variants, e.g., balance-of-power models. These theories are mainly concerned with the application of resources that states use to ensure that one

⁷³ A useful examination of the three approaches is found in Ashley J. Tellis et al., “Measuring National Power in the Postindustrial Age,” Monograph, RAND, Santa Monica, CA: (2000): 13–16. The authors restate these approaches as “resources”, “strategies”, and “outcomes.” There is precedent for this methodology in the study of power. Sociologists Raymond Boudon and Francois Bourricaud argue that there is no power without an “allocation of resources,” an “ability to use these resources,” and, lastly, a recognition of the “strategic character of power” that is employed “not only against the inertia of things, but against the resistance of opposing wills.” In this taxonomy, they consider these elements as necessarily connected. See Raymond Boudon and Francois Bourricaud, *A Critical Dictionary of Sociology* (London: Routledge, Taylor & Francis Group, 2016), 267. Another illustration of this approach includes Brooks and Wohlforth and their taxonomy of power that distinguishes between power as resources and power as the ability to realize ends. See Stephen G. Brooks and William C. Wohlforth, *World out of Balance: International Relations and the Challenge of American Primacy* (Princeton, NJ: Princeton University Press, 2008), 11.

⁷⁴ Nye, *The Future of Power*, 9–10.

⁷⁵ Mearsheimer, *The Tragedy of Great Power Politics*, 57. Mearsheimer is specifically addressing the measurement of power. However, quantifying power is elementary to its conceptualization.

⁷⁶ Jeffrey Hart, “Three Approaches to the Measurement of Power in International Relations,” *International Organization* 30, no. 2 (1976): 289. Like Mearsheimer, Hart is concerned with the measurement of power.

⁷⁷ *Ibid.*, 290.

does not dominate others. Reinforcing Hart's earlier argument, however, more contemporary work by Barnett and Duvall advances a counter-realist paradigm to understanding power not only in compulsory terms but power as the production of effects on actors through social relations.⁷⁸ It is by understanding power in terms of the relations of actors or *relational power* that some of the more familiar conceptualizations of power are produced.

Arguably the most familiar example is the Dahlian expression of relational power.⁷⁹ Robert Dahl's concept is the first and most observable "face of power" and addresses behavior contrary to one's initial choices. Daniel Drezner points out that the Dahlian concept of relational power is the most widely cited in political science and is considered to have few challengers in general acceptability.⁸⁰

While still observable, the second face of power is not as visible as the first and is accomplished when actors successfully limit influence attempts by others.⁸¹ Building on Peter Bachrach and Morton Baratz and Dahl, Steven Lukes proposed a third dimension or face of power. This is the exercise of power to prevent conflict in the first place. Lukes refers to this as *latent conflict*, and it is the least observable "face of power."⁸² These three approaches to the study of power enable a brief theoretic discussion.

Although balance-of-power theories are concerned with how the allocation of resources affects the distribution of power among states, they can legitimately be identified as a power relation, even if that relation is mostly or entirely one-sided.⁸³ Hegemony is central to power relationships and theories of balance of power. Yet, Scott

⁷⁸ Barnett and Duvall, "Power in International Politics," 45–47.

⁷⁹ Robert Dahl, "The Concept of Power," *Behavioral Science* 2, no. 3 (January 1, 1957): 202–203.

⁸⁰ Drezner, "Power: A Temporal View," 4. Lasswell and Kaplan also defined power as relational, and notably, their conceptualization predates Dahl's idea. However, it is the sheer simplicity of Dahl's notion that allows it to endure as a concept. See Lasswell and Kaplan, *Power and Society*, 75. Foucault also viewed power in a relational manner. Significantly, he notes that when discussing the power of structures, institutions, and even ideologies, it is only insofar as "certain persons exercise power over others." See Foucault, *Power (The Essential Works of Foucault)*, 337, 339. Peter Bachrach and Morton S. Baratz note that power is *only* relational. See Peter Bachrach and Morton S. Baratz, "Decisions and Nondecisions: An Analytical Framework," *The American Political Science Review* 57, no. 3 (1963): 633.

⁸¹ Peter Bachrach and Morton Baratz, "Two Faces of Power," *The American Political Science Review* 56, no. 4 (1962): 948.

⁸² Steven Lukes, *Power: A Radical View* (London: Red Globe Press, 2021), 1, 28–29.

⁸³ After all, there is always some other guy trying to unseat you as the dominant power. It is noted, however, that hegemony does not necessarily equate with dominance; one being the practice of power and the other coercion.

Lash argues that while the concept has had explanatory value in the past, its usefulness is drawing to a close. Power, Lash suggests, is now largely post-hegemonic.⁸⁴ John Ikenberry and Daniel Nexon also criticize traditional hegemonic/power-transition frameworks for their inability to provide insight on cause and effect.⁸⁵ For realists, power is principally coercive and synonymous with force. Alternatively, power can be exercised non-coercively.

Co-optive power, or getting others to want what you want, is Nye's conceptualization based on the proposition that great powers are less able to project traditional power than in years past.⁸⁶ The currency of soft power can include various policies of a state that persuade other nations to follow its example. In this regard, soft power can be defined in terms of resources as well as behaviors, i.e., relationally. While Nye's concept is viewed as power deriving from non-coercive means—soft power is “attractive power”—there are examples that blur or even cross those boundaries.⁸⁷ For instance, Baldwin's concept of economic statecraft outwardly focuses on the coercive use of economic instruments to cause some desired outcome. Sanctions, for example, align with this assertion because they broadly suggest undesirable consequences on behalf of their recipient.⁸⁸ On the other hand, official development assistance is an example of the non-coercive exercise of economic power. Importantly, although Baldwin conceptualizes economic power in terms of the instruments available for the exercise of power, he acknowledges that other conceptualizations emphasize its intended effects.⁸⁹ In this sense, like co-optive power, economic power can be examined as a relational concept. Despite an abundance of theories, with realists, liberalists, constructivists, and others all

⁸⁴ Scott Lash, “Power after Hegemony: Cultural Studies in Mutation?,” *Theory, Culture & Society* 24, no. 3 (2007): 55.

⁸⁵ G. John Ikenberry and Daniel H. Nexon, “Hegemony Studies 3.0: The Dynamics of Hegemonic Orders,” *Security Studies* 28, no. 3 (2019): 396–397.

⁸⁶ Nye, “Soft Power,” 160, 167. Nye has slightly modified his definition of soft power over time. In his 1990 article, Nye does not specifically mention policy as an element of soft power. In his 2004 book on soft power, he expands his conceptualization to include policies. It is noted, however, that in Nye's original definition, there is substantial room for interpretation. See Joseph Nye, *Soft Power: The Means to Success in World Politics* (New York, NY: PublicAffairs, 2004), x.

⁸⁷ Nye, *Soft Power*, 6. While influence can undoubtedly be non-coercive, Nye notes that influence can also rest on coercive “hard power” threats.

⁸⁸ David Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985), 4. Although sanctions generally imply adverse effects, Baldwin views sanctions as both negative and positive tools.

⁸⁹ *Ibid.*, 32, 33.

offering their versions, it is acknowledged that none offer an all-encompassing method to understanding power.

Barnett and Duvall, for instance, do not believe that a master theory of power is possible.⁹⁰ Dahl as well, predicted that, at least for a significant period, there would probably not be a single, consistent theory of power. It was more probable, he reasoned, that a variety of theories, each of limited scope and applicable to only specific problems, would result.⁹¹

Competing theories of power and approaches to its understanding have produced volumes. This discussion was not intended as an exhaustive rendering of the literature covering that universe. Rather, it was meant to illuminate where concepts of power and its exercise might intersect with an emergent China and *its* use of power.

Power in the Context of a Rising China

Understandably, there has been an enormous amount of literature covering China's rise. Three broad yet interconnected questions have been central to the discussion. First is the oft-posed question of what kind of power an emergent China is or will become. Scholars have differed over the China as a *status-quo* versus *revisionist* power debate and what that bodes for the existing liberal international order. Second, there is the related issue of whether or not China's rise will be peaceful. Here again, scholars and practitioners in government have disagreed on the effects of China's trajectory within the context of global power shifts. Finally, there is the question of whether China has a well-thought-out grand strategy that has motivated and directed its spectacular rise.⁹² For example, some believe that China's rise has been less a product of active and cohesive management and engagement of all its available resources and more a consequence of sheer inevitability, given the weight of its regional and global engagement. This is an incredibly thought-provoking assertion, given the earlier stated premise of this research.

⁹⁰ Barnett and Duvall, "Power in International Politics," 67.

⁹¹ Dahl, "The Concept of Power," 202.

⁹² A discussion of grand strategy, including whether or not China has one, is presented later in the chapter.

China's rise cuts across several dimensions of power and is largely undisputed. On the other hand, the fervently debated questions above encompass a wide variety of work that intersects with the acknowledged difficulties in understanding concepts of power more generally and specifically, an emergent China. Rosemary Foot, for instance, recognized the obstacles inherent in applying conventional solutions to China's rise, arguing that realist theories do not capture the complexity of Chinese perspectives.⁹³

Recalling the earlier discussion of the uniqueness of China's rise, Shaun Breslin notes its distinctiveness by referencing the "China model" as an alternative to existing norms. Nevertheless, Breslin suggests that this introduces somewhat of a conundrum in the status-quo revisionist debate to the extent that if China offers an alternative to Western models, does this imply (as China would prefer) that it is nevertheless a status-quo power.⁹⁴ Andrew Hurrell expands on the uniqueness of China's emergence. When it comes to power resources and developmental potential, Hurrell writes that "China is in a league of its own."⁹⁵ David Dollar argues that to the extent China's activities have any impact, they resemble more of a revision to the international order.⁹⁶ Christopher Layne believes China's challenges to the global order are indeed revisionist and will leverage its increasing power and influence to threaten the existing rules-based international framework from one dominated by the US to one that China increasingly dominates.⁹⁷ John Ikenberry acknowledges fears that the future order will look less American and less liberal but suggests that China is better served by working within the rules and norms of the order. Although Ikenberry concedes that the liberal order is in a state of crisis, he does not see an existential threat emanating from a return to geopolitical conflict, with the US being replaced by China as an illiberal hegemon in the international order.⁹⁸ Ikenberry

⁹³ Rosemary Foot, "Chinese Strategies in a US-hegemonic Global Order: Accommodating and Hedging," *International Affairs* 82, no. 1 (2006): 77.

⁹⁴ Breslin, "Understanding China's Regional Rise," 823, 831.

⁹⁵ Andrew Hurrell, "Hegemony, Liberalism and Global Order: What Space for Would-be Great Powers?," *International Affairs* 82, no. 1 (2006): 19.

⁹⁶ David Dollar, "Is China's Development Finance a Challenge to the International Order?," *Asian Economic Policy Review* 13, no. 2 (2018): 283–284.

⁹⁷ Christopher Layne, "The US–Chinese Power Shift and the End of the Pax Americana," *International Affairs* 94, no. 1 (2018): 91, 111.

⁹⁸ John G. Ikenberry, "The Future of the Liberal World Order: Internationalism After America," *Foreign Affairs* 90, no. 3 (2011): 56-57, 63. And, John G. Ikenberry, "The End of Liberal International Order?," *International Affairs* 94, no. 1 (2018): 7, 9, 17, 23.

and Darren Lim investigate how rising powers leverage institutions to serve their interests and ask if this presents a counterhegemonic threat.⁹⁹ They conclude that China's ability to shape international structures indicates a favoring of the existing order rather than counter-system effects.¹⁰⁰ Ghazala Jalil argues that China's tendency to work within the existing order demonstrates that it is not acting as a revisionist power.¹⁰¹ Françoise Nicolas, on the other hand, suggests that China's historically passive presence has progressively developed into a reformist and, more recently, a revisionist approach.¹⁰²

Limitations of existing theory applied to China's rise pose an ongoing challenge. Alastair Johnston asserts that existing theoretical applications (power-transition variants of realism, for example) are insufficient to analyze the nuance inherent to the problem of assessing if a state is outside the conventions which describe a status-quo power.¹⁰³ Breslin supports Johnston's assertion that current work does not consider sufficient complexity. He notes that China fits into and works within various institutions and norms, but in others, it pushes back against those same standards. Moreover, in still others, China works to assume more power in existing structures. Consequently, Breslin writes that a "selective reformist agenda" is more suitable to describe China. Notably, Breslin suggests that with the decline of US power and influence in Latin America, an opportunity has opened for China to increase its economic influence in the region.¹⁰⁴ While there is more recent consensus that China has been or is currently operating as a revisionist state, the question is still relevant.¹⁰⁵ Furthermore, as suggested above, if China *is* a revisionist power, its attempts to work within various international institutions and its norms are somewhat paradoxical. Next is the question of the trajectory of China's rise— is war on the horizon?

⁹⁹ John G. Ikenberry and Darren Lim, "China's Emerging Institutional Statecraft: The Asian Infrastructure Investment Bank and the Prospects for Counter-hegemony," Brookings, April 13, 2017, 1.

¹⁰⁰ *Ibid.*, 16.

¹⁰¹ Ghazala Jalil, "China's Rise: Offensive or Defensive Realism," *Strategic Studies* 39, no. 1 (2019): 48, 58. Jalil posits that defensive realism is useful to demonstrate that China is a status-quo power.

¹⁰² Françoise Nicolas, "China and the Global Economic Order: A Discreet Yet Undeniable Contestation," *China Perspectives* 2016, no. 2 (2016): 7.

¹⁰³ Alastair Iain Johnston, "Is China a Status Quo Power?," *International Security* 27, no. 4 (2003): 6, 49.

¹⁰⁴ Shaun Breslin, "Global Reordering and China's Rise: Adoption, Adaptation and Reform," *The International Spectator* 53, no. 1 (February 2018): 60, 69–70.

¹⁰⁵ For example, see Jeanne L. Wilson, "Are Russia and China Revisionist States?," Asia Dialogue, University of Nottingham Asia Research Institute, June 11, 2019, <https://theasiadialogue.com/2019/06/11/are-russia-and-china-revisionist-states/>.

Richard Turcsanyi notes that, at first glance, China's rise can be rationalized as a classic case of power transition, with the usual dire results.¹⁰⁶ This is a view to which the quintessential realist Mearsheimer subscribes.¹⁰⁷ Shih-yueh Yang notes that balance-of-power/power distribution models have been used to explain China's rise with the not infrequent conclusion that it will inevitably lead to violent confrontation by challenging the existing hegemon or by inviting counterbalancing efforts.¹⁰⁸ However, some offer a more optimistic perspective. Contrasting with Mearsheimer, Ikenberry argues that it is not pre-ordained that China's rise will trigger a cataclysmic transition in the existing power structure. Ikenberry points out that China will translate its newfound, chiefly economic power into influence and authority and use this to shape structures to better serve its own interests as a presumptive stakeholder in the international system.¹⁰⁹ Richard Rosecrance also posited that while different from the rise of earlier powers, China's rise would likely be peaceful.¹¹⁰ Lastly, China's rise cannot be explored in isolation of its use of power to achieve certain goals that are motivated to some degree (or, as some argue, not) by a strategic vision.

Hal Brands proposes that grand strategy is about more than just one foreign policy goal or set of goals. According to Brands, foreign policy is expressed through various instruments such as diplomacy, economic support, and military force, while grand strategy "...is the conceptual logic that ensures that such instruments are employed in ways that maximize the benefits for a nation's core interests."¹¹¹

The definition of grand strategy, as proposed by Brands, serves as a fitting illustration for the current project. It particularly aids in the subsequent discussion

¹⁰⁶ Richard Turcsanyi, "Assessing the Power of China: Insights from the Conceptual Thinking about Power," *Journal of Chinese Political Science* 22, no. 3 (2017): 473.

¹⁰⁷ Mearsheimer, *The Tragedy of Great Power Politics*, 17–19. Mearsheimer uses offensive realism as his bona fides to challenge more hopeful views of relations between great powers.

¹⁰⁸ Shih-yueh Yang, "Power Transition, Balance of Power, and the Rise of China: A Theoretical Reflection about Rising Great Powers," *The China Review* 13, no. 2, (Fall 2013): 35. Woosang Kim and Scott Gates add to the body of literature examining China's rise using these theories. See Woosang Kim and Scott Gates, "Power Transition Theory and the Rise of China," *International Area Studies Review* 18, no. 3 (2015).

¹⁰⁹ John G. Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?," *Foreign Affairs* 87, no. 1, (January–February 2008): 23, 24, 26, 33.

¹¹⁰ Richard Rosecrance, "Power and International Relations: The Rise of China and Its Effects," *International Studies Perspectives* 7, no. 1 (2006): 31.

¹¹¹ Hal Brands, *What Good is Grand Strategy?: Power and Purpose in American Statecraft from Harry S. Truman to George W. Bush*, (Ithaca NY: Cornell University Press, 2014), 3–4.

regarding China's utilization of its national resources to achieve its goals and a strategy behind that use. However, much like the discourse on characterizations of power, the conceptualization of grand strategy is a hotly debated topic in IR and security studies. This ongoing debate is fueled by a variety of definitions, none of which have emerged as dominant in the field and diverging theoretical approaches to its interpretation.

British military historian Sir B. H. Liddell Hart is often credited with the first use of "grand strategy" as a phrase. Liddell Hart distinguishes grand strategy from pure (military) strategy by noting that the former is a "longer and wider view from the higher plane..." When defining grand strategy, it is typical to differentiate strategy (or "generalship" as Liddell Hart refers to it), with its application of military force, to that of policy, which governs its use. In this instance, Liddell Hart notes that such a policy is a "higher-level strategy" and, crucially, such policy includes "...other weapons: economic, political, and psychological."¹¹²

Richard Rosecrance and Arthur Stein advance a similar definition that grand strategy "...considers all the resources at the disposal of the nation (not just military ones), and it attempts to array them effectively to achieve security in both peace and war." Here again, the instruments available to a state to influence another and the implied formulation of policy to guide their use are present in the description. However, the authors move beyond the military-centric aspects of grand strategy. While Liddell Hart discusses how leaders have historically neglected to look beyond the immediate goals of fighting and winning a war, Rosecrance and Stein explicitly include the necessity of achieving "peace" in their description of grand strategy.¹¹³ As has been observed with concepts of power, the definition of grand strategy has evolved.

In the immediate aftermath of the Second World War, the specter of nuclear war and the Soviet threat became an obsession with US strategists. The consequence of this preoccupation conflated nuclear deterrence and grand strategy, thus significantly

¹¹² B. H. Liddell Hart, *Strategy*, 2nd rev. ed. (New York, NY: Penguin, 1991), xvii, 10. Although Liddell Hart's definition is much more contemporary, the fundamentals that align with what today is referred to as "grand strategy" have been around for centuries. For instance, earlier important thinkers on the topic of strategy include Sun Tzu and Clausewitz.

¹¹³ Richard Rosecrance and Arthur A. Stein, "Beyond Realism: The Study of Grand Strategy," in *The Domestic Bases of Grand Strategy* ed. Rosecrance and Stein (Ithaca, NY: Cornell University Press, 1993), 4.

narrowing its definition and scope. Rosecrance and Stein suggest that nuclear deterrence became, in essence, the *raison d'être* for a nation's grand strategy. According to strategists at the time, a Great Power was required to maintain nuclear deterrence.¹¹⁴ This ultimately elevates what is (arguably) military strategy to that of grand strategy.¹¹⁵ An analogous situation was found with the narrowing (or broadening) of conceptualizations of power. For example, it might be argued that, as with the Soviet threat, this too has the potential to repeat itself vis-à-vis how grand strategy is viewed with respect to realist conceptions of a rising China.

Given the absence of a single authoritative definition of grand strategy in IR and security studies, exploring alternative methodologies that can offer new insight is valuable. In her conceptual analysis of grand strategy, Nina Silove takes a unique approach. Instead of proposing another discrete definition, she presents three perspectives on grand strategy.

First, grand strategy may be viewed as a deliberate plan to achieve an objective that employs all resources available to a state. This idea develops from Liddell Hart's concept of grand strategy and is familiar to the discussion thus far. Second, grand strategy can be observed as an organizing principle. In this case, Silove suggests that the distinction between plan and principle is only a matter of detail – a plan is more detailed than a principle. Borrowing from Henry Kissinger, she notes that a plan is akin to a recipe, while a principle gives direction to foreign policy. Lastly, Silove conceptualizes grand strategy as a pattern of behavior. However, this pattern of behavior does not necessarily indicate the existence of an actual plan. This concept is possibly the most difficult of the three to grasp as its consequences are not immediately apparent. In this scenario, scholars believe it is irrelevant if a plan exists – the pattern itself *is* grand strategy.¹¹⁶ This multiplicity of perspectives enriches the discussion and encourages a more nuanced understanding of the concept.

¹¹⁴ Ibid., 4.

¹¹⁵ It should be noted however, that the use of nuclear weapons is obviously not only (or simply) a purely military decision.

¹¹⁶ Nina Silove, "Beyond the Buzzword: The Three Meanings of 'Grand Strategy,'" *Security Studies* 27, no. 1 (2017): 35, 39, 43.

Intriguingly, an argument might be advanced that this third concept aligns with the implications of China's rise. Extending this line of reasoning to its logical terminus, if one were to conjecture that when China *behaves* in a manner that it is following a specific strategic plan (whether the plan exists or not), it *has* a grand strategy. There is a case to be made, supported in the literature, that (at times) China indeed behaves as if it follows a higher level of strategy.

Rosecrance and Stein's earlier discussion sheds light on a second reason for the contestation of grand strategy in IR and security studies. How the major IR theories of realism, liberalism, and constructivism differ in their individual perspectives fosters ongoing debates regarding the interpretation of grand strategy.

For realists, the apparent necessity of a grand strategy in an anarchic world potentially guarantees the state's survival. This was an intensely resonant narrative for US strategists after WWII. For liberals and constructivists, although grand strategy is judged as undoubtedly influenced by their respective world views, and it remains very relevant to the debate for each, it does not rise to the level of state survival. On the other hand, for reasons that are developed throughout the research, with theories of structural power, especially that of Strange's framework, grand strategy (either as a concept or in reality) is not fundamental to support the main argument of this project. Nevertheless, grand strategy remains applicable to the discussion of a rising China.

Jisi Wang argues that outside of the issue of Taiwan, China has never identified a specific foreign policy that rises to the level of a key strategic goal for the Chinese government. Historically, China has focused on the direct threat of internal disorder, external forces interfering with the state's political interests, and the continued survival of the Chinese Communist Party (CCP) as central to its strategy. However, beginning with Deng Xiaoping, as the importance of China's economic growth became the principal driver of its increased power and influence, was the affirmation that China's foreign policy must be aligned and closely integrated with domestic issues. China's improved global position and its steady integration into the international economic order became a vital part of that strategy. In the era of Xi Jinping, these ideas have been expanded.¹¹⁷ Wang's

¹¹⁷ Jisi, Wang, "China's Search for a Grand Strategy: A Rising Great Power Finds Its Way," *Foreign Affairs* 90, no. 2 (2011): 69–72, 74.

discussion implies that incremental changes in goals and sustaining positive outcomes necessitate the development of strategy.

Andrew Nathan and Andrew Scobell argue that Deng Xiaoping's policy of "reform and opening" in the 1970s, which was a precursor to China's emergence and led to soaring GDP growth, were strategic choices. As China took steps to reengage with the global economy, such as rejoining the IMF and the World Bank, it reaped substantial benefits.¹¹⁸ With China's continued growth in the early years of the twenty-first century, it has sought to become not just a rule follower in the international economic order but a rule shaper.¹¹⁹ The purposive manipulation of international orders evokes images of a strategic vision.

Whether driven by foreign policy goals or by, domestic costs associated with joining the global order, or likely by a combination of the two, a growing body of literature suggests that China has a well-defined grand strategy. Engagement of a state's available instruments of national power to achieve its core interests aligns with Brand's definition of grand strategy.

Michael Clarke argues that the BRI, consisting of economic corridors linking the Silk Road Economic Belt with the MSR, multilateral institutions, multiple levels of financing, and a published "blueprint" for its implementation, constitutes grand strategy. According to Clarke, because the BRI serves core economic, strategic, and geopolitical interests (including securing access to resources), the initiative can be seen as grand strategy since it represents an architecture giving form and structure to its foreign policy.¹²⁰ A slightly different perspective is offered by Christian Ploberger, who argues that the BRI is more of an umbrella framework for a wide-ranging set of policy initiatives rather than a new geopolitical strategy. However, he suggests that with successful implementation China would be developing a multilateral framework that would reshape the geopolitical landscape in its periphery. Thus, he provides an argument supporting

¹¹⁸ Andrew Nathan and Andrew Scobell, "Globalization as a Security Strategy: Power and Vulnerability in the 'China Model'," *Political Science Quarterly* 131, no. 2 (2016): 314. China was a cofounder of the IMF and initially joined the World Bank in 1945.

¹¹⁹ *Ibid.*, 316–317, 325, 329.

¹²⁰ Michael Clarke, "The Belt and Road Initiative: China's New Grand Strategy?," *Asia Policy* 24, (2017): 70, 72, 75.

grand strategy.¹²¹ Abanti Bhattacharya suggests that the Silk Road Initiative, part of the BRI, is integral to China's periphery policies. As such, it constitutes a well-thought-out Chinese grand strategy to reclaim its rightful position of dominance in Asia. He notes that this strategy challenges US supremacy by assisting China in creating a Chinese-centered order, not just in Asia but beyond.¹²²

Alternatively, Yong Wang argues that the BRI was decided when China's leadership faced the combined effects of overcapacity due to the slowdown in the Chinese economy following the 2008 global economic crisis, excessive foreign exchange reserves, and the US pivot to Asia. Wang argues, therefore, that the BRI is a defensive strategy rather than grand strategy.¹²³ Lee Jones and Jinghan Zeng also believe that China's BRI does not reflect grand strategy. Jones and Zeng posit that far from a coherent grand strategy originating from a foreign policy approach involving top policy decision-makers, the BRI is a scheme driven by competing domestic interests struggling for power and resources.¹²⁴ A discussion of the nexus between China's presence in the LAC region and the pursuit of grand strategy concludes this section.

Using trade, direct investment, and foreign aid as indicators, He Li examined China's goals and prospects for developing influence and power in the LAC region and suggests (as of 2007) that while Latin America was very important, it was not yet decisive for the pursuit of its grand strategy. Nevertheless, Li argues that China will leverage its growing economic influence in the LAC region to support its political foreign policy goals, such as its own diplomatic recognition over that of Taiwan.¹²⁵ François Lafargue also notes that political objectives supporting PRC recognition over the ROC are essential goals for China's activities in the region.¹²⁶ On the other hand, Jose León-Manríquez and

¹²¹ Christian Ploberger, "One Belt, One Road—China's New Grand Strategy," *Journal of Chinese Economic and Business Studies* 15, no. 3 (2017): 301–302.

¹²² Abanti Bhattacharya, "Conceptualizing the Silk Road Initiative in China's Periphery Policy," *East Asia* 33, no. 4 (2016): 309–310.

¹²³ Yong Wang, "Offensive for Defensive: The Belt and Road Initiative and China's New Grand Strategy," *The Pacific Review* 29, no. 3 (2016): 455–456, 458, 461.

¹²⁴ Lee Jones and Jinghan Zeng, "Understanding China's 'Belt and Road Initiative': Beyond 'Grand Strategy' to a State Transformation Analysis," *Third World Quarterly* 40, no. 8 (2019): 1415–1416.

¹²⁵ He Li, "China's Growing Interest in Latin America and its Implications," *Journal of Strategic Studies*, 30 nos. 4–5, (2007): 833, 858–859.

¹²⁶ François Lafargue, "China's Presence in Latin America: Strategies, Aims and Limits," *China Perspectives*, 68 (2006): 10.

Luis Alvarez argue that economic goals drive the preponderance of China's presence in the LAC region. They conclude that this demonstrates a global strategy to secure energy, raw materials, and agricultural products necessary for the continuity of China's development.¹²⁷ Raúl Bernal-Meza also examines the economic dimensions of China's relationship with Latin America using the lens of the core-periphery structural economic model. Bernal-Meza argues that China's development is one in which it has become the core while the LAC region is its periphery. According to Bernal-Meza, China's "win-win" rhetoric, which follows from the South-South cooperation notion, is hiding a relationship that is more accurately characterized as North-South. Bernal-Meza's argument is that China's relationship vis-à-vis the LAC region is utilitarian and asymmetric and therefore serves its own interests as an emerging world power.¹²⁸ China views the LAC region as a key element in its South-South diplomatic strategy.

Taeheok Lee acknowledges that economic factors are more critical in shaping the nature of the China-LAC region relationship. Lee points out that cultural diplomacy, non-intervention, and principles of South-South cooperation and regional integration have had a receptive audience in the LAC region, which sets the groundwork for a cooperative relationship between China and the countries of Latin America.¹²⁹ Alvaro Mendez and Chris Alden stress the significance of Panama to China's global periphery strategy. China's original plan to rebalance its economic development via periphery diplomacy has evolved into a more ambitious global initiative and states like Panama figure prominently in this strategy. Mendez and Alden argue that China's MSR vision, the oceanic component of the BRI, extends the initiative beyond regional overland corridors to give it global reach by securing a coalition of the global South, and this rises to grand strategy.¹³⁰

¹²⁷ Jose León-Manríquez and Luis F. Alvarez, "Mao's Steps in Monroe's Backyard: Towards a United States-China Hegemonic Struggle in Latin America?," *Revista Brasileira de Política Internacional*, 57 (2014): 24.

¹²⁸ Raúl Bernal-Meza, "China and Latin America Relations: The Win-Win Rhetoric," *Journal of China and International Relations* Special Issue (2016): 27, 38–39. Argentinian economist Raúl Prebisch originally developed the core-periphery model. See also work by John Friedmann and his core-periphery model of regional development.

¹²⁹ Taeheok Lee, "Within and/or Beyond Perception and Ideology: The U.S., China and Their Relationship towards Latin America," *Asian Journal of Latin American Studies* 29, no. 1 (2016): 226, 230, 241–242.

¹³⁰ Alvaro Mendez and Chris Alden, "China in Panama: From Peripheral Diplomacy to Grand Strategy," *Geopolitics* 26, no. 3 (June 2019): 2.

Yet, as discussed in the Introduction chapter, China's presence in LAC also involves straightforward and distinctly capitalistic intentions. Kevin Gallagher and Amos Irwin observe the lesser examined view that China's financial engagement is largely the result of a neo-developmental state motivated by commercial opportunities, and its objectives originate less from a political or economic driven grand strategy and more from ordinary profit-seeking motives.¹³¹

Notwithstanding debates over the presence of grand strategy, China's engagement in the LAC region is clearly driven by a complex assortment of political-economic goals, and even conventional income-driven opportunities. Its diplomatic efforts to degrade Taiwan's influence in the region and its resource-seeking to support a domestic export-oriented economy are integral components of this mixture. While specific policy ambitions may shape strategy, some argue that this does not rise to the level of grand strategy. On the other hand, domestic and foreign policies, which are deployed as part of a larger vision, such as China's South-South strategy, for example, align with Brand's definition of a conceptual logic supporting the core interests of a nation.

A discussion of China's position as a status-quo or revisionist power, the possibility of future conflict, and whether or not grand strategy motivates those dynamics is useful for conceptualizing power and pragmatically significant for its use of power. However, to fully understand the meaning and impact of China's engagement with the LAC region demands innovative conceptualizations of power that do not fit the standard mold, such as conventional realist-centric views. This leads to the search for theories that will account for nuance and complexity. Power, which can be understood in terms that are less obvious, even unintended, and certainly less coercive, requires an unconventional approach.

Structural Power

Structural power refers to an actor's ability to have an impact on systems within the international order. This influence is commonly described as a capacity to set rules, define terms of engagement, and control various resources that establish (or limit)

¹³¹ Kevin Gallagher and Amos Irwin, "China's Economic Statecraft in Latin America: Evidence from China's Policy Banks," *Pacific Affairs* 88, no. 1 (2015): 100, 121.

outcomes and opportunities available to other actors. Although only partially separated from processes of intentionality to achieve these results, structural power is based on concepts of the subtle, indirect, and unintended effects of influence. It is distinct from more traditional concepts of power in international relations, which are often associated with the ability to coerce other actors directly. As a theory of International Relations and as an approach to understanding power, structural power is under-conceptualized.¹³² Consequently, structural power as a tool for problems in IR and IPE has seen less use. Recently, however, structural power theories have undergone somewhat of a revival.¹³³

There is nothing particularly enigmatic regarding the idea of *structure* or *structural* as it relates to concepts of power. “Structural” literally means “fundamental physical elements and (their) relationship to a complex whole.”¹³⁴ This characterization fits quite nicely with structural power as a concept in IR. A structure may refer to the (equal or unequal) distribution of resources or a structural condition that is the consequence of positional advantage (or disadvantage) among states (and their institutions) through relational actions. The observation of behavioral change as a consequence of shifts in these structures is crucial to the analysis. However, which component takes precedence has been a subject of debate. Jeffrey Isaac, for example, proposes that the conception of power itself be defined in structural terms rather than behavioral aspects. As he argues, power is conceived “from the outset, in terms of the structures within which behavior takes place.”¹³⁵

¹³² William Winecoff notes that while not necessarily a new mode of thinking, the argument that particular forms of power are connected to structural position have been under-developed both theoretically and empirically. See William K. Winecoff, “Structural Power and the Global Financial Crisis: A Network Analytical Approach,” *Business and Politics* 17, no. 3 (October 2015): 495–496.

¹³³ See, for example, Maria Gwynn and William Winecoff.

¹³⁴ Derived in part from Oxford Languages—Bing Translator. Grounded in neorealist ideas, the concept of *structures* emerges from Kenneth Waltz’s theory of structural realism, which examines the nature of international institutions through the actions of states and the distribution of capabilities to generate influence (directly or indirectly). See Kenneth N. Waltz, *Theory of International Politics* (Long Grove, IL: Waveland Press, 2010). There are constructivist threads to structural power as well. Stefano Guzzini touches on the subject in “The Concept of Power: A Constructivist Analysis,” *Journal of International Studies* 33, no. 3 (2005), and in his chapter on power analysis in international theory. See Stefano Guzzini, “The Use and Misuse of Power Analysis in International Theory,” in *Global Political Economy: Contemporary Theories*, ed. Ronen Palan (Hoboken: Routledge, 2000).

¹³⁵ Jeffrey C. Isaac, “Beyond the Three Faces of Power: A Realist Critique,” *Polity* 20, no. 1 (Autumn 1987): 5.

Structural power is not relational power per se; however, it considers interactions and relationships among actors and how these dynamics influence state behavior. It is not power-as-resources either, but it is required to consider material-based elements in the examination of power and, like relational power, how the distribution of resources enables actors to influence (or not) outcomes. Structural power, therefore, unites important components of relational and material-based concepts of power. Significantly (and similar to both), there is the acknowledgment within the structural power milieu that power is unevenly distributed, and this results from an unequal allocation (or use) of influence, as well as resources. Power may be structurally based (simply having more resources, for example), but it can also be a consequence of the ability of actors to effectively persuade others to alter their behavior.

Stefano Guzzini describes “new notions of structural power” by identifying three different meanings of the theory: “indirect institutional power, nonintentional power, and impersonal empowering.” Indirect and non- or unintentional power are especially relevant for this project. Guzzini references Stephen Krasner’s work, which draws on Bachrach and Baratz and their concept of the second face of power, and his work on meta-power, which is based not only on structural but also behavioral, i.e., relational control. The thread that binds meta-power with structural power is the idea that it has or creates power through the production of “indirect institutional effects.”¹³⁶ Krasner argues that regimes can assume a life of their own, which can be separate from outcomes: “There is not always congruity between underlying power capabilities, regimes, and related behavior and outcomes”—this is the essence of indirect and unintentional power.¹³⁷ James Caporaso, as well, draws on the second face of power. Caporaso distinguishes between bargaining power as (actor-oriented) power to control outcomes of specific events and structural power as a kind of power that is a “higher order power because it involves the ability to manipulate the choices, capabilities, alliance opportunities and payoffs that actors may utilize.” He argues that structural power is a superseding type of power because it governs the rules that shape bargaining power. Significant for the current

¹³⁶ Stefano Guzzini, “Structural Power: The Limits of Neorealist Power Analysis,” *International Organization* 47, no. 3 (1993): 443, 450-451.

¹³⁷ Stephen D. Krasner, “Regimes and the Limits of Realism: Regimes as Autonomous Variables,” *International Organization* 36, no. 2 (Spring 1982): 499.

research, Caporaso adds that “structural asymmetries are a basis for power.” As he suggests, an asymmetric allocation of resources can place certain actors in a position to influence others.¹³⁸

Bernal-Meza’s earlier argument that China’s economic relationship with LAC is both “utilitarian and asymmetric” elicits notions of dependency. Literature covering economic interdependence has been enormously influential in IR/IPE.¹³⁹ Theory encompassing these ideas examines the political and economic aspects of interaction, and Keohane and Nye’s work explicate the research best with their central argument that asymmetrical relationships are sources of influence:

Where states are asymmetrically interdependent, the less dependent may be able to manipulate the relationship to achieve its goals...¹⁴⁰

Dependency is grounded in relational power; as David Baldwin notes when discussing Keohane and Nye, they “quietly” embrace the relational concept of power.¹⁴¹ William Winecoff connects these theories by pointing out that dependence is also prioritized by concepts of structural power.¹⁴² However, with its acknowledged lack of conceptualization, it is not surprising that interpretations of structural power concepts differ.

For instance, it has been argued that concepts of structural power have the ability to resolve debates over structure and agency. Stephen Gill and David Law suggest that “mediating concepts such as structural power” might be key to resolving the “structure-action problem” in IR.¹⁴³ Yet, in describing Caporaso’s concept of structural power,

¹³⁸ James A. Caporaso, “Introduction to the Special Issue of International Organization on Dependence and Dependency in the Global System,” *International Organization* 32, no.1 (Winter 1978): 4, and James A. Caporaso, “Dependence, Dependency, and Power in the Global System: A Structural and Behavioral Analysis,” *International Organization* 32, no. 1 (Winter 1978): 28.

¹³⁹ See, for example, Robert O. Keohane and Joseph S. Nye, “Power and Interdependence Revisited,” *International Organization* 41, no. 4 (1987): 725–753, and David A. Baldwin, “Interdependence and Power: A Conceptual Analysis,” *International Organization* 34, no. 4 (Autumn 1980): 471–506. Although not a central topic in this study, the relationship between trade and conflict has also been influential in IR/IPE. See important work by Solomon Polachek, for example. Solomon William Polachek, “Conflict and Trade,” *Journal of Conflict Resolution* 24, no. 1 (1980): 55–78.

¹⁴⁰ Robert O. Keohane and Joseph S. Nye, “Power and Interdependence,” *Survival* 15, no. 4 (1973): 160.

¹⁴¹ Baldwin, *Power and International Relations: A Conceptual Approach* (Princeton, NJ: Princeton University Press, 2016), 157.

¹⁴² See William K. Winecoff, “Structural Power and the Global Financial Crisis,” 500.

¹⁴³ Stephen R. Gill and David Law, “Global Hegemony and the Structural Power of Capital,” *International Studies Quarterly* 33, no. 4 (December 1989): 477.

Guzzini notes that he echoes ambiguities in the “non-decision” approach of Bachrach and Baratz, which effectively negates agency. Here, Guzzini points out that the implication of structural power as a form of systemized bias equates it with nothing more than a “question of luck.”¹⁴⁴

On the other hand, Michael Barnett and Raymond Duvall, in addressing structural power concepts, note the importance of “social structures and processes” producing “differential social capacities,” which enable actors to both define and pursue their own objectives. As part of their classification, they define structural power as fundamentally social—indeed, it is “irreducibly social.”¹⁴⁵ Structural power is a constitution of the relations of actors, and they view those who are “structurally empowered” as having an advantage over those other actors who are not so well vested.¹⁴⁶ Defining and pursuing one’s own goals through social interaction (even absent total control over the structures generating that power), implies, at least, a degree of agency. However, William Winecoff notes that Barnett and Duvall’s interpretation of relationships among actors differs from more traditional conceptualizations of structural power.¹⁴⁷

It has been noted that concepts of power remain in a state of flux, and this applies to the understanding of structural power, as well. Despite a lack of agreement on perceptions of structural power, it has nonetheless been put to use to address problems in IR and IPE. This work has been especially productive in the intersection of structural power and continued (or not) US hegemony. In fact, this was the central thesis of Strange’s *States and Markets*.

The argument is that structural elements cause, or are associated with, continued US global dominance, and the inquiry is often used to illuminate debates vis-à-vis a rising China (or a re-emergent Russia) and the hegemonic position of the US. Examples that examine the economic-financial dimension of structural power and continued US structural power include work by Carla Norrlof, and Doug Stokes and Kit Waterman, who

¹⁴⁴ Guzzini, “The Use and Misuse of Power Analysis in International Theory,” 62-63.

¹⁴⁵ Barnett and Duvall, “Power in International Politics,” 42, 46.

¹⁴⁶ *Ibid.*, 56.

¹⁴⁷ William K. Winecoff, “Structural Power and the Global Financial Crisis,” 498–499. For work addressing the nexus of comparative and international political economy with structural power, see Pepper D. Culpepper, “Structural Power and Political Science in the Post-crisis Era,” *Business and Politics* 17, no. 3 (October 2015).

argue that the US has successfully leveraged its (latent) security-based structural power for advantage in its international economic preferences.¹⁴⁸ Alternatively, Daniel Drezner questions whether economic benefits accrue from US (structural) preeminence and engagement in the military dimension of power.¹⁴⁹ Lastly, Nicholas Kitchen and Michael Cox supplement the understanding (and significance) of structural power while addressing power shift debates encompassing the US. Kitchen and Cox argue that it is structural power rather than relational capabilities that is the leading determinant in international leadership; however, they note a clear relationship between the two.¹⁵⁰

Structural power as the overarching framework for this project is particularly applicable for resolving the question of China's engagement with the LAC region. Structural power theory offers a comprehensive framework for understanding the complex dynamics of power in international relations. It can assist in capturing how China exercises its economic, political, and institutional resources to shape the regional landscape and influence LAC countries. Because structural power observes long-term, systemic impacts of influence, changes in these structures over time are revealed. This is especially useful for studying China's engagement in the LAC region, which has witnessed a dramatic increase in the present century. Structural power also focuses on power asymmetries between actors. This is valuable for highlighting how China uses uneven power distributions across multiple dimensions of influence to its advantage in the region. Structural power emphasizes the importance of institutions in power dynamics. This perspective facilitates the examination of how China engages with existing regional (and global) structures and how it seeks to create new ones to advance and solidify its interests while also potentially limiting the options and actions of other states. Finally, structural power is not preoccupied with coercive power. It recognizes the importance of soft power; the ability to influence others through persuasion, attraction, and the promotion of one's values and culture. This form of power is highly relevant for China's

¹⁴⁸ See Carla Norrlof, "Dollar Hegemony: A Power Analysis," *Review of International Political Economy* 21, no. 5 (2014), and Doug Stokes and Kit Waterman, "Security Leverage, Structural Power and US Strategy in East Asia," *International Affairs* 93, no. 5 (2017).

¹⁴⁹ See Daniel Drezner, "Military Primacy Doesn't Pay (Nearly As Much As You Think)," *International Security* 38, no. 1 (Summer 2013).

¹⁵⁰ Nicholas Kitchen and Michael Cox, "Power, Structural Power, and American Decline," *Cambridge Review of International Affairs* 32, no. 6 (2019): 735, 747.

presence in LAC as it seeks to shape regional structures to establish its own norms and standards, which other states might be inclined to follow.

However, structural power has disadvantages that potentially limit its usefulness.¹⁵¹ By concentrating on the structural aspects of power, the agency of other actors is minimized.¹⁵² This can result in an oversimplification of power relations by not paying enough attention to the (re)actions of weaker players in the China-LAC country dyads. Also, a focus on the long-term effects of power neglects short-term dynamics, such as immediate diplomatic or security related elements of influence. More significantly, though, is the difficulty in operationalizing structural power concepts to provide answers for IR/IPE and security studies related problems. For instance, measuring and quantifying structural power can be challenging, as it often involves assessing the intangible and indirect properties of influence. This can make it difficult to develop clear empirical indicators that capture a variety of influence vectors needed for the analysis. Additionally, to avoid overgeneralizing, the interpretation of findings must be made with care. For example, it might be argued that what is, in reality, being assessed is simply a repackaging of the results of China's engagement and not something akin to structural power.

Alternative Theories

While theories of structural power will be used for this project, there are other general IR frameworks that may conceivably be practical. Briefly discussed elsewhere, realist and neorealist approaches suggest themselves first.

Not surprisingly, realist approaches and their variants focus on the role that power plays in the international system. While classical realist approaches view the human

¹⁵¹ Stefano Guzzini is frustrated with structural power concepts because none of them offer "both a comprehensive and a coherent power analysis." According to Guzzini, structural approaches either omit certain characteristics of power or burdens it with (apparently) too much meaning. Ironically, however, Guzzini seems dissatisfied with neorealist notions since they too narrowly focus on economic power while including structural concepts has (overly) widened the concept of power. See Guzzini, "Structural Power," 443, 474. Clearly, I would disagree with Guzzini's assessment of structural power's inability to offer a comprehensive analysis. As to his claim that structural power is not a coherent framework, this project hopes to address that objection.

¹⁵² As discussed earlier, the question of agency within structural power concepts is contested.

element as central, neorealist approaches concentrate on the structure of the system itself. Both view the dynamics of state competition as central and focus mainly on coercive power. It is noted, therefore, that they overlook the many varied forms of indirect, subtle, and nuanced power exhibited in China's engagement with the LAC region that falls outside of direct force. Among other limitations, realist frameworks do not adequately capture the role that economic elements play in state interaction.

Liberal and neoliberal approaches to the study of international relations focus on cooperation and the role that institutions play in the interactions among states. Cooperation is obviously an integral element of China's relationship with the LAC region. However, the limitations of these paradigms are to some extent diametrical to realist approaches in that they focus too little on power dynamics and the potential for conflict to arise.

A more recent addition to the toolbox of IR researchers, constructivist approaches emphasize the role that ideas, rules and norms, cultural elements, and identity play in shaping state behavior. While there are clearly elements in this approach that are attractive, a critique of the constructivist approach is that it pays too little attention to the role of material aspects of power and influence, which are nevertheless an element of China's engagement with LAC.

Finally, an obvious approach to the study of China's presence in the LAC region would include theories of dependency. Although it is agreed that, clearly, China's interactions with the LAC region involve elements of dependency, particularly economic aspects arising from underdevelopment, the examination of state interaction through the lens of predominantly asymmetric relationships will not fully capture the broad range and diversity of other power elements that are displayed in China's engagement with the region.

As a general statement, it can be said that, unlike theories of structural power, because these theoretical frameworks (and others) applied to the examination of problems in international relations do not take a holistic approach to understanding power, they each lack specific attributes necessary for reconciling the question of China's regional engagement.

Omissions in the Existing Literature

This discussion has revealed gaps in the literature and highlighted shortcomings in the current research. Although the concept of power is arguably the most examined topic in IR and IPE, the impression found in the literature is a near-universal appeal by scholars for still newer and more innovative methods of imagining its role in the interaction of states. Researchers have identified an assortment of omissions and deficiencies in existing theory.

Robert Ross points out that gaps remain between IPE literature and security studies research on the different conceptualizations of power between the fields, in particular, the fungibility of economic power.¹⁵³ Jeffery Hart argues that investigations into non-coercive, unintentional, and silent power to systematically observe actual attempts to exercise that power and its results were (at that time) lacking.¹⁵⁴ It is submitted that these omissions largely remain in the present day.

Although a wide variety of research has been undertaken on China's rise, space still remains for new ideas. Chengxin Pan and Emilian Kavalski observe that blind spots exist in IR theorizing on China.¹⁵⁵ Richard Turcsanyi points out the need for additional work on approaching China's power in a more comprehensive and conceptually rigorous manner. He recommends conducting additional empirical studies on the various sources of China's power.¹⁵⁶

Models that examine the dynamics of China's use of financial statecraft for generating power and influence and the connections to political-diplomatic and soft power are rare. For example, William Norris suggests surprisingly little work has been done on developing systematic accounts of Chinese economic statecraft.¹⁵⁷ Leslie Armijo and

¹⁵³ See Robert Ross, "On the Fungibility of Economic Power: China's Economic Rise and the East Asian Security Order," *European Journal of International Relations* 25, no. 1 (March 16, 2018).

¹⁵⁴ See Jeffrey Hart, "Three Approaches to the Measurement of Power in International Relations," *International Organization* 30, no. 2 (1976).

¹⁵⁵ See Chengxin Pan and Kavalski Emilian, "Theorizing China's Rise in and Beyond International Relations," *International Relations of the Asia-Pacific* 18, no. 3 (2018).

¹⁵⁶ See Turcsanyi, "Assessing the Power of China."

¹⁵⁷ See William J. Norris, *Chinese Economic Statecraft: Commercial Actors, Grand strategy, and State Control* (Ithaca, NY: Cornell University Press, 2018).

Saori Katada also observe a need for more work on financial statecraft by rising powers.¹⁵⁸

The broad range of prevailing and arguably increasingly obsolete realist concepts of power are particularly wanting for reconciling China's rise as it relates to its engagement with the LAC region. For the purposes of this study, realism, and its variants, are deficient in at least two respects. First, realism's focus, mainly on zero-sum balances of (principally military) power, is at odds with China's engagement with Latin America and the Caribbean. Even defensive realism's narrative of a state's motivation of maintaining only a status-quo measure of power versus maximizing power is still largely a coercive, force-driven derivative. Second, it is argued that, unlike Hans Morgenthau's belief that economics and finance can be removed from consideration when investigating the concept of power and its nexus to politics, these terms are inseparable. Financial statecraft is part and parcel of the tools available to states nowadays to create (political) influence, control, and power—they cannot be examined in isolation of each other.¹⁵⁹ The above scholars, and undoubtedly Strange, would agree with this conclusion.

Hegemonic struggles and power shift narratives, including the related debates of status-quo versus revisionist power and the existence of grand strategy to enable those ends, while obviously important, likewise do not significantly advance the agenda or understanding. China cannot be shoehorned into any one type of power, and any single power theory yields inadequate answers.

The use of structural power frameworks applied to problems in IR, IPE and security studies has been a road less traveled by scholars. New and innovative research on rising powers viewed through the lens of structural power concepts is needed. This is especially true of a rising China, and even more so linking it with its regional engagement.

Yet, although clearly viewed here as applicable, conventionally formulated structural power concepts do not do the job entirely because they often focus too much

¹⁵⁸ See Leslie Elliott Armijo and Saori N. Katada, "Theorizing the Financial Statecraft of Emerging Powers," *New Political Economy* 20, no. 1 (2015).

¹⁵⁹ See Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace* (New York, NY: McGraw-Hill, 2005), 5. This is not to suggest that contemporary variants of realism would not consider economics and economic statecraft as a tool of power projection, only that it views these matters principally coercively rather than economics and finance as being non-coercive instruments.

on outcomes and too little on processes and mechanisms. On the other hand, Susan Strange's influential work in connecting the political and economic aspects of state interaction is a resource that has seen less use but offers the potential for sorting out important questions involving emerging powers and their impacts on international structures. Obvious choices of inquiry include Brazil, China, and India. Less conspicuous yet potentially even more interesting countries might include Saudi Arabia, Turkey, United Arab Emirates, and Vietnam. New methods of operationalizing Strange's framework beyond her original argument, and applied to developing states, can address appeals for new ideas in understanding concepts of power.

Summary

Power can be viewed as an expression of violence. Bertrand Russell penned his definition during Hitler's reign of terror over Germany before the greatest conflagration in the record of humanity to date or since. Yet, despite authoring a book with the single word *Power* as its title, Russell did not offer an all-encompassing theory of power; it has been pointed out there is none to be found, and that this situation is likely to persist.

David Baldwin and others mention there is little agreement on the fundamental terminology of power. Establishing a common framework for its vocabulary is helpful for its subsequent conceptualization. The sources of power, be they military or economic, how power is exercised either by coercion or persuasion, and why, and by how much—its measurable qualities—are a part of the lexicon, as is the zero-sum nature of *power over others*. Outside of Baldwin, Lasswell and Kaplan, Foucault, Wrong, and Nye are also instructive here. Methods to study conceptions of power is another means to its understanding.

Examining the concept of power can be approached through relational or power-as-resources methods. However, both have drawbacks that are essentially reciprocal. Actor-centric methods frequently negate the physical sources of power, while material capability approaches omit agency. An alternative method is suggested by examining power from desired outcomes. Dahl, of course, Baldwin, Bachrach and Baratz, and Lukes provide clarity. There is a wide variety of research covering an emergent China.

Literature encompassing the rise of China frequently addresses the phenomenon from a status-quo versus revisionist or a peaceful rise versus confrontational perspective. However, for the purposes of this project, these debates do not meaningfully add to the understanding of China's engagement. There is also a lively but, as it was pointed out, for aiding this study, largely unproductive debate on the existence of China's grand strategy. Ikenberry, Breslin, and Foot illuminate this discussion, as do Jones and Zeng for a contrarian view. Finally, literature focusing on structural power concepts was considered.

A structural power approach offers a better path for reconciling China's engagement with the LAC region because it accounts for, among other factors, unintentional power. These are the indirect, not necessarily directly observable elements of power, yet they are still potentially measurable. Barnett and Duvall, Caporaso, Guzzini, Gwynn, Krasner, and Winecoff add to this conversation.

The theoretical foundation for this project rests on Susan Strange's four dimensions of structural power framework. The empirical case study motivates the selection of Strange's theoretical paradigm, while certain aspects of her framework make it particularly suitable for adaptation and subsequent application. Next, Strange's framework is conceptualized, updated, and provided with a method to apply it to the question of China's engagement with the LAC region.

Chapter 3

Theoretical Framework

Structural power explores a state's interactions with other states deriving from its position within the larger international system. As an overarching construct, theories of structural power have been evaluated as useful for resolving questions of China's engagement in Latin America and the Caribbean. However, it has been revealed that structural power as a paradigm is under-specified. A search for research that offers a more defined approach has led to Susan Strange's concepts of structural power.

Strange's work has had a lasting impact on the fields of IR and IPE and has informed subsequent research in structural power concepts. She encouraged researchers to investigate the complex interactions between state power and market forces and how these shape regional and global systems. Yet, similar to structural power theories more generally, her framework remains under-conceptualized. While her work recognizes the interconnectedness of political and economic power and the significance of the control of resources within a broad set of structural dimensions of power, she did not provide a method to put her important ideas to work in addressing problems other than her central argument that the US was not in a permanent state of decline in the closing decades of the twentieth century.

Susan Strange's Framework of Structural Power

Within the broader concepts of structural power, Susan Strange's ideas are among the most familiar. In *States and Markets*, Strange proposed that between relational power and structural power, it is the latter that is far more important. Structural power is the ability to "shape and determine the structures of the global political economy within which other states...have to operate." Strange wrote that if a state can control these four underlying dimensions of structural power, then it could exercise power over the broader international system.¹⁶⁰

¹⁶⁰ Strange, *States and Markets*, 26–27, 29.

- Security – the ability of an actor to shape the perception of threats and the means to address them. This includes protection from external (or internal) threats or the capability to threaten the security of others.
- Production – the ability of an actor to influence or control the means of the production of goods and services and the distribution of those resources.
- Financial – the ability of an actor to control a wide variety of financial transactions, including the creation of credit, the flow of investment capital, and the stability of national and international monetary and financial systems.
- Knowledge – the ability of an actor to permit or limit the transmission and dissemination of information, ideas (including the diffusion of culture), and technology.

Although Strange’s ideas are grounded in the realist school, she was not too concerned with the orthodoxies of realists. Strange noted that while traditional realist thought holds that force and compliance are typically a part of the calculus of the decision-making process of a state to achieve desired outcomes, not every relationship is under those same demands. There are many times and places, Strange comments, that the use of coercive force is not always the principal or even a significant source of power.¹⁶¹ Because Strange’s structural power framework is multidimensional, it permits a holistic examination. It considers nuance, the indirect and unintentional forms of power—power by being there.

Strange proposed that there are abundant examples in the political and economic history of the world that demonstrate the importance of different kinds of structural power in affecting outcomes, showing how relational power can be converted into structural power and how hard it is in practice to distinguish between political and economic power.¹⁶² A practical example of this is observed in China’s partnerships, alliances, and cooperative agreements. Interactions such as these inherently transmute different forms of power. Moreover, because China’s economic objectives are tightly integrated with its political goals, discerning where one begins and the other ends, and vice versa, is not easy.

China’s engagement with the LAC region cuts across all four of Strange’s dimensions of structural power. It is a predominantly non-coercive and less perceptible form of power that is regularly carried out by state- and privately-owned enterprises at the

¹⁶¹ Ibid., 34–35.

¹⁶² Ibid., 28, 37.

behest and direction of the PRC. Strange also noted the historical nature of colonial powers in exploiting weaker continents.¹⁶³ Although it is not suggested here that China is operating as a colonial power per se, asymmetrical relationships are nevertheless found with China's engagement in Latin America and the Caribbean.¹⁶⁴

Contrasting with a realist-centric approach focusing principally on very observable measures of intentional and often coercive force by a state, it is argued that China's engagement with Latin America and the Caribbean is largely devoid of these characteristics. It is a manifestation of power and influence that is set apart from realism's ability to conceptualize or evaluate. Realism can be informative as to why China is engaged with the LAC region and its consequences, but less so to how China is doing what it is doing.

Matteo Dian points out that realists and those espousing power transition models using a power-as-resources approach overemphasize the role that coercive military capability plays in China's power. For example, complex relations between a rising power and the current hegemon are not considered. While in the case of assessments by Liberals, China's presumed socialization into the rules and norms of the international order yields conclusions that underestimate the role of China's power. Material capability in isolation of institutional and other determinants as an approach is flawed, and Dalian-based relational approaches to understanding power are inadequate as well. Dian argues that Strange's structural power framework is a superior approach to conceptualizing power in the context of China's rise because it incorporates the notion of "non-decisions" by states and less observable forms of power aimed at preventing conflict in the first place—the so-called second and third faces of power.¹⁶⁵

Strange writes that power "need not be confined to outcomes consciously or deliberately sought for."¹⁶⁶ These are the subtle and nuanced forms of power that Dian believes that Strange's analytical framework is better suited for exploring the complex

¹⁶³ Strange, *States and Markets*, 34, 62.

¹⁶⁴ Some argue that China is, in fact, acting as a neo-colonial power in Africa and Latin America. For a useful and recent treatment including the larger context of why China is embraced by both regions, see James Dever and Jack Dever, "Information Age Imperialism: China, Race, and Neo-Colonialism in Africa and Latin America," *University of Miami Inter-American Law Review* 52, no. 2 (May 24, 2021).

¹⁶⁵ Matteo Dian, "Does China Have Structural Power? Rethinking Chinese Power and its Consequences for the International Order", *The Journal of Northeast Asian History* 13, no. 2 (2016): 132.

¹⁶⁶ Strange, *The Retreat of the State*, 26.

challenges an emergent China poses. Notably, Dian concludes that assessing China's rise through Strange's structural power lens reveals that China is positioning itself to deter US institutional-based pressures and is increasingly able to dictate its own measures of political and economic interactions among its partners.¹⁶⁷ This suggests that China is in the process of building structural power in some of Strange's dimensions.

Power that can outwardly *appear* as non-purposive may still indirectly influence other states. For example, in considering structural conceptions of power, Stokes and Waterman coin the term *positive structural power*, whereby states seek to influence others indirectly by creating or amending existing structures and institutions.¹⁶⁸ Barnett and Duvall note that when considering the "ability of great powers to establish international institutions and arrangements to further or preserve their interests," it is significant that "it is less important that the outcome is willfully intended than that it is an effect of the asymmetrical ability to shape the context of choice or decision."¹⁶⁹ Yet, even though Strange's framework can be described as encompassing unintentional power, Benjamin Cohen suggests that Strange's conception of power involves much more intentionality. Cohen argues that structural power can be purposive once agenda-setting capacity has been acquired.¹⁷⁰ Recently, scholars have shown a renewed interest in structural power concepts applied to problems in IR and IPE.

Daniel Drezner uses Strange's framework to examine how a "rational revisionist" would seek to emerge as a competitor in an established hegemonic order without simultaneously destroying that very system. Drezner observes that counter-hegemonic debates are frequently grounded in the significance of new and existing institutions and notes that rising actors often obtain more from working within the system than by attempts to subvert the existing order. In a cost-benefit analysis of which of Strange's four structures would create the most pushback from an actor seeking to challenge the existing order, Drezner suggests that the financial structure would rank first, followed by

¹⁶⁷ Dian, "Does China have Structural Power?" 124–127, 145–146.

¹⁶⁸ Stokes and Waterman, "Security Leverage, Structural Power and US Strategy in East Asia," 1040.

¹⁶⁹ Barnett and Duvall, "Power in International Politics," 58–69.

¹⁷⁰ Benjamin Cohen, "Money, Power, Authority," in *Susan Strange and the Future of Global Political Economy: Power, Control and Transformation*, ed. Randall Germain (London: Routledge, Taylor & Francis Group, 2016), 117.

security, production, and, finally, the knowledge structure.¹⁷¹ William Winecoff presents a theory on the formation and persistence of structural power, which he points out was not in Strange's original formulation. Winecoff speculates that China's rise has been overstated in some ways yet finds that a "redistribution of structural prominence is taking place in some domains..."¹⁷² Maria Gwynn adds to Strange's framework by using a different conceptual lens to view the impact of her structures. Gwynn's work focuses on the mechanisms of international institutions in structural power by arguing that it is the *structure* itself (specifically, international institutions) that creates the resources or capabilities of states. Gwynn maps her institutional elements concept onto each of Strange's four dimensions of structural power to show how they are a source of power in each structure. As Gwynn suggests, her approach has the benefit of clarifying the connections between the concealed, less obvious use of structural power and the visible and detectable use of relational power by states.¹⁷³ Finally, in proposing a theory of financial statecraft of emerging powers, Leslie Armijo and Saori Katada suggest that a (neo)realist zero-sum framing of international monetary relations, while not inevitable, cannot be disregarded during possible power transitions. The authors discuss the emergence of new powers in Asia and Latin America and draw on Strange's framework by noting that a state may employ its financial capabilities to alter the international order. Broadly described as "indirect" or "unintentional" power, or by Strange as "structural" power, Armijo and Katada refer to this form of power as "systemic" power.¹⁷⁴

The conclusions of these researchers are applicable to the current project. Because it considers subtlety in power and influence, Strange's analytical framework offers a platform for the examination of China's presence in the LAC region that, I argue, yields a richer analysis. Yet, despite the asserted value and relevance of Strange's analytical framework for reconciling China's rise, it is nevertheless acknowledged that it is incomplete and provides little mechanism to extend her framework in any usable

¹⁷¹ Daniel W. Drezner, "Counter-Hegemonic Strategies in the Global Economy," *Security Studies* 28, no. 3 (2019), 505–506, 513, 520.

¹⁷² William K. Winecoff, "The Persistent Myth of Lost Hegemony,' Revisited: Structural Power as a Complex Network Phenomenon," *European Journal of International Relations* 26, no. 1_suppl (2020): 209, 210.

¹⁷³ Maria Gwynn, "Structural Power and International Regimes," *Journal of Political Power* 12, no. 2 (2019): 202–203, 207, 215.

¹⁷⁴ Armijo and Katada, "Theorizing the Financial Statecraft of Emerging Powers," 42, 48.

fashion beyond her principal argument. In its original form, this restricts its role in addressing broader problems in IR and IPE.

Christopher May notes that Strange's argument that the US was not in a state of decline required a theory demonstrating how economic power could be successfully exercised without coercive force. May refers to Strange's framework as "a more general theory of structural power, which is an informative method for analyzing the international political economy and its problems."¹⁷⁵ Ronen Palan points out that it is not a theory, but rather a series of observations without a framework. Palan wrote that many in Strange's own field of IPE have been critical of her theory of structural power because of a lack of preciseness and an absence of a path for further development and theory design, adding that it "lacks rigorous analytical content."¹⁷⁶ Echoing Palan, Christopher May goes even further and questions "whether Strange really is offering a fully developed theory at all." May suggests that if Strange is, rather, offering a research program, then it is up to others to develop theory to engage with that work. Interestingly, Strange herself refers to her concepts as an "analytical framework," not a theory per se.¹⁷⁷

Referring to Strange's analytic model, Herman Schwartz writes: "Strange saw all four forms of power in rather nominal and straightforward ways...unfortunately, Strange provided no clear criteria for an empirical analysis." While acknowledging the forthright way in which Strange approached the concept of power, Schwartz noted that she did not specify benchmarks for examining her four structures in any objective manner.¹⁷⁸ Maaïke Okano-Heijmans remarks that while work by Strange added to the debate on economic statecraft and economic security, functional considerations are left unanswered.¹⁷⁹ For example, Benjamin Cohen notes that despite Strange's great insight in conceptualizing power, her framework was too limited to capture what is happening in the world of international finance today. He argues that her theory of power is incomplete, particularly

¹⁷⁵ Christopher May, "Strange Fruit: Susan Strange's Theory of Structural Power in the International Political Economy," *Global Society: Journal of Interdisciplinary International Relations* 10, no. 2 (1996): 167–168.

¹⁷⁶ Strange, *States and Markets*, Foreword, xiv.

¹⁷⁷ *Ibid.*, Forward, xiv, 31, and May, "Strange Fruit," 188.

¹⁷⁸ Herman Mark Schwartz, "Strange Power Over Credit; Or the Enduring Strength of US Structural Power," in *Susan Strange and the Future of Global Political Economy*, ed. Germain, 70.

¹⁷⁹ Maaïke Okano-Heijmans, "Conceptualizing Economic Diplomacy: The Crossroads of International Relations, Economics, IPE and Diplomatic Studies," *The Hague Journal of Diplomacy* 6, nos. 1–2, (2011): 12.

with respect to the financial structure.¹⁸⁰ Carla Norrlof also found Strange's taxonomy of structural power incomplete and limiting in its potential application. Expanding on Strange's interests, Norrlof argues this was particularly visible in how her four structures intersect with each other. Norrlof suggests that more work in that area might have exposed "interesting possibilities that could have made her account more complete and convincing."¹⁸¹

Operationalizing Strange

The preceding discussion has illuminated where and how Strange's framework is lacking for an assessment of the structural power of states. Her valuable and influential concept demands a method to put it to work—to operationalize it beyond that of an examination of an already structurally powerful United States.

Whereas the methodology developed here does not advance a discrete mathematical model assigning a relative or absolute set of figures that measures the structural power of a state, it nevertheless establishes a quantitative association between China's wide-ranging engagement in the LAC region with the development of that form of power.¹⁸²

There have been numerous attempts to quantitatively assess national capability. Evaluating the power of states is imperative in the field of IR because it intersects with decisions regarding domestic and foreign policy, which result from the development of strategies (including grand strategy) that a state might employ to impact not only its neighbors but the international system of states. Naturally, scholars (as well as government officials) are interested in knowing if a particular state has the capacity and capability to force its will on others.

¹⁸⁰ Cohen, "Money, Power, Authority," in *Susan Strange and the Future of Global Political Economy*, ed. Germain, 112, 114.

¹⁸¹ Norrlof, "Dollar Hegemony," 1056.

¹⁸² William Winecoff writes that within the field of IPE there is a sense that Strange's form of structural power is "essentially unmeasurable." Winecoff argues that previous attempts to measure structural power have resulted only in a "post hoc identification." See William K. Winecoff, "Structural Power and the Global Financial Crisis," 500. Interestingly, this was essentially Strange's method in *States and Markets* vis-à-vis her argument relating to US structural power. This project aims to show that by examining the *emergence domain of structural power*, versus looking only at the systemic level, new insight may be gained.

While the measurement of national power has evolved, it has largely remained focused on military capacity. Traditional methods used to measure the capabilities of states to project influence and power have aligned with their ability to leverage the mechanisms of coercive force to compel other states to bend to their will in one fashion or another. These elements are a product of the geography, population, economic wealth (typically measured as GDP, but can be a broader-based metric), and political leadership of a state. A widely used model of the material capabilities of states is the Correlates of War, Composite Index of National Capability (CINC).

The CINC index is principally concerned with what could be brought to bear in a military dispute by major powers, and by focusing on the characteristics of states, the CINC index essentially ignores relationships between them. The authors of the CINC index define power as “the ability of a nation to exercise or resist influence” and use evenly weighted demographic, industrial, and military capabilities widely agreed upon by researchers as “three of the most central components of material strength.” The CINC score is coercive-power centric, monadic as far as the discrete measurement of individual countries is approached, and heavily entrenched in measuring resources.¹⁸³

More contemporary work in measuring national capabilities is presented in a RAND study. This research builds on Jeffrey Hart’s proposal that power through desired outcomes of the state is central to the investigation. The methodology is also monadic and remains resource-centric, focusing mainly on the use of coercive force as its output. However, by unpacking the concept of *state*, this approach enables it to be viewed as active social structures rather than viewing states as “mere geographical containers.” This approach examines resources as inputs and the processes by which these are converted

¹⁸³ The CINC index was originally presented in the edited volume *Peace, War, and Numbers* as part of the Correlates of War project and is also variously referred to as the Composite Index of National Capacity. See J. David Singer, Stuart Bremer, and John Stuckey, “Capability Distribution, Uncertainty, and Major Power War, 1820–1965,” in *Peace, War, and Numbers*, ed. Bruce M. Russett (Beverly Hills, CA: Sage, 1972), <http://www.owlnet.rice.edu/~stoll/P570/sbs.pdf>, 19–48. See also J. David Singer, “Reconstructing the Correlates of War Dataset on Material Capabilities of States, 1816–1985,” *International Interactions* 14, no. 2 (1987): 115–132, <https://doi.org/10.1080/03050628808434695>; “National Material Capabilities (V4.0),” Correlates of War, July 22, 2021, <https://correlatesofwar.org/data-sets/national-material-capabilities>; and “National Material Capabilities (NMC) Data Documentation,” Correlates of War Project, February 1, 2017, <https://correlatesofwar.org/data-sets/national-material-capabilities/national-material-capabilities-v4-0>, 2, 4–5.

into useable power. These two elements point to the military capability of a state.¹⁸⁴ The RAND study prescribes a more nuanced interpretation of power capability by refining the definition of a state.

Building on these approaches is the Formal Bilateral Influence Capacity (FBIC) index. The bilateral FBIC deconstructs the broader concept of power and its constituent element, influence. The index is theoretically grounded in the “faces of power” found in Dahl and in Lukes et al. and conceptualizes influence as a force that becomes power when one actor utilizes it to modify the behavior of another. The FBIC framework is based on the premise that by controlling sources of influence, such as natural resources, military assets, and relational elements, an actor can possess influence but does not have power until those sources are effectively steered towards desired outcomes. The ability of a state to exert that influence is reliant on the degree of interaction across those sources of power and the relative dependence of one state on another for economic prosperity and security.¹⁸⁵

The FBIC index acknowledges that power and influence are derived from more than coercive force and examines interdependence among states at the dyadic level. As such, it represents a considerable advancement in the measurement of power by filling a void recognized by the authors of a lack of a clear and quantifiable concept of what influence is and what might be the potential tangible benefits that accrue from its possession by a state. The FBIC framework subscribes to the idea that power is present when outcomes are achieved, and this notion resonates with Strange’s concept of

¹⁸⁴ Gregory F. Treverton and Seth G. Jones, “Measuring National Power,” RAND Corporation, April 21, 2005, [Measuring National Power | RAND](#), and Ashley J. Tellis et al., “Measuring National Power in the Postindustrial Age,” RAND Corporation, January 1, 2000, [Measuring National Power in the Postindustrial Age: Analyst’s Handbook | RAND](#), xii, 21, 45–47. The theoretical grounding for the ability of a state to convert material resources into military capability is derived from Jacek Kugler and William Domke in “Comparing the Strength of Nations,” *Comparative Political Studies* 19, no. 1 (April 1986): 53–54. The authors define power as a “relationship in which one actor is able to exercise control over the behavior or fate of another.” The source of that power is a combination of domestic resources augmented by foreign contributions.

¹⁸⁵ Jonathan D. Moyer et al., “Power and Influence in a Globalized World,” Atlantic Council, January, 2018, <https://www.atlanticcouncil.org/in-depth-research-reports/report/power-and-influence-in-a-globalized-world/>, 1-2, 4, 6-10. The FBIC index includes security, economic, and political components and examines the magnitude (“bandwidth”) and relational (“dependence”) elements of influence. The dependence element implies asymmetrical relationships are involved in the calculus. Relatedly, Raúl Bernal-Meza argues that China has developed unique asymmetric economic relationships that serve its interests as a world power. See Bernal-Meza, “China and Latin America Relations: The Win-Win Rhetoric.”

structural power. Approaches to measuring power have progressed, yet they remain mired in coercive foundations based principally on resources.

To address the earlier criticisms by scholars that Strange's framework is incomplete and does not provide an analytical method to extend it beyond her original thesis, this project advances a new concept referred to as the *emergence domain of structural power*. The emergence domain of structural power concept can be viewed as a complementary extension of Strange's framework of structural power. For this project, it acts as a bridge to connect China's regional engagement in LAC with broader instances of structural power. The instruments of this extension are context-specific indicators or metrics that originate with and are tightly integrated into her broader concepts but have been refined and more precisely specified. Additionally, these indicators have been theoretically demonstrated as exhibiting the ability to generate political, economic, or a mixture of both kinds of influence at the subsystem level.

It has been revealed that structural power is often not directly observable, it is indirect power—power that is less visible. Consequently, the emergence domain of structural power concept employs an inferential technique to assess China's influence in LAC. This method is regularly used in both the physical and social sciences. In the social sciences, indirect measurement using proxies is common. In fact, the indices mentioned earlier to measure the power of states employ this technique. By using an inferential method, the research makes a synthetic assessment of power by using elements that are believed to reflect the underlying construct of interest. Similar to the FBIC index, the method utilized here is dyadic and relational. By observing China's engagement with the countries of the LAC region, we obtain indications of where returns or outcomes are being produced from that presence.

While Strange's framework focuses on the four dimensions of structural power and their impact on states and markets, the emergence domain concept captures the intermediate steps and mechanisms through which emerging or rising states build their capabilities and capacity within these dimensions to generate systemic power. It is a more detailed and nuanced exploration of the processes at work within the dimensions of structural power that Strange outlines. The first step in putting Strange's framework to

use requires formalizing the influence-power nexus and conceptualizing influence in terms of a variable that can be measured.

The equivalence of influence and power is elementary to Strange's framework, and thus far, the two terms have been used interchangeably. This correlation is not controversial in the research on concepts of power in IR and the social sciences more broadly. Even though Dahl recognized that, depending on their use, certain distinctions among the terms power, influence, control, and authority were necessary, he nevertheless used them interchangeably.¹⁸⁶ The equivalency of power and influence is supported by Baldwin and Lukes as well. David Willer, Michael Lovaglia, and Barry Markovsky provide a theoretical argument for their relationship. Using elementary theory, which investigates structural power, and status characteristics theory, which examines influence due to position or prestige, the authors support Dahl's conclusion. While also noting clear distinctions between them, they determine that influence and power are inexorably linked.¹⁸⁷ Essentially, they view the terms as reciprocal; power produces influence, and influence produces power.

The question of influence as a variable useful for measurement is also crucial for developing an operating method for Strange's framework. However, its classification as an input for producing certain outcomes or as an output or causal result of decision-making has been contested. For example, James March sees influence as neither an input nor an output but rather as an "intervening variable for the analysis of decision-making." In this regard, March does not view influence and causality as equivalent terms.¹⁸⁸ Conversely, Piet Verschuren and Bas Arts pursue an approach that assesses influence as both an input *and* an output. Verschuren and Arts build on Dahl's assessment of power with a model in which they view influence mutually as a process (input) and a product (output) and suggest that this combined strategy is a superior method for its understanding.¹⁸⁹ This study acknowledges differences in the literature in classifying

¹⁸⁶ Dahl, "The Concept of Power," 202.

¹⁸⁷ David Willer et al., "Power and Influence: A Theoretical Bridge," *Social Forces* 76, no. 2 (December 1976): 573.

¹⁸⁸ James G. March, "An Introduction to the Theory and Measurement of Influence," *The American Political Science Review* 49, no. 2 (June 1955): 431, 432.

¹⁸⁹ Piet Verschuren and Bas Arts, "Quantifying Influence in Complex Decision Making by Means of Paired Comparisons," *Quality & Quantity* 38 (2004): 496, 498.

influence as an independent or dependent variable, or both (and even neither), but also views this debate as somewhat pedantic. The view pursued here roughly agrees with Verschuren and Arts that influence can be both. This idea also accords with the three approaches to the study of power presented earlier. The second step in operationalizing Strange is qualifying what is being linked or bridged.

In the context of China's engagement with the LAC region, the emergence domain concept considers several elements that are associated with a structural power philosophy. First, China is building economic interdependence with the LAC region. In developing its trade, investment, and financial ties, China is laying the groundwork for greater (systemic) influence and power by expanding its regional market influence. Second, China is developing, improving, and consolidating institutional ties with the region. China's diplomatic initiatives and its engagement with bilateral and multilateral organizations advance governmental and business relationships and interactions that build influence and power capacity. It can leverage this influence to further its strategic interests and build alliances that extend beyond the region. Third, China is developing infrastructure networks in LAC. With its contributions to the development of regional road, rail, maritime, communications, electrical transmission, and myriad other improvement projects, China enhances its own operational capabilities (such as aiding resource-seeking). This supports China's domestic (and foreign) goals, which further integrates itself into the international economic system. Fourth, China's engagement in LAC promotes its soft power. China's investments in cultural exchanges, educational programs, and media presence contribute to its ideological influence in the region and this can translate into broader global benefits. Lastly, specialized assistance in security and defense, agricultural, technological, and public health related sectors, establishes China as a partner and a resource for LAC region countries. The final step in providing a method for Strange's framework is to conceptualize each dimension of structural power and align them with the goals of this research.

Strange argued that structural power emanates from the ability to exercise control over the provision of security from threats of violence, the production of goods and services, the supply and distribution of credit, and the ability to access or deny knowledge.

Strange regarded these sources of power as elementary—“they are no more than a statement of common sense.”¹⁹⁰

Security

In the security structure, the source of power originates from the capability and motivation of an authority to provide threat protection. A state can exercise power over others if that authority can provide safety from conflict. More than in Strange’s other three structures, the security structure is built around the institution of the state. In the security structure, the state is a unitary actor and claims a monopoly over the legitimate use of violence.¹⁹¹ As Susan Strange scholar Ronen Palan noted, the security structure is the only territorially based and therefore unshared “system” of Strange’s four structures.¹⁹² Questions encompassing who provides security to whom, what prices are extracted for the provision of security, and, certainly, to whom does one look for security unavoidably involve looking to the apparatuses of the state whose responsibility it is to provide those protections.¹⁹³

Strange defines the security structure by classifying where or how threats originate. Threats against individuals, groups, institutions, or states can be caused by either natural forces or human agency. Apart from natural disasters, Strange submits that most of the threats against people’s security arise from “conflicts of authority”—those mainly involving state-on-state “legitimate” use of violence.¹⁹⁴ In the security structure, the analysis is centered on the ability of the state to interact with mechanisms that increase security or decrease threats from internal or external sources.

China's engagement in military and defense related activities in Latin America and the Caribbean is part of a broader strategy to expand its sphere of influence and project power beyond Asia. This engagement builds strategic partnerships with LAC countries that can have synergistic effects. In the realm of security and defense, the sale or transfer

¹⁹⁰ Strange, *States and Markets*, 29, 32.

¹⁹¹ *Ibid.*, 32, 50.

¹⁹² Ronen Palan, “Susan Strange 1923–1998: A Great International Relations Theorist,” *Review of International Political Economy* 6, no. 2 (1999): 130.

¹⁹³ Strange, *States and Markets*, 49–50.

¹⁹⁴ *Ibid.*, 51–53.

of armaments is one of the most recognized (and researched) forms of influence creators for a state.

The United States sits alone as the foremost supplier of weapon systems to the world. Between 2017 and 2021, the US had a 39 percent market share in international arms exports. This far outpaced second-place Russia with half the share of the US, and China with a relatively paltry five percent of total global sales.¹⁹⁵ Saudi Arabia is the world's largest purchaser of weapons systems. Venezuela has until recently been ranked among the top global importers and is first in the LAC region.¹⁹⁶ While China's arms sales are insignificant compared to that of the US, its strategic objectives vis-à-vis security cooperation and defense engagement globally and regionally in Latin America and the Caribbean are tied to its broader goals of security and prosperity. Establishing itself as an arms supplier to LAC strengthens existing political-economic bonds and builds new types of relationships.

John Sislin studied US arms transfers and their effects on influence attempts and behavior change in recipient countries. Sislin found that while there were varying degrees of success in policy compliance based on, among other elements, the type of inducement for purchasing military weapons, the probability of a successful influence attempt when specific conditions were met ran as high as 99 percent.¹⁹⁷ Research by David Kinsella supports the arms transfer argument observed by Sislin. Kinsella found that arms sales have both military and political—i.e., also economic—effects, and echoing Sislin, notes that successful (measured as less conflictual) foreign policy behavior on the part of a recipient state was an essential determinant in that positive influence attempt outcome.¹⁹⁸ Daniel Byman and Roger Cliff point out that China's weapons sales meet strategic

¹⁹⁵ M. Szmigiera, "Market Share of the Leading Exporters of Major Weapons 2017–2021," Statista, March 16, 2022, <https://www.statista.com/statistics/267131/market-share-of-the-leading-exporters-of-conventional-weapons/>. See also "New SIPRI data reveals scale of Chinese arms industry," SIPRI, January 27, 2020, <https://sipri.org/media/press-release/2020/new-sipri-data-reveals-scale-chinese-arms-industry>. It was noted in this article that China had overtaken Russia as the second-largest arms producer in the world.

¹⁹⁶ See "SIPRI Arms Transfers Database," SIPRI, accessed July 24, 2022, <https://www.sipri.org/databases/armstransfers>.

¹⁹⁷ John Sislin, "Arms as Influence: The Determinants of Successful Influence," *The Journal of Conflict Resolution* 38, no. 4 (1994): 665, 668, 670–673, 679.

¹⁹⁸ David Kinsella, "Arms Transfer Dependence and Foreign Policy Conflict," *Journal of Peace Research* 35, no. 1 (1998): 7–23.

objectives such as expanding political influence in regions such as the Middle East and Southeast Asia.¹⁹⁹ William Avery found similar political-economic influences in Latin American countries' purchase of arms from the US, with the availability of economic resources (operationalized as the effect on recipient country GNP) noted as an important determinant for the supplier of arms.²⁰⁰ By providing military equipment and expertise, China provides LAC region countries with the means to strengthen their militaries while also making them more reliant on its weapons platforms. Arms sales also establish China as a global arms supplier, thereby producing additional strategic benefits.

Defense cooperation agreements (DCAs) are another influence driver in the security dimension and can be viewed as complementary to the sale of military weapons systems. DCAs are formal accords specifying broad defense related policies between two states. These agreements allow China to work with Latin American and Caribbean countries on issues such as military training, joint exercises, and information sharing. Specific details of these agreements would typically be kept secret. However, it can be assumed that there would be provisions to provide access to strategic locations, such as ports and airfields, and offer possible future basing opportunities. DCAs can also provide diplomatic leverage, allowing China to deepen its political relationships in the region. As China strengthens its ties with regional governments, this cultivates trust and fosters closer cooperation and its ability to shape power dynamics regionally and beyond.

Brandon Kinne developed a model that integrates cooperation theory to examine why states are inclined to enter into DCAs. Kinne notes that DCAs facilitate cooperation in “fundamental areas as defense policy coordination...joint military exercises, education and training...” among other defense collaboration areas. In his research, Kinne demonstrated that systemwide trends in the security circumstances of states, such as a decrease in interstate conflict and the growth of nontraditional security threats, “translate into specific dyadic influences.” Kinne concludes that DCAs, via the ancillary effects of

¹⁹⁹ Daniel L. Byman and Roger Cliff, “China’s Arms Sales: Motivations and Implications,” RAND Corporation, 1999, x.

²⁰⁰ William P. Avery, “Domestic Influences on Latin American Importation of U.S. Armaments,” *International Studies Quarterly* 22, no. 1 (1978): 138.

cooperation, have a definite influence on states, particularly when one partner can help another meet their defense related goals.²⁰¹

Similar to arms sales and DCAs, bilateral military engagement creates relationships, mutual bonds, and de facto cooperation between states, thereby organically increasing influence attempts at altering behavior, particularly those involving asymmetric relationships. For example, joint military exercises and senior-level personnel exchanges and meetings demonstrate China's military capabilities to the countries of the LAC region. This showcases its equipment and methods, as well as its readiness to cooperate in areas of security and defense. Military engagement contributes to intelligence sharing and service branch interoperability capabilities. Like DCAs, this engagement could potentially alter the broader diplomatic balance in the region. By deepening its defense ties with the countries of LAC, China provides an alternative source of security cooperation, which might reduce reliance on Western powers and thus enhance its own strategic influence. Supporting Kinne's study, there is a considerable body of cross-discipline research demonstrating how interaction, and the cooperation that it generates among actors, leads to networks of influence.²⁰²

Finally, China's security and defense engagement with the countries of the LAC region has consequences for regional structures, which foretells subsequent beneficial effects for its own influence and power. For instance, China's BRI infrastructure initiative has security implications, such as developing ports, roads, telecommunications, and other networks with dual-use potential. Improvements in infrastructure projects can be leveraged for advantage independent of commercial purposes. Cooperation with China shapes the landscape of LAC country security environments by increasing their

²⁰¹ Brandon J. Kinne, "Defense Cooperation Agreements and the Emergence of a Global Security Network," *International Organization* 72 (Fall 2018): 799, 801.

²⁰² Scholarly research into the interactions of social units and cooperation cuts across a wide swath of disciplines outside of IR and IPE. For example, the behavioral and organizational branches of psychology study the nexus of relationships and cooperation through teamwork. Research in the field of business studies examining relationships and cooperation in decision making concludes that firms use networks of relationships to generate cooperation and, conversely, view cooperation as increasing the value of relationships. See Maria Bengtsson and Sören Kock, "Cooperation and Competition in Relationships between Competitors in Business Networks," *Journal of Business & Industrial Marketing* 14, no. 3 (1999): 178–194, and Desirée Blankenburg Holm, Kent Eriksson, and Jan Johanson, "Business Networks and Cooperation in International Business Relationships," *Journal of International Business Studies* 27 (1996): 1033–1053.

dependence on its military and defense establishment. This creates a regional security structure more aligned with China's interests and worldview, potentially making LAC countries more susceptible to its influence and policies. Security collaboration can trigger the realignment of alliances and partnerships, thereby shifting the balance of power in the region, and this has implications for regional stability and the role of other powers. Changes in regional security structures and the consequent increase in China's structural power might not be an explicit goal of its engagement, and this aligns with Strange's notion of structural power as unintentional and indirect.

The conceptualization of the security structure is relatively straightforward. Strange writes that the control of mechanisms, which can increase or decrease internal or external threats, bestow power. Because it has a monopoly over the legitimate use of force, the state is the principal actor in the security structure.

Production

Structural power also develops with those actors who control the means and manner of the production of goods and services. According to Strange, the production structure includes everything associated with who decides what is produced and how the means of production capacity employs land, capital, labor, and raw materials to affect that production. Those who control the means of production are in a position to exercise, defend, and consolidate social, economic, and political authority over others.²⁰³ The production structure is concerned with wealth creation. It builds directly on the security structure because security is a precondition and because so much of the wealth created is directed to the purchase of armaments and defense material required to increase the security structure of the state.²⁰⁴

In the production structure, Marxist ideology can slip into the discussion with debates over how productive power results in power over the classes. As envisaged here, productive capacity does not address class struggle but rather is concerned with concrete examples and uses of that influence capacity by states to build structural power. In fact, Strange suggests that changes in the production structure over the past two centuries

²⁰³ Strange, *States and Markets*, 32.

²⁰⁴ *Ibid.*, 88.

have ushered in consequences in the international political economy that render Marxist and other similar debates less relevant or useful for examining power. Citing business management theorist Peter Drucker, Strange writes that the world economy is now dominant, superseding macroeconomic principles, which Drucker notes (whether they be Marxist, Keynesian, or otherwise) “anachronistically focuses” on the nation-state alone.²⁰⁵ Change is a prominent theme in Strange’s production structure.

From transformations in international structures such as the completion of the GATT Uruguay Round and the emergence of the follow-on World Trade Organization to somewhat less dramatic yet still consequential changes in how logistics function because of shifts in global markets and technology, the production structure has been a more dynamic realm, particularly in the past century.

Strange theorizes that the change to a capitalist (demand) market-oriented economy driving the production structure, and conceivably even more significantly the “internationalization of production” (more commonly referred to today as globalization), has been profound in its effects. Globalization, in particular, has enabled not only multinational corporations but medium and smaller companies and state-owned enterprises directed, managed, and backed by the implicit power of the state to have much more central roles in the global economy.²⁰⁶ Jonathan Story writes that “the accelerated internationalization of production,” combined with changes in market trends play an increased role in the production structure.²⁰⁷

Thomas Lawton and Kevin Michaels suggest that the production structure is more relevant than ever. They note significant changes in the production structure by focusing on the increasing role of transnational corporations (TNCs) in facilitating global logistics techniques, more capable supply chains built on “demand side pull” versus “supply side push” methods, and the use of integrated and therefore more efficient production systems.²⁰⁸

²⁰⁵ Ibid., 71.

²⁰⁶ Ibid., 70–71.

²⁰⁷ Jonathan Story, “Setting the Parameters: A Strange World System,” in *Strange Power: Shaping the Parameters of International Relations and International Political Economy*, ed. Thomas C. Lawton, James N. Rosenau, and Amy C. Verdun (London: Routledge, 2018), 32.

²⁰⁸ Thomas Lawton and Kevin Michaels, “The Evolving Global Production Structure: Implications for International Political Economy,” in *Strange Power*, ed. Lawton, Rosenau, and Verdun, 59–66, 72. A demand side pull system is built on the concept that products are produced only when they are ordered,

Christopher May summarizes the description of the production structure by noting the importance of interactions between the structure and those social groups involved in it to influence outcomes and allocate benefits (and, accordingly, power). May focuses the debate on an appreciation of how, when methods of production change, there is likely to follow a shift in social and political authority.²⁰⁹ The evidence of China's engagement with Latin America and the Caribbean, especially since the turn of the new century, aligns with this theoretical discussion.

For China, the production structure is mainly sustained by trade and infrastructure systems designed to facilitate the conveyance of raw materials to the Chinese mainland. Trade, a secondary power structure in Strange's taxonomy, has thus been combined with her original production structure. It is argued that these ancillary structures are too closely associated with the means and methods of today's global production cycle to be considered as separate mechanisms. In an increasingly globalized world, the vertical and horizontal integration of supply and production chains makes it virtually impossible (or necessary) to isolate the analysis of these structures. This idea is supported in the literature. For example, William Winecoff explicitly includes trade within Strange's broader production structure. Using the rise of China as his example, Winecoff notes that control over production is linked not only with those conducting trade but also by the decision-makers involved in that trade. He suggests that the rise of China provides evidence of its "fitness" in trade through a large labor force and policies conducive to export-oriented growth.²¹⁰

In the security structure, a state can choose to "go it alone," unilaterally building hard (principally coercive) power along traditional (neo)realist concepts. In the case of China, it has been demonstrated that a state may also bilaterally engage with other states to build security structure power capacity. In the production structure, a state obviously has less ability to act alone (especially today); cooperation established through various relationships is a prerequisite.

as opposed to "pushing" products into a supply chain system. Dell Computer Corporation successfully used this model in the personal computer industry beginning in the 1980s.

²⁰⁹ May, "Strange Fruit," 179–180.

²¹⁰ Winecoff, "The Persistent Myth of Lost Hegemony, Revisited," 230–231.

China realizes multiple structural benefits with its production dimension engagement with the LAC region. Bilateral trade develops relationships that are critical for China's economic development and global influence. The acquisition of resources is strategic for China. Securing access to a wide variety of raw materials supports its export-oriented economic engine. For example, controlling the availability of fossil fuels strengthens China's global energy security posture, which enhances its worldwide influence and power. These interactions also lock in China's access to local LAC markets for its own manufactured goods and services. This creates not only profit-making opportunities for its MNEs and SOEs but (similar to the sale of weapons systems) increases LAC reliance on China's products, as well as becoming more dependent on the means and methods of its logistical infrastructure systems. Trade relationships, therefore, create dependencies but not just those arising from the simple purchase of goods by LAC countries. Bilateral trade establishes more complex (and serious) economic dependency. By cultivating trade relationships, China becomes a major trading partner with LAC countries, and it can potentially use this dependency as leverage to exert influence over these countries. It is suggested that bilateral trade volume and trade balances, and formal agreements that facilitate trade are essential metrics for assessing China's growing influence in the LAC region and its development of structural power.

Choices made to affect the trajectory of something as critical as its economy would necessarily be a part of the decision-making calculus of a countries' leadership. GDP tracks the health of a nation by measuring the value of the production of goods and services and directly reflects the political and economic choices of its leaders.²¹¹ Accordingly, elements such as trade, which is believed to impact GDP, are viewed as influencers of those decisions. Not unexpectedly, there is a large body of literature explicating the effects of bilateral trade on GDP growth.²¹² Jeffrey Frankel and Andrew Rose, in their seminal paper addressing trade and business cycles, note that the empirical

²¹¹ For an excellent overview of GDP and economic policy, see Roya Wolverson, "GDP and Economic Policy," Council on Foreign Relations, August 7, 2013, <https://www.cfr.org/article/gdp-and-economic-policy>.

²¹² Interestingly, trade and GDP are directly intertwined. Although there are different approaches to computing GDP, bilateral trade balances are typically included as an important component in its calculation. See Tim Callen, "Gross Domestic Product: An Economy's All," International Monetary Fund, February 24, 2020, <https://www.imf.org/external/pubs/ft/fandd/basics/gdp.htm>.

evidence demonstrates a strong positive correlation between trade intensity and economic activity, measured by, among other metrics, GDP.²¹³ In examining the effects of EU integration, Mete Çilingirtürk and Tuncay Can demonstrate that increased bilateral trade flows shift to member countries with consequent positive effects in global share of GDP as their observed variable.²¹⁴ Although there can be complicating factors, such as the nonlinearity between trade and GDP, there is a general consensus that bilateral trade has a net positive influence on economic growth as assessed by GDP.²¹⁵

Beyond its directly measurable impacts, trade also increases cooperation among states. Rafael Reuveny and Heejoon Kang studied the political elements of bilateral trade. They found that trade and cooperation (or conflict) are generally reciprocal, with the impact of cooperation on trade mostly being positive.²¹⁶ Lastly, Strange pointed out the inseparability of the economic and political effects of structural power. The political-economic nexus is supported by Scott Kastner, who examined China's international trade and found that trade dependence was correlated with an increased likelihood of more significant influence on the part of China. This was found to be more prevalent in matters of economic over political issues; however, and aligning with Strange, as the two are viewed here as closely associated, this distinction is less significant.²¹⁷

China's demand for resources from the LAC region creates new export markets that contribute to those countries' economic growth, which in turn adds to its influence in the region. Trade relationships lead to increased infrastructure development and access to new technologies and expertise that contribute to the creation of new industries in the region, which further stimulates economic growth. Bilateral trade can be a significant

²¹³ Jeffrey A. Frankel and Andrew K. Rose, "The Endogeneity of the Optimum Currency Area Criteria," *The Economic Journal* 108, no. 449 (July 1998): 1016–1017.

²¹⁴ Mete Çilingirtürk and Tuncay Can, "Bilateral Trade Impact on GDP: A Markov Chain Approach," *International Research Journal of Finance and Economics* (May 2011).

²¹⁵ See Alexandre Gaillard and François de Soyres, "Global Trade and GDP Co-Movement," Board of Governors of the Federal Reserve System, International Finance Discussion Papers no. 1282, May 2020, <https://www.federalreserve.gov/econres/ifdp/files/ifdp1282.pdf>, 2–3. For another example demonstrating the causality of bilateral trade to economic growth with Panama as the subject of inquiry, see Sayef Bakari and Mohamed Mabrouki, "Impacts of Exports and Imports on Economic Growth: New Evidence from Panama," *Journal of Smart Economic Growth* 1, no. 2 (2017): 67–79.

²¹⁶ Rafael Reuveny and Heejoon Kang, "Bilateral Trade and Political Conflict/Cooperation: Do Goods Matter?," *Journal of Peace Research* 35, no. 5 (1998): 581, 582.

²¹⁷ Scott L. Kastner, "Buying Influence? Assessing the Political Effects of China's International Trade," *Journal of Conflict* 60, no. 6 (2014): 999.

source of influence, particularly for countries with a trade surplus. By establishing trade relationships with countries in the LAC region, China can leverage its greater economic strength to negotiate more favorable trade terms.

Similar to the effect that bilateral trade has on economic growth, agreements that facilitate that trade would naturally be seen as having an approximate impact. For example, in a recent study by the United States International Trade Commission, it was found that with only fourteen bilateral and regional Free Trade Agreements (FTAs), the US economy grew fully one-half of one percent.²¹⁸ In a study modeling the economic impact of a Japan-Singapore FTA, Thomas Hertel et al. found significant and reciprocal benefits to both signatories. Specifically, they found that with increased import and export trade, consequent increases in GDP were observed.²¹⁹ Otto Regalado-Pezúa and María Rosa Morán Macedo also note the shared benefits of FTAs. They observed that before a China-Peru FTA went into effect, China's exports increased at six percent per annum. This led to China becoming an important export market for Peru. However, since the implementation of the FTA, Peru's exports to China have experienced exponential growth rates, displacing the US as its number one export partner. Regalado-Pezúa and Morán Macedo make the point that the FTA has aided trade stability and increased trade growth for China as well.²²⁰

Foreign Trade Agreements facilitate tighter economic integration with the countries of LAC. The signing of formal agreements signals to LAC countries the long-term commitment of China as a partner for their economic development and prosperity. The negotiation process essential to the design and implementation of FTAs give China the opportunity to shape the rules governing trade in the LAC region. This can translate into structural power as China influences the broader regulatory environment and market conditions with other FTA partner countries.

²¹⁸ "Economic Impact of Trade Agreements Implemented under Trade Authorities Procedures, 2021 Report," United States International Trade Commission, June 2021, <https://www.usitc.gov/publications/332/pub5199.pdf>.

²¹⁹ Thomas W. Hertel et al., "Dynamic Effects of the 'New Age' Free Trade Agreement between Japan and Singapore," *Journal of Economic Integration* 16, no. 4 (2001): 446–447, 462–464, 473.

²²⁰ Otto Regalado-Pezúa and María Rosa Morán Macedo, "The Peru-China FTA," in *China's Trade Policy in Latin America: Puzzles, Transformations and Impacts*, eds. Dorotea López, Guoyou Song, Andres Borquez, and Felipe Muñoz (New York: Springer, 2022), 82, 94.

Trade engagement is causing LAC countries to realign their trade patterns to better support China's requirements. The control of key areas of productive capacity can have significant LAC regional impacts and produce outcomes beneficial for China, which affect broader balance of power dynamics.

Since Strange wrote *States and Markets*, the logistics of trade have become much more integrated. Today, massive horizontal and vertical global supply chains provide the resources necessary to drive this exchange of goods and services. While the state remains a fundamental actor in the creation and expansion of trade, China's MNEs and SOEs play an important role in the production structure. In Strange's framework, bilateral trade is considered a secondary power structure. Because of the integrated nature of today's trade mechanisms, trade and agreements that advance trade are better viewed as central to her production dimension of power.

Financial

According to Strange, a third source of power lies with those who can control the financial system by creating and administrating a monetary and banking system, which allocates the supply and distribution of credit. Strange's overarching argument is that rather than power originating from the accumulation of capital through profits previously earned, i.e., a Marxist-socialist model, it is the establishment of credit to *finance* (current and future) economic growth that enables structural power.²²¹

However, while undoubtedly innovative, Strange's description of monetary and banking systems as key to structural power within her financial dimension is overly broad for immediate use in this project. Recalling the earlier criticisms of her framework, particularly those addressing the financial structure, it is acknowledged that more specificity (including modernization) is required to fully explicate what engagement in this structure means for structural power capabilities broadly speaking and for regional systems as well.

²²¹ Strange, *States and Markets*, 29, 33. Emphasis added. By "credit" Strange means more than only capital and its purchasing power potential used to acquire other assets. Importantly, credit also refers to the reputation and confidence of both sides of all financial transactions. Absent these measures, credit would be impossible.

When Strange wrote *States and Markets*, bilateral trade was still the leading form of cross-border exchange. Today, the purchase and sale of financial assets account for the bulk of cross-border transactions. Further, the financial instruments encompassing those transactions have become much more sophisticated. While banking and monetary structures obviously remain central, the varied forms of capital that move within those channels have a more significant impact today. Equity transactions such as FDI and the return of earnings gained by those investments to home markets are ever more important in the contemporary financial structure.

A frequently cited benefit of globalization has been the increased cross-border flow of goods and services worldwide: the liberalization of trade. Until as recently as the 1970s, trade was the leading form of exchange between nations, accounting for upwards of 90 percent of international transactions, with just 10 percent of the total identified as capital flows. However, the surge in cross-border flows of investment capital as multinational corporations expand into foreign markets has been far more impactful to the world economy. The purchase and sale of financial assets now considerably exceed those of traditional trade flows. Today, 90 percent of cross-border transactions are categorized as capital flows unrelated to trade.²²²

Benn Steil and Robert Litan note the importance that capital flows play in the international financial marketplace today; they have a “vastly more immediate and dramatic influence than trade flows not only over movements in the relative value of national currencies but on the most basic economic and political conditions of a country.”²²³ Investment liberalization has been the key driver of growth in both developed and developing countries over the past thirty years.²²⁴ The increased significance of today’s global financial structure has been cited as bestowing more general forms of

²²² Benn Steil and Robert E. Litan, *Financial Statecraft: The Role of Financial Markets in American Foreign Policy* (New Haven, CT: Yale University Press, 2006), 3, Richard P. Cronin, “Asian Financial Crisis: An Analysis of U.S. Foreign Policy Interests and Options,” UNT Digital Library (Library of Congress. Congressional Research Service), April 23, 1998, <https://digital.library.unt.edu/ark:/67531/metadc807522/>, and James A. Kelly, “East Asia’s Rolling Economic Crises: Worries for the Year of the Tiger,” Pacific Forum CSIS, January 2, 1998, <https://pacforum.org/publication/pacnet-1-east-asias-rolling-economic-crises-worries-for-the-year-of-the-tiger>.

²²³ Steil and Litan, *Financial Statecraft*, 4, 5.

²²⁴ David Marchick and Matthew J. Slaughter, *Global FDI Policy: Correcting a Protectionist Drift* (New York: Council on Foreign Relations (2008), 1.

influence and can also enhance relational power capacity. Controlling the apparatuses of that structure would clearly be beneficial to its possessors. As William Winecoff writes, “Control of the international system of finance and credit may be the most important aspect of structural power.”²²⁵

Leslie Armijo and Saori Katada write that emerging powers have a variety of financial and monetary strategies and products at their disposal. These include loans, equity transactions such as FDI, aid, reserve capital accumulation, and promotion of domestic reserve currencies using policy banks and their control apparatuses, and institution creation.²²⁶

China’s extensive financial engagement with the countries of the LAC region provides several benefits in its broader efforts to exert influence regionally and on the global stage. Capital flows targeting key LAC industrial sectors can be viewed as complementary to its bilateral trade activities. China’s direct investments, sovereign lending, and official development assistance create economic-political (and diplomatic) dependencies by becoming an indispensable partner with LAC countries. China’s investing and debt financing activities support the modernization of critical LAC industries, promote essential infrastructure development projects, and increase its own market access for much needed natural resources. By becoming an alternative source of financing, China challenges traditional international institutions, and this increases the acceptance of its own rules and norms (and currency) in global monetary and financial markets. This presence further improves China’s regional integration by creating new and enhancing existing government and business relationships. Economic and financial support to the LAC region also provides China with valuable diplomatic synergies and support for its positions on a broad range of monetary and financial based issues that it considers important, including multilateral banking and development institutions and forums and increased cooperation on its regional and international initiatives, such as the BRI and its subcomponents.

Related to the argument presented in the production structure, policies that affect a state’s economy are naturally integral to decisions made by its leadership. Therefore,

²²⁵ Winecoff, “The Persistent Myth of Lost Hegemony,’ Revisited,” 226.

²²⁶ Armijo and Katada, “Theorizing the Financial Statecraft of Emerging Powers,” 47–48.

GDP is an obvious choice to measure a nation's economic strength. Consequently, capital flows such as FDI, which are thought to affect GDP, can be viewed as sources of influence driving those choices. Foreign direct investment plays a well-known role in the economic growth of states, and empirical studies illustrating its effects are extensive.²²⁷ For example, in one recent study by Cao Liang, Salman Ali Shah, and Tian Bifei, it was found that FDI has a positive effect on the economic growth of developing nations as measured by both gross GDP and GDP per capita.²²⁸ Despite the substantial amount of research available, and similar to the effects that trade has on GDP, questions over the exact direction and rate of change that FDI has on GDP remain unresolved, however.

Agreements that assist countries in making foreign investments are also seen as important tools of influence in the financial dimension. Bilateral Investment Treaties (BITs) are formal accords between two countries that encourage FDI by providing a legal framework to protect investments made by entities. Similar to the effect that FTAs have on promoting bilateral trade between countries, BITs have been found to be a facilitator for increased foreign direct investment.²²⁹ BITs protect the interests of China as the investor and LAC region FDI recipient countries and thus promote a favorable investment climate to encourage outbound FDI and attract and retain inbound foreign investment.

Notably, while FDI is largely demonstrative of positive effects on growth, this project does not take a position as to the consequences of that engagement. How FDI affects democracy, for example, is, for the purposes of this study, less important than *if* it does or does not influence change.

²²⁷ For a robust argument supporting the quantitative impact of FDI on economic growth, see Pooja Sengupta and Roma Puri, "Exploration of Relationship between FDI and GDP: A Comparison between India and Its Neighbouring Countries," *Global Business Review* 21, no.2 (2020): 473–489. Foreign direct investment is the long-term acquisition of entities outside the economy of the investor, with the purpose of attaining significant control over the operation of that entity. A minimum of 10 percent ownership is required to establish effectual control. Direct investment contrasts with portfolio investment, where the investor purchases equities or debt instruments for market appreciation purposes, and the motive is not the long-term control of an enterprise. See Patterson et al., "Foreign Direct Investment: Trends, Data Availability, Concepts, and Recording Practices," 3. It is noted, however, that the distinction between direct investment and portfolio investment regarding control is increasingly becoming blurred. While FDI increases the capital stock of a country, the broader economic effects result from a series of complex factors. Both positive and negative correlations, which can be linear or nonlinear, are observed.

²²⁸ Cao Liang et al., "The Role of FDI Inflow in Economic Growth: Evidence from Developing Countries," *Journal of Advanced Research in Economics and Administrative Sciences* 2, no.1 (2021): 68, 78.

²²⁹ See, for example, Michael Frenkel and Benedikt Walter, "Do Bilateral Investment Treaties Attract Foreign Direct Investment? The Role of International Dispute Settlement Provisions," *The World Economy* 42, no. 5 (2018): 1316–42.

There has been less research on the economic growth impacts of sovereign lending. Debt inflows obviously increase the money supply of a country, but, similar to FDI, the exact consequences of sovereign lending on economic growth are not certain. Policies tied to increasing or decreasing foreign sovereign borrowing based on the potential rewards or costs to economic growth would undoubtedly influence the decision-making process. However, because this study is only concerned with influence creation as a result of China's engagement, whether or not a specific indicator, such as debt financing, results in a positive or negative outcome is less important. While research is scant, the lending-growth nexus has been demonstrated. For example, Helmut Reisen and Marcelo Soto investigated which types of capital flows fostered developing-country growth and found that, although there were differences in short-term versus long-term borrowing, benefits such as raising the recipient economy's efficiency were observed.²³⁰ The consensus that emerges is that although there is a nonlinear relationship between levels of borrowing and GDP growth, economic benefits do accrue with sovereign financing.

Given that sovereign borrowing positively impacts economic growth, examining access to foreign debt markets resulting from political influence considerations is valuable. This speaks to the continued discourse surrounding the inseparability of economic and political effects of influence and structural power.

Gene Ambrocio and Iftekhar Hasan ask if stronger political ties are associated with lower access costs to sovereign financing. Using measures of sovereign debt costs, including credit ratings and bond yields, Ambrocio and Hasan found that closer political ties with the US improved sovereign borrowing conditions for the countries examined. Significantly, the authors conclude that increased political alliance with China as a rising power may grow in its global economic impact.²³¹

Somewhat more complex in its operationalization and perhaps slightly less visible in its immediate effects, a country can also create influence by increasing the availability

²³⁰ Helmut Reisen and Marcelo Soto, "Which Types of Capital Inflows Foster Developing-Country Growth?," *International Finance* 4, no. 1 (2001): 3, 7.

²³¹ Gene Ambrocio and Iftekhar Hasan, "Quid Pro Quo? Political Ties and Sovereign Borrowing," *Journal of International Economics* 133 (2021): 5, 18. Here we observe the economic-political nexus—access to sovereign borrowing can create economic effects while closer political bonds might increase access to foreign capital, thereby potentially further enhancing those economic impacts.

and use of its currency. Though not technically debt financing, currency swaps are essentially loans. These agreements permit the central banks of two countries to exchange currencies. Central banks will, in turn, lend this foreign currency to their domestic banks. While there is some risk to the central banks of both governments, currency swaps are meant to be a meaningful sign of trust and to reinforce political and economic relationships between participating countries.²³² Most literature on currency swaps focus on the financial-economic aspects with less emphasis on political elements. However, in a review of currency swaps by the US Fed central bank to lower unfavorable dollar position exposure stemming from the 2007–2010 financial crisis, the monetary instruments were found to be highly political. Central bank swaps can provide liquidity for economies that are under severe financial strain, and partner countries must acquiesce to policy preferences aligning with the (typically) stronger economy. For example, institutional links, geopolitical concerns, and national security issues were cited as reasons justifying a US-Mexico swap. Interestingly, a swap line between the US and Brazil was noted for how “Brazilian diplomats frequently drift [away] from the BRICS coalition script.”²³³ The implication is that the US was inclined toward approving the arrangement to increase political levers against China. While the preponderance of research stresses the economic effects of currency swaps, these political elements are important sources of influence.

In another study, it was noted that currency swaps by China’s central bank increase international utilization of the Renminbi (RMB). Contrasting with much of the literature emphasizing the economic effects of internationalization, this was viewed by the author as more politically motivated than that of purely economic objectives. Although, it was noted that there are apparent economic spillover benefits to China as well.²³⁴ While political factors are unquestionably present with currency swaps, as Strange notes,

²³² Currency swaps involve the central bank of one country borrowing a specified sum of foreign currency while lending a corresponding amount of its own currency. The People’s Bank of China is China’s central bank, and it uses currency swaps to increase the use of its currency, when, for example, partner countries purchase its imports using Renminbi. See Benn Steil et al., “Central Bank Currency Swaps Tracker,” accessed June 29, 2022, <https://www.cfr.org/article/central-bank-currency-swaps-tracker>.

²³³ Aditi Sahasrabuddhe, “Drawing the Line: The Politics of Federal Currency Swaps in the Global Financial Crisis,” *Review of International Political Economy* 26, no. 3 (2019): 461, 463, 470–471, 479.

²³⁴ Hyoung-kye Chey, “Can the Renminbi Rise as a Global Currency?: The Political Economy of Currency Internationalization,” *Asian Survey* 53, no. 2 (March/April 2013): 367.

separating those elements from economic considerations is difficult. In a study investigating the impact of China's swap lines on bilateral trade, political and economic factors go hand in hand. It was noted that China's principal goal with currency swaps is to permit partner countries to directly settle bilateral trade using RMB without having to use US dollars to complete the transactions. At the same time, the study found that currency swaps positively impacted partner country GDP by deepening bilateral trade links and, notably, increased Chinese share in aggregate trade, promoting the trade of those countries more than that of China. This, the authors pointed out, incentivized countries to sign more swap lines with China.²³⁵

Currency swaps increase the circulation of a country's currency, and this can be an enormous source of influence and power. For example, the US dollar is by far the most widely used currency for clearing financial transactions worldwide. This gives the issuer immense control over international currency markets. Not the least because of exchange rate benefits and other transaction cost advantages, which accrue to the employment of the dollar. Increased financial transactions denominated in RMB expand China's economic ties and the financial integration between itself and the LAC community. Currency swaps lower exchange rate risk and increase stability and liquidity for Chinese and LAC businesses involved in cross-border transactions, which can create a more favorable business climate, thereby attracting more investment and trade. Increased use of RMB elevates China's influence in the international financial marketplace and challenges the dominance of other major currencies.

Less exotic than the forgoing financial instruments, official development assistance is nevertheless viewed as an influence driver.²³⁶ The impact on the economic growth of

²³⁵ Kaixuan Hao et al., "The impact of China's Currency Swap Lines on Bilateral Trade," *International Review of Economics and Finance* 81 (2022): 173, 174, 180.

²³⁶ Official development assistance can be an imprecise notion. Its definition is often contingent upon who is defining it. The Organization for Economic Cooperation and Development (OECD) uses a narrower description of official development assistance than used by China. Notably, ODA, as defined by OECD, does not include military aid or assistance to promote the security of a country. OECD defines ODA as government aid that promotes the economic development and welfare of developing countries and has at least a 25 percent grant element. The channels for aid may be direct, e.g., from donor to beneficiary, or via a third party such as the United Nations or World Bank. Types of aid can include outright grants, "soft" loans (that include a grant element of at least 25 percent of the total), and technical assistance. See "What is ODA?," OECD, April 2021, <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/What-is-ODA.pdf>; "Official Development Assistance—Definition and Coverage," OECD, accessed December 2, 2021,

a country resulting from ODA inflows is similar to that of sovereign lending. Various elements, such as threshold levels of ODA and short-term versus long-term effects, can yield varied results. For instance, Hong-Kee Kim and Fatima Lekhe researched the effects of ODA in developing countries and found that ODA has a significant positive impact on economic growth as measured by per capita GDP. However, at higher levels, diminishing growth returns are experienced.²³⁷ ODA contributing to economic growth based on government quality was noted by Yasuaki Momita, Tomoya Matsumoto, and Keiji Otsuka. Their research focused on the uniqueness of the Japanese model of foreign aid, which includes an emphasis on recipient countries' "ownership or self-help." It was found that Japanese ODA was positively associated with economic growth in partner countries selected for policies producing those traits.²³⁸ The findings from these studies demonstrate that economic benefits accrue from ODA. Additionally, by exposing a link between foreign aid and governance quality, this suggests that ODA directly influences the recipient country's decision-making processes.

Capital flows to the LAC region, and agreements that facilitate those flows generate influence and power for China. Direct investment, debt financing, and ODA act as catalysts to develop regional infrastructure projects, spur new industries, and promote job creation. As alternative sources of capital, these flows and currency swaps as well, increase LAC regional dependency on China. This has the effect of expanding China's international financial gravitas. Taken as a whole, these instruments enhance China's structural power capabilities by increasing its ability to shape regional structures, promote its own monetary and financial systems, and more deeply integrate itself into the global economic system, thus challenging existing international structures.

<http://www.oecd.org/development/financing-sustainable-development/development-finance-standards/officialdevelopmentassistancedefinitionandcoverage.htm>; and "Official Development Assistance (ODA)–Net ODA," OECD, accessed November 29, 2021, <https://data.oecd.org/oda/net-oda.htm>. Few of China's foreign aid activities meet the OECD definition of ODA. Indeed, only a tiny portion of China's foreign aid consists of outright grants, humanitarian assistance, social welfare programs, or food aid.

²³⁷ Hong-Kee Kim and Fatima Satter Lekhe, "ODA and Economic Growth in Developing Countries: Grants vs. Loans," *Journal of International Trade & Commerce* 15, no. 6 (December 2019): 19, 31.

²³⁸ Yasuaki Momita et al., "Has ODA Contributed to Growth? An Assessment of the Impact of Japanese ODA," *Japan and the World Economy* 49 (2019): 161.

Knowledge

“...knowledge is power...”

Strange, *States and Markets*.²³⁹

Although Strange recognized in *States and Markets* that her economic structures, i.e., the production and financial dimensions of structural power were more consequential in the global political-economic system, she conceded that the knowledge structure had been overlooked and that its importance was underrated. She also admitted that it was generally less understood in the first place.²⁴⁰ It might be said that the new frontier of structural power is knowledge—the acquisition and control of all forms of information. This potentially makes Strange’s final structure the most significant and far-reaching of her four structures of power. The knowledge structure is much less concrete than the others; it is harder to fully comprehend and locate in a well-defined box. The power gained by this structure is often diffused, according to Strange.²⁴¹

Broadly speaking, the examination of the knowledge structure is concerned with the ability of an actor to limit or control the dissemination of all manner of knowledge and information. However, assessing the knowledge structure is more challenging than with the previous three structures of power because it is so imprecise. As Strange notes, the knowledge structure is concerned with things that are believed and perceived and the channels by which those ideas are communicated to people. This type of power is subtle and elusive and harder to have control over.²⁴²

According to Strange, those actors who develop or acquire, and, importantly, can grant or *limit* access to knowledge (which others consider worth owning themselves) have power over others. Even more radically, Strange writes that those who possess that ability “will exercise a very special kind of structural power.”²⁴³

The knowledge structure is unique among the multifaceted dimensions of influence and power. The preservation and expansion of global security, production, and financial

²³⁹ Strange, *States and Markets*, 33.

²⁴⁰ *Ibid.*, 131.

²⁴¹ *Ibid.*

²⁴² *Ibid.*, 33, 131.

²⁴³ *Ibid.*, 33.

systems are utterly reliant on an awareness and understanding of those very structures which instill that power. In *States and Markets*, Strange argues that her four structures of power exist as a pyramid of co-equal spheres, each affecting the other but none necessarily dominating. However, it has been observed that the structures build on one another; for example, security is necessary before the production of goods and global financial systems. There is an implied hierarchy to her four dimensions of structural power, which results in somewhat of a conundrum. Although Strange understood the knowledge structure was consequential, it might be that she did not fully consider the eventual repercussions of her final structure. Of course, Strange could not have foreseen the transformational changes prompted by the entire trajectory of the information revolution coupled with the channels by which that innovation is transmitted today.

Others have noted the exclusivity of the knowledge structure. Bertjan Verbeek, for example, writes that “The knowledge dimension of structural power...merits a discussion of its own.”²⁴⁴ Christopher May mentions the difficulties in conceptualizing the knowledge structure. He refers to the structure as the most suggestive (and problematic) of Strange’s four structures of power.²⁴⁵ Lynn Mytelka adds that its substantive content remains “ill defined.”²⁴⁶ William Winecoff echoes the above scholars (including Strange) in writing that the knowledge structure “is more difficult to macroempirically ascertain,” and refers to knowledge as a “latent quantity” which can be quickly diffused.²⁴⁷

Claire Cutler points out that the theoretical foundations of Strange’s knowledge-power nexus can be traced to Gramsci, but the concept, or rather, the tangible tools of knowledge, was better articulated by Foucault in his work on the *how* of power where he discussed the “apparatuses of knowledge,” which he argues were not abstract ideas, but *instruments* for the accumulation of knowledge.²⁴⁸ Coincidentally, Strange scholar Ronen

²⁴⁴ Bertjan Verbeek, “Criticizing US Method and Thought in International Relations: Why a Trans-Atlantic Divide Narrows IR’s Research Subject,” in *Strange Power* ed. Lawton, Rosenau, and Verdun, 140.

²⁴⁵ May, “Strange Fruit,” 167, 182.

²⁴⁶ Lynn Mytelka, “Knowledge and Structural Power in the International Political Economy,” in *Strange Power*, ed. Lawton, Rosenau, and Verdun, 39.

²⁴⁷ Winecoff, “‘The Persistent Myth of Lost Hegemony,’ Revisited,” 238.

²⁴⁸ A. Claire Cutler, “Strange Bedfellows? Bankers, Business(men) and Bureaucrats in Global Financial Governance,” in *Susan Strange and the Future of Global Political Economy*, ed. Germain, 129–130, and Michal Foucault, “Disciplinary Power and Subjection,” in *Power*, ed. Lukes, 237. Emphasis added. For more recent theoretical work on the links between knowledge production and power applied to an

Palan suggested that even Strange paid little attention to idealization structures in the formulation of her knowledge structure.²⁴⁹

However, how the accumulation of information proceeds over time has changed, and the ongoing tension between states and markets for control of power structures continues with the knowledge dimension of power. In the security structure, it was found that the state was principally the dominant actor, while in the financial dimension, there has been a back-and-forth battle, with markets frequently coming out ahead in influence. Today, those who regulate the flow of information, largely through electronic means, have replaced those who use other methods of authority over the knowledge structure.²⁵⁰

The literature acknowledges the value of technology in the knowledge structure of power. For example, Thomas Lawton, James Rosenau, and Amy Verdun recognize the “central importance” of technology in the knowledge structure. They suggest that it not only increases traditional (relational perhaps) forms of power but also buttresses Strange’s other three pillars of structural power.²⁵¹ Mytelka understands its importance as well and observes that technology is generally defined as the “application of knowledge.”²⁵²

Strange defines a knowledge structure as the acquisition, accumulation, storage, and control of “desirable knowledge.” For Strange, technological innovation clearly plays an important role in the knowledge structure by proposing that the knowledge most sought after today is technology, including new methods of storing and retrieving information, which would “open doors to both structural power and relational power.”²⁵³ However, to overcome the (predicted) obstacles with the evaluation of her knowledge structure, Strange suggested a secondary analytical framework, which must look for three changes. First, look for changes in the delivery and control over information and its associated systems. Second, look for changes in verbal and non-verbal channels of communication.

empirical example, see Lina Benabdallah, *Shaping the Future of Power: Knowledge Production and Network-Building in China-Africa Relations* (Ann Arbor, MI: University of Michigan Press, 2020).

²⁴⁹ Palan, “Susan Strange 1923–1998,” 127.

²⁵⁰ For example, in the past, the Church was a gatekeeper to knowledge. This idea will be expanded in the knowledge structure chapter.

²⁵¹ Thomas C. Lawton, James N. Rosenau, and Amy C. Verdun, “Looking Beyond the Confines,” in *Strange Power*, ed. Lawton, Rosenau, and Verdun, 9.

²⁵² Lynn Mytelka, “Knowledge and Structural Power in the International Political Economy,” in *Strange Power*, ed. Lawton, Rosenau, and Verdun, 40.

²⁵³ Strange, *States and Markets*, 33–34, 134.

Finally, look for fundamental changes in belief systems that alter the human condition and influence value judgments which subsequently cause changes in economic and political decisions and policies.²⁵⁴ From a conceptualization perspective, this provides a path for further examination. However, as has been contended in this project and by others regarding her central structural power thesis, while Strange provides examples of these changes, she does not fully operationalize this secondary framework. Therefore, her knowledge structure remains only partially complete. Christopher May echoes this sentiment by suggesting that her knowledge structure requires more development.²⁵⁵

Stefano Guzzini makes progress with the knowledge dimension by distilling Strange's framework into two fundamental ideas. Guzzini describes Strange's knowledge structure as consisting of essentially only technology/know-how and culture. Although Guzzini acknowledges that technology is directly countable, he finds the latter problematic in its assessment. Specifically, he notes that Strange does not necessarily assume that the ideological and "cultural products" contained in the knowledge structure are influenced or directed in any specific direction—"they have a life of their own." To resolve this dilemma, Guzzini relies on the actor-centric notion found in realism. He proposes that as long as those cultural elements are controlled, their use is not a problem—"ideas are factors of power when they are manipulated by actors."²⁵⁶

As it is with Strange's other structures, how influence elements within the knowledge structure have the ability to shape rules and norms to better align with one's own belief systems and ideas can be a measure of the success (or failure) in altering outcomes. China's capacity to shape perceptions and opinions within the LAC region to create a positive narrative and image of itself develops influence and power.

Building on Lawton et al., Mytelka, and especially, Guzzini's ideas, gives direction for locating indicators of influence in this dimension of structural power. China's promotion of its culture; its language, beliefs, ideas, and value systems throughout LAC is important not only for telling the story of its own struggles but also for how it can be a fellow partner

²⁵⁴ Ibid., 132, 135. Strange argues that power and the authority conferred upon this structure originate more from voluntary consent than from force and is based on a shared set of belief systems that benefit society.

²⁵⁵ May, "Strange Fruit," 182.

²⁵⁶ Stefano Guzzini, "Strange's Oscillating Realism: Opposing the Ideal—and the Apparent," in *Strange Power*, ed. Lawton, Rosenau, and Verdun, 223.

with countries in the region. The technological aspects of the knowledge structure are closely intertwined with this diffusion of culture. Not only is the dissemination of technology a part of this narrative, but the technological channels themselves, e.g., the telecommunications systems that permit or limit the transmission of information, are a component of the knowledge dimension of power.

China's support of university education and research programs, a variety of bilateral and multilateral business and governmental partnerships, and its Confucius Institutes in the LAC region play an important role in facilitating the transfer of knowledge. China is also leveraging its increased capabilities in technology, including AI-powered surveillance and 5G internet capacity. As has been observed with the other structures, this creates dependencies (and advances regional integration) as countries in the LAC region increasingly rely on China's systems for how information is transmitted and stored. China's engagement with the LAC region in areas relating to the acquisition of information and ideas, or alternatively, the limitation and control of knowledge is a powerful approach for developing influence.

In the production and financial structures, influence was assessed largely through its direct effects on GDP. How influence is generated from acquiring or controlling information and knowledge, and measuring that through shifts in economic growth, would seemingly require a significant conceptual leap. Yet there is applicable research providing a nexus between international partnerships and institutions and the subsequent diffusion of culture and belief systems as influence drivers, which can be measured through their impact on economic growth. For example, sister cities promote multidimensional relationships and exchanges, which traverse social and business boundaries.

Brian Cross notes that the Sister City movement, encompassing arrangements of "international partnerships," was originally built on a diverse range of cultural understandings through citizen diplomacy. Decades after US President Eisenhower advanced the initial objectives in the aftermath of World War II, sister cities have evolved through a very different geopolitical, economic, and technological environment where governments have increasingly placed greater demands on them for real economic growth. Coincidentally, Cross suggests that this interest in hard financial return results

from the growth of links to China, whose overt aim is economic development. These links, Cross concludes, have provided significant macroeconomic benefits.²⁵⁷

As socio-cultural institutions, sister cities provide cultural-enhancing activities and develop trust that lessens transaction costs at the international level by reducing uncertainty, which opens up regional economic opportunities for businesses seeking to engage in trade. Sister cities assist in leveling the quality of institutions in different countries by increasing familiarity with business practices, and this directly translates to reducing the costs of doing business.²⁵⁸

Henri de Groot et al. investigated the effect of cultural and economic institutions on bilateral trade patterns. They found that countries with similar levels of institutional quality, originating from a familiarity with business practices, reduced transaction costs. This, the authors point out, resulted in positive and substantial impacts on bilateral trade.²⁵⁹ Firat Demir and Hyeonjin Im also found that cultural affinity and familiarity affect bilateral economic exchange. The authors demonstrated that cultural institutions, such as the British Council and Confucius Institutes (CIs), have an “economically and statistically significant positive effect on bilateral trade and investment flows.”²⁶⁰ Qing Li et al. analyzed the impact of cultural exchange through CIs on trade cooperation. It was found that these institutions improved cultural identity, reduced trade costs, and enhanced information sharing. By facilitating cultural exchange, CIs promote trade growth between China and participating countries. Additionally, the authors found that lower cultural distance was positively associated with the promoting effects of CIs on bilateral trade.²⁶¹

²⁵⁷ Brian Cross, “Sister Cities and Economic Development: A New Zealand Perspective,” *Transylvanian Review of Administrative Sciences* 6, no. 30 (2010): 104–105, 108, 114–115.

²⁵⁸ James Hogan, “From Sister Cities to Global Cities: The Economics of New Zealand’s Sister Cities,” NZIER report to Sister Cities New Zealand, March 2019: I.

²⁵⁹ Henri De Groot, Gert-Jan Linders, Piet Rietveld, and Uma Subramanian, “The Institutional Determinants of Bilateral Trade Patterns,” *Kyklos* 57, no. 1 (2004): 103, 118–119.

²⁶⁰ Firat Demir and Hyeonjin Im, “Effects of Cultural Institutes on Bilateral Trade and FDI Flows: Cultural Diplomacy or Economic Altruism?,” *The World Economy* 43, no. 9 (2020): 2463, 2486. CIs could be a valuable indicator for cross-country examination within the knowledge dimension. However, without a direct equivalent, it is impractical for use in the examination. Nevertheless, possible analogs might include the Peace Corps, the British Council, or the Alliance Française. These organizations have similar objectives of promoting cultural exchange, which, as discussed, is shown to have a positive correlation with economic growth. This idea will be further explored in the Knowledge chapter.

²⁶¹ Qing Li, Yonghui Han, Ziwen Li, Dongming Wei, and Fan Zhang, “The Influence of Cultural Exchange on International Trade: An Empirical Test of Confucius Institutes based on China and the ‘Belt and Road’ areas,” *Economic Research-Ekonomiska Istraživanja* 34, no. 1 (2021): 1033, 1038–1039, 1057.

In addition to cultural exchange elements, tangible economic benefits are associated with sister cities and similar institutions. Therefore, they are viewed as effective in assessing China's influence in the LAC region. Also, it is argued that these institutions sufficiently capture technological aspects of the knowledge dimension of structural power by increasing business efficiencies, lowering transaction costs, and significantly, improving the sharing of information, which is increasingly accomplished through the use of technology.

Migration has also been shown to have an influence-power nexus, and there is a significant body of literature explicating the effects of migration on economic growth. Evidence suggests that migration yields positive net gains in economic growth as measured by GDP per capita. However, questions remain about the mechanisms at work and intervening variables, such as increased employment rates rather than migration directly impacting growth.²⁶² Hillel Rapoport et al., studied how migration contributes to cultural change across countries. The authors found that, rather than the often-repeated narrative of immigrants threatening a host country's culture, they act as a promoting force. For instance, analysis indicates that migration fosters cultural convergence between countries. This convergence is caused by a diffusion of values and norms and was exhibited by a positive association found between migration and cultural proximity.²⁶³ The link between cultural proximity and economic growth has been examined as well.²⁶⁴ Research from Gabriel Felbermayr and Farid Toubal quantitatively assesses earlier anecdotal evidence that cultural proximity plays a role in determining trade flows. Using a theory-grounded gravity model, the authors demonstrate that cultural proximity is positively associated with bilateral trade between countries.²⁶⁵ Migration contributes to the exchange of culture, ideas, and belief systems, and it has been previously noted that there has been significant Chinese diaspora to LAC. Cultural proximity from migration

²⁶² Cat Moody, "Migration and Economic Growth: A 21st Century Perspective," New Zealand Treasury Working Paper, 2006, 40.

²⁶³ Hillel Rapoport, Sulin Sardoschau, and Arthur Silve, "Migration and Cultural Change," CESifo Working Paper no. 8547, September 2020, <https://ssrn.com/abstract=3689469>, 1, 30.

²⁶⁴ The quantitative measurement of cultural distance was pioneered by Gerard Hofstede.

²⁶⁵ Gabriel J. Felbermayr and Farid Toubal, "Cultural Proximity and Trade," *European Economic Review* 54, no. 2 (2010): 279, 291.

encourages the formation of networks that can further facilitate the engagement and cooperation between China and the LAC region.

The nature and composition of the knowledge structure and China's engagement in it can have profound impacts on LAC regional structures. The spread of fundamental methods of communication and the diffusion of culture, and the ideas and belief systems that are a part of culture are integral to the political-economic fabric of any society. This certainly includes the LAC region.

Strange identifies the knowledge dimension as being perhaps the most consequential in her structural power framework. Yet it is challenging to fully define. Scholars have described the structure specification as incomplete, problematic, and conceptually hard to ascertain. These difficulties, as is true of Strange's broader framework, leave it without a precise mechanism to operationalize it for use in power analysis. The knowledge structure of power concerns the acquisition, control, and transmittal of information and ideas. Strange argued that actors who possess capabilities relating to managing those elements have influence, and power.

Diplomatic Recognition

As a metric for assessing China's influence in the LAC region, diplomatic recognition warrants special attention.²⁶⁶ It has been previously mentioned that one of China's (PRC) political goals is its official recognition over that of Taiwan (ROC). Commonly referred to as the "One-China Policy," the PRC insists that there is only one sovereign China, and it considers Taiwan to be a part of its territory. At present, there are twelve (UN member) nations worldwide that still maintain official diplomatic relations with the ROC. As additional countries switch their diplomatic allegiance from Taiwan to the PRC, its global influence is degraded, and China sees this as a victory for its political goals.

Diplomatic relations between countries offer several significant benefits. Most notable among these is that foreign diplomats provide direct access to their own government communication channels. This can be critical in times of political or economic

²⁶⁶ To provide context for the relevance of official government relations and China's regional engagement, diplomatic recognition is addressed where applicable in the four structure chapters.

emergencies. Embassies and other diplomatic missions provide unique opportunities for information collection. This can be of a clandestine nature, or more mundane economic trade and investment data gathering useful for home-country analysis. Having a diplomatic presence offers the opportunity to have a voice in the formation of policies that might prove beneficial to the home country. Diplomatic relations also enable cooperation in various international issues that are important to both countries. Finally, embassies and consulates are important networks for cultural exchange. However, the challenge as it relates to Strange's taxonomy is that diplomatic recognition has implications that cut across multiple dimensions of power. These effects largely align with the benefits listed above.

PRC diplomatic relations with the LAC region increase security cooperation. This can strengthen China's military influence and presence with LAC. Diplomatic recognition with China would indirectly impact economic cooperation by creating new bilateral trade and investment opportunities. These prospects enhance China's influence in the region as long-term allies for economic development. Finally, as a conduit for cultural exchange, diplomatic missions create opportunities for China to propagate its ideology in the LAC region. This can enhance China's narrative and image as a global leader.

Diplomatic recognition is a multidimensional indicator of influence, which is associated with each of Strange's structures of power. Therefore, it is not included in an individual category. This reflects the multifaceted nature of structural power itself and the complex dynamics of influence associated with this form of power.

Strategic Partnerships

China's Strategic Partnerships with the LAC region also fall into a special category of influence driver.²⁶⁷ Strategic Partnerships are formal agreements that signal a deeper level of cooperation and engagement beyond generic diplomatic recognition. These agreements serve as frameworks for strengthening China's security, political-economic

²⁶⁷ China's Strategic Partnerships are specifically addressed in the Knowledge chapter.

and cultural ties with the LAC region. Each partnership is unique and tailored to the specific interests of China as well as the characteristics of the partner country.²⁶⁸

Strategic Partnerships with the countries of the LAC region build influence across all of Strange's dimensions of power. Security-related partnerships complement China's military engagement activities and deepen its regional security networks. Strategic Partnerships that emphasize economic measures promote industrial collaboration, infrastructure development, technology transfer, and existing bilateral trade arrangements. Partnerships can also include provisions that expand cultural exchanges, academic collaboration, and people-to-people interactions leading to a greater diffusion of China's ideas and belief systems throughout the LAC region. In this sense, Strategic Partnerships facilitate the exchange of information between states.

Similar to diplomatic realignment, Strategic Partnerships have the potential to rearrange alliances in the LAC region and thus reshape traditional political orientations, economic policies, and cultural affiliations. Closer political-economic ties with LAC deepen China's regional integration by providing new opportunities to align its interests with those of regional blocs and institutions, which can be leveraged to extend its global reach.

A Critique of the “Emergence Domain of Structural Power” Concept

In the process of operationalizing Strange's framework to understand China's engagement with the LAC region, I have been thorough in ensuring robustness, precision, and fairness. By framing its engagement within the ambit of structural power, this project does not simply repurpose existing data and catalog China's activities in the pretext of that form of power. Rather, the research aims to provide a deeper, multifaceted interpretation of evolving (and long-term) geopolitical dynamics by delving into how China's presence translates into structural power capabilities. The specific steps taken to ensure this include:

²⁶⁸ See Quan Li and Min Ye, “China's Emerging Partnership Network: What, Who, Where, When, and Why,” *International Trade, Politics and Development* 3, no. 2 (2019).

1. Establishing a strong theoretical foundation by immersing myself in the available literature on structural power and Strange's framework, in particular. I theoretically illustrate the equivalency of influence and power. The indicators I use for the assessment derive directly from Strange's concept of structural power, and I further theoretically ground each to confirm that they generate influence.
2. Connecting China's engagement in LAC with structural power outcomes. I explain how the influence generated by China's presence relates to its ability to shape regional structures in the LAC region and their potential for impacts on global systems. Because it is acknowledged that structural power is not directly measurable, what is being observed is circumstantial evidence, i.e., we can infer that structural power outcomes are present or are being generated.
3. Balancing the quantitative analysis with the empirical narrative. Notably, the quantitative assessment is subordinated to the qualitative analysis, and serves primarily to confirm or challenge what is learned through the case study.
4. Considering alternative explanations; for example, China's engagement is nothing more than resource-seeking, or it is mainly profit motivated. While these explanations may indeed be accurate, they also do not get to the heart of structural power concepts. Fundamentally, it does not really matter what China's goals and objectives (or even its policies) are in LAC because its engagement necessarily produces structural power capabilities. It is those processes that are of interest here.

The direction of conclusions reached in research is often dictated by the choice of indicators used for the analysis. Aware of this, I have ensured that the selection of metrics of influence was systematic and transparent. Rather than picking data that will support my argument, this research is anchored in a holistic understanding of influence and power. The methodology adopted in this process includes the following:

1. Basing my indicators of influence on a solid theoretical foundation. Critically, I link the metrics of influence back to Strange's framework of structural power. I clearly articulate how these specific metrics are grounded in theory and are relevant to resolve the questions of the thesis.
2. The chosen indicators provide comprehensive coverage of Strange's four dimensions of structural power. I avoid focusing on an overly narrow set of indicators that might overemphasize certain aspects of structural power or too broad a set that could obfuscate the areas of interest. While several other relevant metrics of influence are discussed in the case study, only those that have equivalent attributes are used for direct comparisons to other countries or regions of interest.
3. In a review of the relevant literature, I have identified an influence-related model that captures structural power elements. I employ this composite index in the assessment to demonstrate that the method implemented here yields findings that are comparable and consistent.
4. Using high-quality, reliable, and transparent data from academic sources, government agencies, and highly respected international institutions.

By adhering to these principles, this research endeavors to offer a nuanced understanding of China's growing influence in the LAC region, effectively positioning it within the broader discourse of structural power in IR/IPE and security studies.

A Different Interpretation of China's Engagement

Susan Strange's framework supports the argument that China creates durable structural power through regional engagement. However, an alternative interpretation suggests that China's engagement with LAC is expending resources without producing long-term gains. In essence, China wastes time and money in Latin America and the Caribbean, potentially diminishing its position. It is argued that China's engagement in the LAC region exposes it to economic-financial, political-diplomatic, and cultural-ideological risk.

Strange emphasizes the inseparability of the political and economic aspects of influence and power. This is consequential for China's engagement in the region because Latin America and the Caribbean have long had a history of political turmoil and economic volatility.

The nexus of seemingly permanent economic upheaval in LAC and China's considerable bilateral trade, lending activities, and capital flows targeting the region increases its vulnerability. Ongoing economic crises in LAC can disrupt trade flows, jeopardize investment returns, and impact debt repayment. Venezuela's continuing debt crisis exemplifies this risk as it struggles to meet its obligations to China amidst economic instability. Another example of China's risk comes from the dual-use nature of its considerable infrastructure projects. Ports, railways, and roads are fungible and can easily be repurposed to serve other countries, such as the United States. Economic and financial uncertainty makes the region less reliable for China's sustained long-term investment activities.

China's regional political-diplomatic efforts can also be short-lived. Constantly shifting political conditions in LAC can quickly reverse past gains. Frequent changes in LAC governments are often accompanied by new directions in foreign policy. For instance, LAC countries may choose to realign themselves with Western powers or opt to remain unaligned. This degrades continuity and negatively impacts China's long-term geopolitical goals in the region. Although diplomatic recognition has been moving in the PRCs favor recently, this remains fluid. For example, Nicaragua's fluctuating diplomatic allegiance highlights continued uncertainty and exposes the region as a less reliable partner.

The legacy of the Monroe Doctrine presents a twofold challenge for China. Longstanding policies by the United States have produced deep-seated resentment. It is natural for the region to believe that China's engagement represents neocolonialism from the East. Also, the US has long considered Latin America and the Caribbean to be under its sphere of influence. China can expect pushback should significant and sustained shifts in allegiances by the countries of LAC occur, increasing risk.

Cultural and ideological differences between China and the LAC region extend beyond language barriers that hinder communication. Democratic values and a free-trade

approach in the LAC region versus China's authoritarianism and state-directed interventionist economic policies create ideological friction and resistance to China's soft power efforts. The LAC region is not economically, politically, or culturally monolithic. This reality increases China's engagement risks as it navigates itself among thirty-three countries, each with its own national interests.

On the other hand, China is pragmatic and adaptable. China's resource security objectives and potential for strategic gain eclipse its perceived risk.

China diversifies its investments across many sectors and countries. This strategy mitigates the economic volatility found in LAC. Unlike the United States, which changes economic direction as often as every four years, the PRC follows a long-term approach. Through its strategic partnerships China seeks lasting cooperation with the LAC region based on regional economic dependency. This approach ameliorates the effects of short-term instability.

Furthermore, as China has become a global actor with increased influence, it can apply pressure to LAC countries more easily. For instance, if its infrastructure projects are repurposed, China has a range of economic options. China's long-term strategy in LAC also minimizes its political-diplomatic risk. Projects like the BRI are not only about infrastructure; they signal a commitment to the LAC region beyond perceived short-term gains. China's comprehensive engagement with LAC, which provides mutual benefits, will strengthen cooperation with its regional partners.

Finally, China takes measures to mitigate the potential adverse impact of cultural and ideological differences. These include engaging in cultural diplomacy and other soft power initiatives, such as establishing Confucius Institutes and university educational exchange programs. China also partners with local businesses and communities through forums and other organizations with common interest areas. These steps foster goodwill, reduce cultural and ideological barriers, and demonstrate to the region that China is a reliable partner invested in its success. This inclusive approach increases the chances of LAC countries accepting China's initiatives and programs.

A holistic approach to understanding China's engagement with the LAC region using Strange's framework demonstrates that while risks and setbacks will occur, it has largely insulated itself against economic and financial market fluctuations, political

instability, and cultural and ideological differences. China's pragmatic approach, coupled with a diversified, long-term strategy, ensures that its engagement will yield regional influence that may translate to more considerable power internationally, contrary to the notion that it is wasting resources.

Summary

Theories of structural power and Susan Strange's framework, in particular, are viewed here as both useful and relevant to address questions of China's engagement with Latin America and the Caribbean. The emergence domain of structural power concept permits a richer, more nuanced exploration and, thus, a better understanding of the dynamics of China's engagement in the region. This concept connects China's regional engagement to broader ideas of structural power. To operationalize Strange, a collection of theoretically grounded indicators of influence, which are directly derived from her concepts, are interwoven into the case study narrative of China's engagement. This adds quantitative logic to the qualitative examination but does not supersede or replace what is learned in the empirical examination. Instead, it serves to be confirmatory to the case study analysis.

Strange stressed the inseparability of structural power's political and economic aspects and how relational power can be transformed into structural power. Relatedly, she also highlighted the interconnected nature of her dimensions of power. These attributes will become apparent in the case study examination of China's engagement with the LAC region. First, however, is an examination of the methodology and other design decisions that were made for the project.

Chapter 4

Research Methodology

Project Design

The fundamental argument of the project is that through its engagement with Latin America and the Caribbean, China is developing capabilities that may ultimately be articulated within the broader international system, but which derive from exchanges located at the subsystem level. The research puzzle asks if a structural power approach can provide new insight into how a state may eventually achieve that agenda-setting power.

A mixed methods design was selected for the project. This technique offers a balanced approach to research by combining the best features of qualitative and quantitative methodologies. The empirical case study component of the project comprises China's engagement with Latin America and the Caribbean.²⁶⁹ The qualitative analysis relies principally on secondary sources of information to provide a thematic narrative. The commentary describes China's LAC region activities in detail but does not explicitly produce a cause-effect evaluation of its engagement by demonstrating mathematical relationships among the phenomena under investigation. Rather, the information that emerges from the description of China's engagement is used as a catalyst to engage the quantitative element of the project. Qualitative approaches to research offer several distinct advantages for the study.

A qualitative case study method permits the thorough exploration of the underlying processes and mechanisms that contribute not only to the development of structural power but to its exercise and effects. Closely aligning with the nature of China's engagement in LAC and with a theoretical framework that facilitates its investigation, a qualitative approach encourages the collection of in-depth, detailed, and, importantly, timely information relating to its presence in the region. It has been revealed that structural power is a complex, yet subtle and even obscure form of power. It can involve complicated

²⁶⁹ The use of a single case study approach to link theory with empirical evidence is supported in the literature. See, for example, Graham T. Allison and Philip Zelikow, *Essence of Decision: Explaining the Cuban Missile Crisis* (New York, NY: Longman, 2010).

interactions and relationships among many key players. Qualitative analysis penetrates the surface layer of these connections to expose potentially unseen elements in power dynamics. This adds richness and depth to the research. A qualitative methodology is also inherently contextual. By exploring specific events and the interactions in which they occur through a qualitative lens, a situation-sensitive and, therefore, a more nuanced understanding of the historical, political, economic, and sociocultural factors of China's engagement with the region and the nexus of that engagement to concepts of structural power can be achieved.

As mentioned above, the exploration of the processes and mechanisms of China's engagement is facilitated by a qualitative approach. This can uncover patterns and associations in China's activities in the LAC region that furthers the empirical and theoretical understanding of concepts of power. Qualitative methods also excel at capturing diversity and variation. Although there are clearly features within the LAC region that draw countries more closely together, there will inevitably also be unique characteristics found among those countries. Qualitative analysis using a case study approach exposes similarities and differences among countries in the region, revealing why China's engagement can vary based on political, economic, and other elements of interest.

Techniques using a qualitative lens additionally have a high degree of internal validity. This means that a well-constructed and executed pursuit of China's engagement in the LAC region will necessarily provide a solid foundation for understanding relationships and mechanisms at play within the specific regional and theoretical contexts studied. This foundation can further inform and suggest future research. While generalizability is undoubtedly limited, extrapolation is nevertheless (guardedly) possible by explicitly controlling for known extraneous variables. Finally, qualitative methods are flexible and adaptable as new insights are uncovered during the research process. This is especially applicable to the project due to the complex and dynamic nature of structural power.

The quantitative component of the research follows from the employment of Susan Strange's analytical framework of structural power as the theoretical foundation for the project. The study builds on Strange's valuable yet incomplete framework with an

assessment of China's engagement in the LAC region using relevant and measurable indicators of influence that originate with and directly derive from her original design but have been reorganized and modernized to better align with the political, economic, technological, and sociocultural environment found in the world today. China's engagement with the LAC region necessarily involves quantitative data that can be contrasted and compared. The analysis may be performed by contrasting China's engagement within the countries of the region using specific metrics or by comparing against various external indices, such as GDP, for example. Given the potential for a better understanding of its presence by observing and analyzing numerical data, it is argued that a quantitative approach is useful and relevant by offering benefits that complement and enhance the case study only method.

Quantitative methods necessitate a systematic and organized analysis of large amounts of data. The scale, scope, and nature of China's engagement with the LAC region require that numerical data be analyzed to provide a transparent understanding, which will assist in identifying patterns and trends. A quantitative approach promotes comparability and consistency in data results. By using standardized indicators and measurement techniques, the relative importance of China's engagement across the four dimensions of structural power and how that has evolved over time can more easily be demonstrated and interpreted. Quantitative analysis also augments the ability of qualitative methods to uncover relationships and correlations between various aspects of China's engagement in the region. When analyzing information using quantitative means, rigor and objectivity are increased. Quantitative approaches to information involve thorough data collection and analysis techniques. This has the benefit of reducing the potential for researcher bias and thus increases the credibility of the project. Finally, these advantages may also increase the research's generalizability, potentially overcoming one limitation of qualitative methods. By combining qualitative and quantitative methods, an integrative solution to research is attained. A mixed methods approach offers advantages over using either technique individually.

Mixed methods techniques leverage the strengths of qualitative and quantitative methods while mitigating their limitations. A mixed methods approach also permits the triangulation of findings by using the results of one method to corroborate (or challenge)

findings from the other. This permits the interpretation of the data to be refined. The benefits of a mixed methods approach to research dramatically improve the ability of the project to provide a comprehensive, objective, and transparent assessment. This results in increased reliability, credibility, and validity of the research findings and conclusions and contributes to a deeper understanding of concepts of structural power and their application as a theoretical model to investigate China's engagement in the LAC region.

The specific research method chosen for the project facilitates addressing numerous acknowledged gaps in existing IR literature. For example, it has been pointed out that work remains in connecting understandings of power in IPE spheres with those of security studies concepts. A rigorous empirical investigation of non-coercive, unintentional power, particularly as it is observed in China's rise, continues to be lacking. This is especially acute in research examining the sources of China's power. For instance, there is a scarcity of research that systematically assess China's use of its increasing ability to employ political-economic statecraft to generate power and influence. The qualitative case study approach combined with a quantitative assessment, assists in reducing these gaps and, importantly, also addresses conceptual oversight in Strange's framework of structural power.

The general format of the project was determined by the convergence of two elements. First, Strange's framework of structural power calls for a method to operationalize her astute observations of the world. Second, China's engagement in the LAC region presented the opportunity to apply that operationalized framework in a real-world setting. This speaks to an important debate regarding deductive versus inductive research.

The path taken to resolve the project's research puzzle does not fit neatly into either a deductive or inductive framework. Proceeding directly from Strange's existing theory applied to a specific empirical puzzle suggests a theory-driven design—a deductive approach. Peter Rule and Vaughn Mitchell John point out that deductive designs can be used in mixed methods case studies and that explanatory case studies frequently begin with an existing theory and seek to apply it to one or more cases.²⁷⁰

²⁷⁰ Peter Rule and Vaughn Mitchell John, "A Necessary Dialogue: Theory in Case Study Research," *International Journal of Qualitative Methods* (2015): 5.

Indeed, this project is largely explanatory in that it offers a solution for explaining how China's engagement with the LAC region generates certain capabilities and outcomes.

On the other hand, a puzzle with the development of new theory suggests a data-driven design—an inductive approach. Inductive reasoning is common in qualitative research that makes tentative generalizations requiring further research for confirmation. For example, exploratory research might focus on generating novel theory from a case study rather than testing existing designs.²⁷¹

Importantly, this project does not produce a new theoretical paradigm of power. Instead, it utilizes an existing (yet incomplete) framework and builds on it to enable the understanding of the unique characteristics of the case study selected for this project.²⁷² Specifically, the project analyzes China's engagement with the LAC region using a structural power lens. In this analysis, it leverages the unique aspects of Strange's analytical framework to produce a comprehensive examination that includes a quantitative assessment of structural power building by China in Latin America and the Caribbean.

Kathleen Eisenhardt points out that confusion and a lack of clarity exists in the distinctions between inductive logic and case study research, as well as in the processes followed to achieve its ends. According to Eisenhardt, the process of concepts derived from case study research is iterative. This requires a back-and-forth discussion between the case and (re)defining the original research question(s). Interestingly, Eisenhardt also notes that tension exists between new understandings applied to the case and its integration into a single theoretical framework.²⁷³ This illustrates the process followed for this project and arises from the nexus of a framework in need of a method and a case that met certain requirements aligning with Strange's framework.

²⁷¹ Ibid., 6.

²⁷² For a useful examination of case study methods in IR, see Andrew Bennett and Colin Elman, "Case Study Methods in the International Relations Subfield," *Comparative Political Studies* 40, no. 2 (February 2007): 170–195. The authors point out the effective use of case study methods that develop more sophisticated concepts and theories of power in IR literature (179).

²⁷³ Kathleen Eisenhardt, "Building Theories from Case Study Research," *The Academy of Management Review* 14, no. 4, (October 1989): 532, 546.

While this project broadly aligns with an explanatory-deductive design, it is also one with the development of a unique method based on the case study evidence and applied to examine the phenomena at hand. This process describes a *dialogical* model.

Rule and John suggest that instead of a principally linear deductive or inductive approach, a conversation among them “infuses” all aspects of research. This approach is an interactive “dialog” between case selection, formulation of research questions and purposes, analysis, and presentation and interpretation of findings. The potential of this concept acknowledges that theory informs the case but is, in turn, informed by the case, which can further develop the theory. Rule and John point out that research is recursive, and case study research can engage with theory in different ways.²⁷⁴ This idea echoes Eisenhardt’s argument that research is an iterative process. The selection of an appropriate case study was a key first step.

Case Study Selection

The justification for selecting Latin America and the Caribbean for the case study originates from the author’s proximity and ensuing interest in the region. More importantly, however, the LAC region offers several characteristics and unique features that make it a compelling case study for the project. Compared to other regions, such as Africa for example, the LAC region provides a distinct historical and geopolitical context.

Despite a centuries-long interest in the LAC region, it is China’s more recent attention here that is the focus of the project. China’s engagement in LAC has rapidly accelerated since the early 2000s, and this trajectory is relatively more recent and more pronounced than its activities in Africa. This offers the opportunity to examine the ongoing dynamics of China’s influence and the reaction of LAC countries to its presence. The LAC region also provides relative isolation for the analysis of structural power. In contrast to Africa, where the (different, both in scale and scope) impact of European imperialism and the subsequent decolonization of the continent, combined with the continuing residual elements of weak, failing, or failed states, could obfuscate the analysis, the LAC region provides some degree of separation from outside influences.

²⁷⁴ Rule and John, “A Necessary Dialogue: Theory in Case Study Research,” 7–8, 10.

On the other hand, the LAC region has historically been under the sphere of influence of the United States. Although the US-China geopolitical nexus is not a core interest of the project, this nevertheless provides a unique environment in which to analyze China's increasing engagement and how LAC countries navigate their relationships with both major powers.

Next, it is thought that Africa is sufficiently divergent from Latin America and the Caribbean vis-à-vis China's immediate goals. For example, it is noted that China has a more significant military interest (and presence) in Africa than it does in Latin America and the Caribbean, while China's engagement with LAC is predominantly (although not exclusively) economic-financial in nature. This creates economic complementarities between China and the countries of the LAC region, which can be examined under a structural power lens, particularly with respect to Strange's production and financial structures. For instance, infrastructure and development projects (including the Latin American edition of the BRI) present the opportunity to examine how structural power shapes the physical and institutional environments of the region. Next to the US, China's trade and investment relations are among the most important for the LAC region of any other single country. The implications of how China exercises its structural power in market and financial channels and the effects of that engagement on the region is yet another convincing argument for selecting the LAC region. Coincidentally, the financial aspects of China's engagement align with the increased weight that Strange assigns that dimension in her framework. Additionally, although not central to this study, is the consideration that the financial dimension is more noteworthy because the region is seen as America's backyard, and therefore China needs to tip-toe lightly.²⁷⁵ The LAC region is also highly diverse in its political, economic, and sociocultural structures, while the African continent is largely, although clearly not entirely, a milieu of failed or failing states. This presents the opportunity to view how structural power varies across countries and settings.

²⁷⁵ Interestingly, US President Joseph Biden has more recently referred to Latin America as "America's front yard." See Vernon Shorts, "Biden Stresses That Latin America Is Not the Backyard of the United States But the Front," *The Daily Guardian*, accessed November 8, 2022, <https://theguardian.com/biden-stresses-that-latin-america-is-not-the-backyard-of-the-united-states-but-the-front/>.

Latin America and the Caribbean provide a unique setting to explore the meaning of China's activities in an area outside of East Asia. Finally, while the region's proximity to the United States has obvious security-related implications and would ordinarily be of interest for that reason alone, as noted above, national security questions for the US are outside the project's core focus.

Case Study Sampling

Latin America and the Caribbean are part of the Americas. However, this description is more culturally specified rather than physically defined. Conventionally, the Americas includes the regions of North America, the Caribbean, Central America, South America, and Greenland. Mexico is considered part of North America, while Central America is commonly referred to as a land bridge or isthmus between the two continents of North and South America. The project examines the countries of Latin America and the Caribbean, which are all located in the Western Hemisphere.

Countries in the Caribbean and South America that are not independent nations are excluded from the project because those states are not fully autonomous and self-governing. Considering these countries would preclude the ability to compute and assess purely dyadic measures of China's influence and consequent power vis-à-vis an individual nation without potential influence from the "mother" country, plausibly triggering a conflation of differing policies, motivations, and objectives.

The three subregions of LAC are Central America, South America, and the Caribbean. The country of Mexico is typically assessed separately where appropriate. While geographers sometimes consider Guyana and Suriname part of the Caribbean (principally for their cultural similarities) because they are physically part of the South American continent, they are included in the South American subregion for this project. Table 1 below lists the countries of the LAC region arranged by subregion.

LATIN AMERICA AND THE CARIBBEAN			
North America	Caribbean Basin	Central America	South America
Mexico	Antigua & Barbuda	Belize	Argentina
	Bahamas	Costa Rica	Bolivia
	Barbados	El Salvador	Brazil
	Cuba	Guatemala	Chile
	Dominica	Honduras	Colombia
	Dominican Republic	Nicaragua	Ecuador
	Grenada	Panama	Guyana
	Haiti		Paraguay
	Jamaica		Peru
	St. Kitts & Nevis		Suriname
	St. Lucia		Uruguay
	St. Vincent & the Grenadines		Venezuela
	Trinidad & Tobago		

Table 1: The Countries of the LAC Region.

The total population size for the group of LAC countries is relatively small at N=33, and all countries are included in the project. Selecting the entire sample of available subjects in the LAC region eliminates selection bias, either pro or con, to the project's arguments.

There are two concerns with the subregion of the Caribbean. First is the outsized impact of Cuba in the region. As will be discovered in the project, China's engagement with Cuba across the four dimensions of structural power is significant relative to the other countries located in the Caribbean and compares in significance to other Latin American region countries. The second concern is tracking the considerable amount of capital that flows through offshore banking centers in the Caribbean Basin. As discussed below, the nature of these offshore centers makes it virtually impossible to determine the ultimate destination of the capital flows with any degree of accuracy.

Discussion of Key Sources and Data

Selecting information sources that are authoritative, consistent, relevant, and timely supports basic scientific principles of accuracy, reliability, repeatability, and objectivity. For the quantitative areas of the project, priority has been given to those sources used in academic research that are publicly and freely available. In most instances, vetting of primary datasets has been done through the use of research programs associated with universities and prominent think tanks in the United States.

The principal data sources for the empirical case study included well-respected popular press websites such as online newspaper and magazine versions of Al Jazeera, *Financial Times*, Forbes, *The Guardian*, *New York Times*, and Reuters. Authoritative institutional-based sources and research institutes included the IMF, the Institute for National Strategic Studies (National Defense University), the International Institute for Strategic Studies (IISS), OECD, the United Nations, World Bank, and numerous official US government websites. Think tanks included the American Enterprise Institute, Atlantic Council, Brookings Institute, Council on Foreign Relations, The Heritage Foundation, RAND, the Center for Strategic and International Studies (CSIS), and the Wilson Center. LAC region specific sources included The Dialogue, Global Americans, and Americas Quarterly websites. Other relevant material was obtained from books specific to China and LAC subject matter authored by experts in their respective fields and websites associated with various multilateral regional institutions. Because of transparency and reliability concerns, Chinese government and press sources were used sparingly. Official PRC sources included the Ministry of Commerce (MOFCOM) and the State Administration of Foreign Exchange (SAFE). Chinese press sources included *China Daily* and Xinhua News Agency.

In addition to the above sources, other datasets used for the quantitative analysis of the project included AidData, China Global Investment Tracker (CGIT), China-Latin America Finance Databases, Correlates of War Defense Cooperation Agreements Dataset (DCAD), Design of Trade Agreements (DESTA) Database, Freedom House Global Freedom Score Database, Sistercities.org, Stockholm International Peace Research Institute (SIPRI), UN General Assembly Voting Data, World Bank Group Open Data, and World Integrated Trade Solution (WITS-World Bank). These datasets are considered to be state-of-the-art, are known to be transparent, accurate, and relatively up-to-date, and are widely used in academia and by governmental researchers.²⁷⁶

Problems in locating primary data for use in the quantitative portion of the project included obtaining consistent datasets for use across countries and over sufficient timeframes. The scarcity of useful data prevented cross-country and time series analysis in some instances. For the analysis of China's capital flows to the LAC region, these

²⁷⁶ See the Appendix for additional information on capital flows databases used in the project.

limitations proved to be challenging. A lack of publicly available, timely, and reliable sources also hampered the analysis. Specific challenges included transparency, reporting variations, and China's use of offshore accounts to push capital into the LAC region.

China considers its foreign aid a state secret and does not distribute information on its assistance types, sources, or destinations. A similar lack of information is observed in its reporting of loan commitments. Contrasted with the World Bank and Inter-American Development Bank, for example, China's policy banks do not publish detailed information on their sovereign financing activities.²⁷⁷ Additionally, the asset managers of China's considerable Sovereign Wealth Funds do not release data on the types of projects or destinations of its investments, rendering them unusable for China-LAC country calculations. The use of MOFCOM sources for FDI statistics also presents transparency concerns. It is generally acknowledged that MOFCOM chooses to either inflate or deflate figures when opportune. However, it is also recognized that most countries do not publish comprehensive information on their MNEs, and discrepancies with FDI reporting are not uncommon.²⁷⁸

Also, inconsistencies exist in the reporting of FDI. This is partly caused by differences in definitions and classification systems used by reporting countries. For example, global and bilateral country FDI inflows and outflows should theoretically be equal; however, variances in reporting leave these figures unbalanced.²⁷⁹ Additionally, the IMF, World Bank, and UNCTAD frequently report figures which vary, at times dramatically. While the IMF recognizes UNCTAD as the most reliable source of information, it admits that there are significant discrepancies in FDI reporting.²⁸⁰ Different classification methodologies used for China's foreign assistance result in a conflation of

²⁷⁷ Myers and Wise (eds), *The Political Economy of China-Latin America Relations in the New Millennium Brave New World*, 52.

²⁷⁸ Imad Moosa, *Foreign Direct Investment: Theory, Evidence, and Practice* (London: Macmillan, 2002), 2–3.

²⁷⁹ Neil K. Patterson et al., "Foreign Direct Investment: Trends, Data Availability, Concepts, and Recording Practices," IMF, September 16, 2004, <https://www.imf.org/en/Publications/Manuals-Guides/Issues/2016/12/30/Foreign-Direct-Investment-Trends-Data-Availability-Concepts-and-Recording-Practices-17358>, 14.

²⁸⁰ Montfort Mlachila, and Takebe Misa, "FDI from BRICs to LICs: Emerging Growth Driver?," International Monetary Fund, July 2011, <https://www.imf.org/external/pubs/ft/wp/2011/wp11178.pdf>, 6, 11,

its OFDI, sovereign lending (e.g., concessional and “preferential” loans), and ODA. This is problematic for analyzing China’s aid to the LAC region.

An examination of various sources of estimates reveals contradictory figures in reporting, with some totals either undervalued, counted twice, or counted as “assistance” when more closely resembling FDI.²⁸¹ The fact that China is not a member of OECD also obfuscates the data. Without the restrictions of reporting aid by the benchmarks of OECD, China can essentially define its foreign aid in any manner it desires. So, in the Chinese context, “aid” tends to blur the distinction between its developmental lending and its OFDI. With no standard definition, China’s aid often amounts to concessional loans, though without the grant elements required by OECD.²⁸²

Finally, a significant amount of China’s investment activities take place through offshore banking centers in the Caribbean Basin, Hong Kong, and Macau. The use of offshore financial centers by China to move capital to the LAC region is a recognized problem and makes tracking the ultimate terminus of these flows challenging to ascertain.²⁸³ It is well known that these offshore banking centers are not the final destination for China’s investments in the region.²⁸⁴ The untraceable nature of these capital flows means that they are not included for China-LAC country calculations.

Project Validity

Ensuring validity in the research process contributes to the credibility and generalizability of the project. As discussed above, the internal validity of a research

²⁸¹ Thomas Lum et al., “Congressional Research Service: China’s Foreign Aid Activities in Africa, Latin America, and Southeast Asia,” USC US-China Institute, February 25, 2009, <https://china.usc.edu/congressional-research-service-%E2%80%9Cchinas-foreign-aid-activities-africa-latin-america-and-southeast>, summary, 4,

²⁸² “Chinese (Un)official Development Aid,” *Americas Quarterly*, January 23, 2012, <https://www.americasquarterly.org/Vieiro>.

²⁸³ Nargiza Salidjanova, “Going Out: An Overview of China’s Outward Foreign Direct Investment,” U.S.-China Economic & Security Review Commission, March 30, 2011, <https://www.uscc.gov/research/going-out-overview-chinas-outward-foreign-direct-investment>, 2. Estimates of the share of China’s outbound FDI entering Latin America via offshore financial centers run as high as 78 percent of total investments. See Enrique Dussel Peters, “Characteristics of Chinese Overseas Foreign Direct Investment in Latin America (2000–2012),” *Contemporary International Relations* 23, no. 5, (2013): 105, 114–115, and Rolando Avendano, Angel Melguizo, and Sean Miner, “Chinese FDI in Latin America: New Trends with Global Implications,” Atlantic Council, June 2017, https://www.atlanticcouncil.org/wp-content/uploads/2017/06/Chinese_FDI_in_Latin_America_web_0626.pdf, 19.

²⁸⁴ See David Dollar, “China’s Investment in Latin America,” Brookings Institution, January 2017, https://www.brookings.edu/wp-content/uploads/2017/01/fp_201701_china_investment_lat_am.pdf, 1–2.

project is increased with a well-designed qualitative methodology. By incorporating quantitative methods, a mixed methods design can further enhance the project's validity.

The selection of a strong theoretical framework, such as Susan Strange's model of structural power, supports robust internal validity. Also, a clear conceptualization (and, critically, a tight integration with Strange's framework) of the metrics used to assess China's structural power in the LAC region supports internal validity. The indicators selected for the quantitative assessment are all theoretically derived and are known to be drivers of influence through direct impact on the economies (including political effects) of the case study countries. Rigorous data collection, which the indicators rely upon, increases the reliability and accuracy of the research. While there were (as noted above) challenges, the careful selection of data sources assisted in improving the soundness of the findings.

To guard against compromising internal validity, utmost consideration was paid to avoiding making unwarranted causal inferences based on the results of the quantitative assessment of China's engagement with the LAC region. Except for limited direct inferences, such as comparing various influence metrics to macroeconomic indicators, no other statistical operations, e.g., correlation or regression analysis, were conducted.

External validity, or the question of whether the results of the project can be generalized to other countries or regions, encompasses several design choices. Specific areas of interest include sample size and characteristics of the case study as the target of examination.

The principal selection criterion for the individual region of evaluation was one with which China was significantly engaged. Within-region reliability of the study was guaranteed by selecting the entire population of the thirty-three independent nations of Latin America and the Caribbean. Other regions matching China's economic or political interests might include East Asia, Africa, or certain areas in Europe, and are potential future research opportunities.

Although no region can perfectly match the geographical, geopolitical, and sociocultural features of the LAC region, differences between it and other potential research areas were considered. For example, the historical residue of the (de)colonialization of the LAC region, which might obfuscate the analysis, is a concern.

However, this characteristic also has similarities with Africa, suggesting that the framework could be generalized to that continent. A dissimilarity that was considered relevant, but is also viewed as useful, is that China is less engaged, from a military aspect, with the LAC region over that of Africa. This is beneficial in order to avoid conflating China's regional objectives. For instance, the importance that Strange places on the financial-economic dimension of structural power align with China's goals in the LAC region. Although China's military advances are clearly more significant on the African continent, its engagement (similar to LAC) is still largely driven by economic objectives, again making Africa a potential target region of interest.

To facilitate cross-country analysis, indicators were selected to allow generalizing to other countries of interest. Specifically, when these types of comparisons were made, each metric with which China engages in the LAC region had a prospective analog for other countries and their engagement in the region. Because structural power is not only a spatial but also a temporal phenomenon, time series analysis was incorporated into the assessment, further enhancing the analysis's applicability.

The mixed methods approach selected for the project increases the generalizability of the research through the complementary effects of a combined qualitative and quantitative methodology. The qualitative case study method takes advantage of an in-depth analysis that captures context-specific detail and nuance. At the same time, quantitative research uncovers patterns and relationships in the data that might go unnoticed in a qualitative only method. A multi-perspective methodology contributes to a comprehensive, holistic examination, which increases the prospect that the findings can be extrapolated to other contexts and populations.

Ethical Considerations

A commitment to performing research consistent with the highest ethical standards is paramount. I am committed to conducting research responsibly and with integrity.

- My research did not involve the use of animal or human subjects.
- I have followed copyright and licensing requirements as necessary for all information sources and data used in the project.

- I have been diligent in the attribution of all sources by including proper citations to the original authors and researchers whose work has informed my project.
- I have been objective and impartial in my research. I am unaware of any conflicts of interest or other biases in my project, and I have presented my analysis in a fair, balanced, and transparent manner.
- I am committed to reflexivity in the research process and transparency in addressing the limitations of all aspects of the project.
- I am dedicated to the ease of accessibility and dissemination of my research and its supporting documents, including spreadsheet analysis and data files.

Research Design Limitations

While a mixed methods approach to research offers numerous advantages for the project, there are limitations that need to be addressed. A mixed methods approach is undoubtedly more complex than a single method design. Case study evidence and quantitative data collection efforts are more significant, and the analysis and interpretation of the integrated findings are likewise more intensive. The availability of copious amounts of qualitative case study sources for the project was never in doubt. However, the same was not true with regard to quantitative data.

The extraordinary importance of high-quality data for quantitative analysis makes its availability a priority, and this can place constraints on the project. The lack of comprehensive datasets, especially cross-country and time-series availability, is a limiting factor for all of the dimensions of power considered in the project. This was found to be particularly acute in the financial dimension of structural power. For purposes of reliability and consistency, the use of data was limited to selecting only those datasets which are used by governmental and academic researchers and are known to be accurate, complete, and relatively timely.

The potential for bias is a concern for any research approach. However, the amalgamating effects of using two different lenses to view the project means that a mixed methods approach has an inherent mitigating influence on potential predispositions contaminating the findings. On the other hand, the presence of many varied types of data can introduce unintended bias, where certain datasets become prioritized or simply favored over others.

A mixed methods approach offers both depth and breadth of coverage; however, these two aspects can be at odds with each other and have limiting effects on the research. For example, focusing too narrowly on the specific case study can limit the generalizability of the findings, while focusing too heavily on quantitative patterns restricts the observations of context-specific nuance and thus limits the project's scope. To protect against either of these occurrences, a balanced approach was prioritized. Indeed, because of the noted challenges involved in the quantitative assessment of structural power in the first place, the qualitative analysis took precedence with quantitative methods used principally to confirm or challenge what was discovered in the case study.

Summary

A unique mixed methods approach was selected for the project. This methodology combines the best aspects of qualitative and quantitative research techniques to study the phenomena of interest. The empirical aspects of the study focus on China's engagement with Latin America and the Caribbean. The quantitative elements of the project are centered on addressing gaps in the literature surrounding the examination of structural power. Susan Strange's seminal work on structural power offers an opportunity to build on her concepts by operationalizing a method to quantitatively assess the origins of structural power and its impact on regional structures and potential for higher level effects.

A dialogical model of inquiry was employed in the project. Similar to the mixed methods approach to research, this technique integrates the best features of both inductive and deductive design by establishing a conversation between the empirical case study and the research questions, analysis, and—ultimately—the findings and conclusions that can be drawn from the project. A discussion of important aspects of the case study and project validity preceded an analysis of possible limitations of the research design.

In the next stage of the thesis, and aligning with Strange's fourfold taxonomy of structural power, an in-depth case study examination of China's engagement with the LAC region is presented. An assessment of China's structural power capabilities is

incorporated into this exploration using the metrics presented earlier in the Theoretical Framework chapter.

Chapter 5

Security

“Military engagement is an important and officially acknowledged part of the growing interactions between the People’s Republic of China (PRC) and Latin America and the Caribbean.”

– R. Evan Ellis, November 2020²⁸⁵

Ellis notes that Chinese policy and defense strategy white papers define security cooperation activities as an important or necessary part of China’s overall engagement with the region. Arms sales and associated support and maintenance, training, and other interactions “...build and strengthen long-term relationships with Latin American armed forces,” and “... expand PLA engagement with partner nations into other areas, including institutional exchanges...”²⁸⁶

Security and defense related engagement by a country is often described as military diplomacy. Compared to so-called “gunboat diplomacy,” a much more visible and potentially violent projection of power that is meant to intimidate a potential foe, military diplomacy is the employment of a wide-ranging assortment of military resources intended to further a country’s foreign policy goals via non-coercive means such as persuasion and influence.

As China’s conspicuous economic rise began to unfold in the closing decades of the twentieth century, its global military presence was less visible. This was principally due to a lack of military resources to project global power in the first place, but it was also a result of a conscious decision made by the PRC and CCP to appear less confrontational in matters relating to military power. However, since the turn of the new century, not only does China have more capability to project global military power, but it also has a much more assertive attitude to display that power. Consequently, China’s global military engagement has grown significantly in the opening decades of the new century. Increasingly, this engagement consists of very obvious types of force projection. For example, since 2008, the PLA Navy (PLAN) has maintained a presence in the Gulf of

²⁸⁵ Ellis, “Chinese Security Engagement in Latin America,” 1.

²⁸⁶ Ibid., 2.

Aden for counterpiracy operations. And in 2017, China established its first overseas military base in the East African nation of Djibouti. China’s military diplomacy is focused on major powers such as Russia and the US, as well as on Asian countries, and is part of a broader foreign policy effort to create a favorable image, gather intelligence on the means and methods of advanced militaries, and shape regional and international discourse on issues relating to security.²⁸⁷

In a study of China’s global military diplomacy, covering the period 2003-2016, Allen et al. found that out of a total of 2,785 military exercises, naval port calls, and senior-level meetings, Asia had by far the most interactions with China. This is not unexpected; however, it is somewhat surprising to observe that China’s engagement in LAC is comparable to its Middle Eastern and African presence (see Figure 2).²⁸⁸ The implication here is that China views these regions as roughly equivalent from a security and defense related perspective. This is all the more significant considering the proximity of the LAC region to the US.

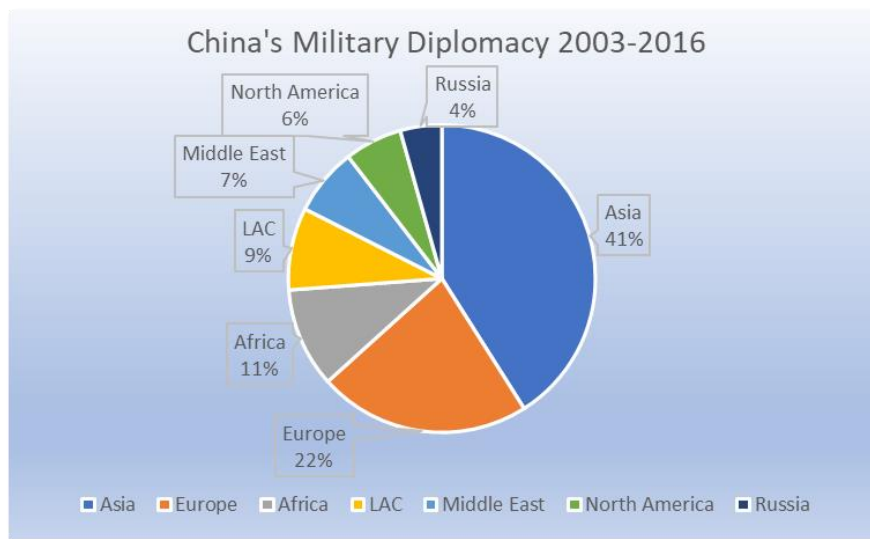


Figure 2: China’s Regional Military Diplomacy. Source: Kenneth Allen, Phillip C. Saunders, and John Chen, “Chinese Military Diplomacy, 2003-2016: Trends and Implications,” *Institute for National Strategic Studies*.

Another metric to assess China’s security and defense related engagement is with its international weapons systems sales. China’s worldwide arms sales strengthen ties

²⁸⁷ See Allen, Saunders, and Chen, “Chinese Military Diplomacy, 2003–2016,” 1-5.

²⁸⁸ *Ibid.*

(and dependencies) with recipient countries while also improving its economic position. China ranks seventh overall in cumulative global arms sales from 1950 to 2022. In 2022, China was the fourth largest arms exporter in the world. Yet, China’s exports (as well as those of the other countries listed) pale in comparison to that of the US, which exported arms roughly equaling the following nine countries combined (see Figure 3).

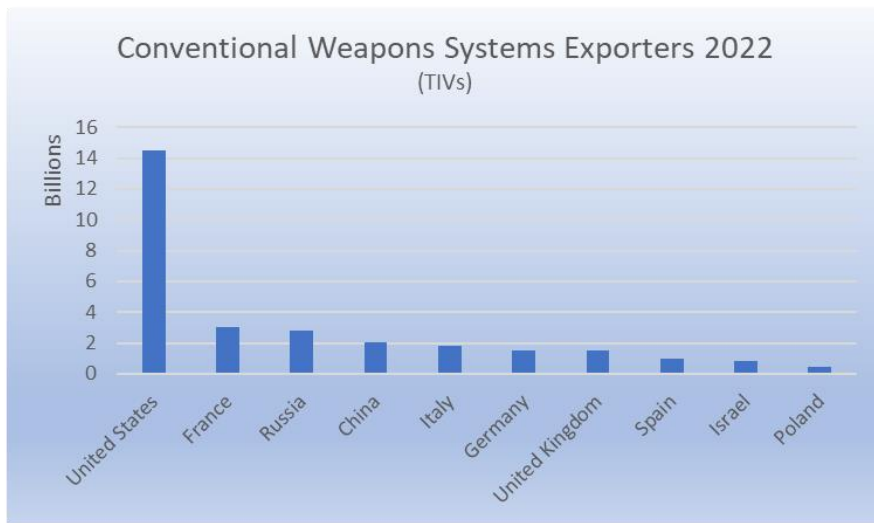


Figure 3: Top Ten Arms Exporters in 2022. Note: The TIV (trend-indicator value) is based on the known unit production costs of a set of weapons and represents the transfer of military resources rather than the financial value. The concept of the TIV provides a common unit of measurement for analysis and comparison purposes. See <https://www.sipri.org/databases/armstransfers/sources-and-methods#TIV-tables>. Source: SIPRI, “SIPRI Arms Transfers Database.”

Through the direct control of the Chinese Communist Party’s Central Committee, the People’s Liberation Army seeks to gain operational and strategic advantages through interactions with military partners worldwide. As it does with its other engagement activities, China adapts its military activities to align with its own broader preferences and goals, as well as the capabilities (and constraints) of its foreign partners. China has traditionally participated in multilateral meetings, conferences, and exercises focused on humanitarian and disaster relief security related activities. However, the PLA has recently increased its participation in multilateral combat-related exercises (see Figure 4).²⁸⁹ These activities have been particularly noticeable with Russia and Central Asian partner countries.

²⁸⁹ Ibid., 30-31.

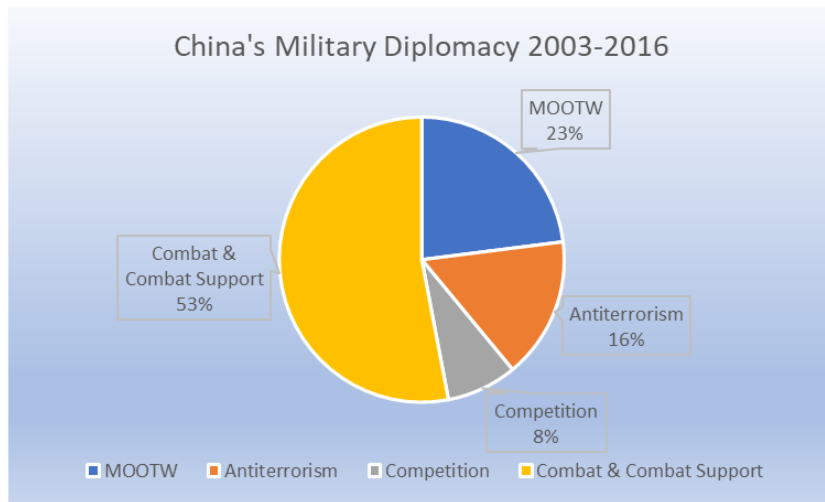


Figure 4: China's Global Military Diplomacy by Function. Note: "MOOTW" stands for military operations other than war. Humanitarian related operations fall under this functional category. Source: Kenneth Allen, Phillip C. Saunders, and John Chen, "Chinese Military Diplomacy, 2003-2016: Trends and Implications," Institute for National Strategic Studies.

Assessing China's Security Structure Engagement with the LAC Region

China's security and defense engagement with the countries of the LAC region fosters trust, signals long-term commitment, and improves military expertise and interoperability. These activities build its regional footprint and develop security networks, thereby expanding its global presence beyond that of East Asia.

Although it is acknowledged that a country may unilaterally operate within a region's security environment without the acquiescence of local countries to increase its own security using traditional realist methods, a state may also directly engage bilaterally with other states to build influence and power through various security cooperation and other defense measures. While these activities can also translate into hard power capacity, this may not necessarily be an immediate goal. In fact, in the case of China operating in the LAC region, this presence can just as efficiently produce soft power capacity. At most levels of analysis, the security structure exists as a potentially coercive domain—the provision of threat protection. As envisioned here, China's broader and interconnected goals of security and prosperity are at the forefront of developing influence in the security dimension of structural power, rather than openly building its own security environment within the LAC region.

Compared to its bilateral trade and financial engagement, China’s defense and security cooperation with Latin America and the Caribbean is not particularly noteworthy. For example, unlike China’s engagement on the African continent, it does not presently have permanent military bases in LAC. This limited engagement is partially related to the twin issues of geography and politics. First, the considerable distance of the LAC region from the Chinese mainland complicates the substantial logistical requirements of moving military forces; accordingly, this reduces opportunities for interaction and exchange. Second, the region’s relative proximity to the United States potentially increases China’s political anxiety. Despite this contrast of far and near distances, China’s activities in the region across the security structure dimension have increased coincident with the significant expansion of its financial engagement in the 1990s, and even more so in the first two decades of the new century. China’s engagement with Latin America and the Caribbean in matters related to security and defense cooperation is assessed next.

The Caribbean Basin

Apart from Cuba, China’s security structure engagement with the independent nation-states of the Caribbean is relatively minimal. One indicator suggesting nominally closer engagement by China with the LAC subregion is the United Nations General Assembly voting similarity index. The LAC region as a whole vote with China approximately 87 percent of the time, while the Caribbean subregion has a slightly higher-than-average score.²⁹⁰ However, the Caribbean states are more democratic in their domestic politics, with an average Global Freedom Score of 77 percent, compared to 72 percent for the LAC region as a whole. This might somewhat temper their security relationship building with China.²⁹¹ The region’s closeness to the US should also be considered a mitigating factor. However, the Caribbean remains fertile ground for China in the longstanding PRC-ROC diplomatic tug-of-war—of the seven LAC countries that

²⁹⁰ Erik Voeten, Anton Strezhnev, and Michael Bailey, “United Nations General Assembly Voting Data,” Harvard Dataverse, May 6, 2021, <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi%3A10.7910%2FDVN%2FLEJUQZ>.

²⁹¹ “Global Freedom Scores: Countries and Territories,” Freedom House, accessed November 29, 2021, <https://freedomhouse.org/countries/freedom-world/scores>.

recognize the ROC, four (Haiti, Saint Kitts & Nevis, Saint Lucia, and Saint Vincent & the Grenadines) are in the Caribbean.

The Caribbean region is often referred to as “America’s third border,” and, exclusive of Cuba, generally looks northward in its security cooperation alignment. In a recent report to the US Congress, the US Department of State mentioned that it is pursuing efforts directed at building security and other areas of mutual interest in the Caribbean region. According to the State Department, the report reflects “the United States government’s deepening engagement with the region over the past two years” and is sanctioned under the US-Caribbean 2020 Engagement Strategy and the US-Caribbean Strategic Engagement Act. Coinciding with the report, the US State Department launched the US-Caribbean Resilience Partnership in 2019, aimed at increasing regional capacity to confront natural disasters and build more resilient communities.²⁹² Whether or not these activities by the US Government are a strategy to thwart China’s recent initiatives in the region, while an attractive subject for further debate, is beyond the scope of this study.

None of the Caribbean states have signed DCAs with China, and somewhat surprisingly, this includes Cuba.²⁹³ Cuba’s authoritarian Communist regime politically aligns with China and has formed the basis for close relations for over a half-century. For instance, Cuba’s UN General Assembly voting similarity with China at over 90 percent is above average for the region. Predictably, Cuba’s Global Freedom Score, at only 14, is among the lowest on the planet.²⁹⁴ Not unexpectedly, China’s security cooperation and defense engagement with Cuba is well above average for the subregion. From 2003 to 2016, China had a total of 35 military interactions with Cuba, consisting of naval port calls and senior-level meetings. Interestingly, according to the SIPRI Arms Transfers Database, Cuba has yet to be the recipient of any major conventional weapons arms transfers from China.

²⁹² “US Caribbean Report: Aimed at Security for America’s Third Border,” The St Kitts Nevis Observer, August 1, 2019, <https://www.thestkittsnevisobserver.com/us-caribbean-report-aimed-at-security-for-americas-third-border/>.

²⁹³ Brandon J. Kinne, “The Defense Cooperation Agreement Dataset (DCAD),” *Journal of Conflict Resolution* 64, no. 4 (February 2019): pp. 729–755, <https://doi.org/10.1177/0022002719857796>.

²⁹⁴ Voeten, Strezhnev, and Bailey, “United Nations General Assembly Voting Data,” and Freedom House, “Global Freedom Scores: Countries and Territories.”

As recently as 2015, Trinidad & Tobago had received limited weapons systems via packages referred to as “aid” or has purchased weapons from China outright.²⁹⁵ However, these particular transfers were relatively minor in value and inconsequential in capability. Other military diplomacy engagement by China in the Caribbean during 2003-2016, included senior-level meetings with Antigua & Barbuda, and naval port calls and senior-level meetings with Barbados, Grenada, Jamaica, and Trinidad & Tobago.

The location of high-level meetings can indicate which country is trying harder to build bilateral relationships. When observing the senior-level military meeting differential at (-15), it is apparent that the PLA is placing more emphasis on its engagement with Cuba.²⁹⁶ Although China does not currently maintain any permanent military bases or installations in the Caribbean region, recent reports suggest that it and Cuba have reached a secret deal involving “several billion dollars” to establish an eavesdropping facility to gather electronic communications from the US, which is roughly 100 miles north of the Caribbean island.²⁹⁷ Some experts have suggested that China’s (apparent) newly acquired interest in Cuba is a direct response to recent US developments regarding Taiwan or even a broader messaging pushback stemming from its activities in the South China Sea.

Mexico and Central America

Mexico is considered somewhat of an outlier in China’s influence building in Latin America. While China engages with Mexico across all four dimensions of structural

²⁹⁵ SIPRI, “SIPRI Arms Transfers Database.”

²⁹⁶ A negative differential indicates more effort on the part of China to cultivate military engagement between itself and another country. See Allen, Saunders, and Chen, “Chinese Military Diplomacy, 2003–2016,” 51–52, 62; DOD, “Military and Security Developments Involving the People’s Republic of China 2020,”; Ellis, “Chinese Security Engagement in Latin America”; and Katherine Koleski and Alec Blivas, “China’s Engagement with Latin America and the Caribbean,” U.S.-China Economic and Security Review Commission, October 17, 2018, <https://www.uscc.gov/research/chinas-engagement-latin-america-and-caribbean>.

²⁹⁷ “China Reportedly Reaches Secret Deal with Cuba to Host Spy Base on Island,” The Guardian, June 8, 2023, <https://www.theguardian.com/world/2023/jun/08/china-cuba-base-florida-spy-surveillance>. Even more recent reporting has disclosed that China and Cuba are in active conversations to establish a joint military training facility on the island nation. See Keith Griffith, “China in Talks to Build Military Base in Cuba, Triggering Alarm in White House,” Daily Mail Online, June 20, 2023, <https://www.dailymail.co.uk/news/article-12214481/China-talks-build-military-base-Cuba-triggering-alarm-White-House.html>.

power, its presence has been mostly unremarkable.²⁹⁸ In fact, perhaps outside of technology engagement, China and Mexico do not, on the surface, come across as particularly connected in any meaningful fashion. This is also observed with China's security cooperation and defense building measures and presence in Mexico.

Mexico has official diplomatic relations with the PRC but does not vote with China above the average for the LAC region as a whole.²⁹⁹ In contrast with the countries of the Caribbean, Mexico's Global Freedom Score of 62 indicates that it is less democratic than the broader LAC region. However, authoritarianism has a long-standing history in Mexico.³⁰⁰ As with the Caribbean, undoubtedly Mexico's proximity, not just physically but economically and culturally, as well as with matters of internal and external security, gives pause to China's advances.

Mexico eschews overt military engagement with China, such as military exercises. However, during 2003-2016, the two countries concluded eighteen senior-level military meetings and naval port calls. The senior-level military meeting differential at (-12) indicates that China is actively cultivating bilateral security and defense cooperation relations.³⁰¹ In 2006, China transferred limited military weapon systems to Mexico, which included towed guns. However, Mexico and China do not presently have any formal DCAs.³⁰²

Though China's security and defense engagement with Mexico has generally been inconspicuous, more recently, it has been taking advantage of emerging opportunities to become more relevant in the region. For example, China is involved in one of Mexican president Andrés Manuel López Obrador's signature internal security-related projects, the so-called "Fourth Transformation" anti-poverty and anti-corruption venture.³⁰³

²⁹⁸ Roman Ortiz, "Mexico, China & the US: A Changing Dynamic," *Americas Quarterly*, January 25, 2021, <https://americasquarterly.org/article/mexico-china-the-us-a-changing-dynamic/>.

²⁹⁹ Voeten, Strezhnev, and Bailey, "United Nations General Assembly Voting Data."

³⁰⁰ John A. Booth and Mitchell A. Seligson, "The Political Culture of Authoritarianism in Mexico: A Reexamination," *Latin American Research Review* 19, no. 1 (1984): 106, and Freedom House, "Global Freedom Scores: Countries and Territories."

³⁰¹ Allen, Saunders, and Chen, "Chinese Military Diplomacy, 2003–2016," 51–52, 62; DOD, "Military and Security Developments Involving the People's Republic of China 2020"; Ellis, "Chinese Security Engagement in Latin America"; and Koleski and Blivas, "China's Engagement with Latin America and the Caribbean."

³⁰² SIPRI, "SIPRI Arms Transfers Database," and Kinne, "The Defense Cooperation Agreement Dataset (DCAD)."

³⁰³ Ortiz, "Mexico, China & the US: A Changing Dynamic."

Central America is also an anomaly in China's overall engagement with the greater LAC region. Of the seven LAC countries that currently have diplomatic relations with Taiwan, two are in the seven countries of Central America. As with other LAC subregions, China has here been slowly expanding its influence. Costa Rica switched its recognition from the ROC to the PRC in 2007, Panama switched in 2017, and El Salvador in 2019. Nicaragua switched its recognition to the PRC in 1985 but changed back to Taiwan in 1990. In 2021, it switched yet again to the PRC. Since that time, this diplomatic state of affairs has remained essentially status quo.³⁰⁴ However, in March 2023, Honduras became the most recent Central American country to switch its diplomatic recognition to the PRC.³⁰⁵

The governments of Central America are less democratic, with an average Global Freedom Score of 65. This is markedly below average for the LAC region.³⁰⁶ Central American countries vote with China about 85 percent of the time, which is, interestingly, slightly below the LAC region average.³⁰⁷ A deterioration in the democratic nature of regional governments is a disturbing trend observed not only in Central America but indeed across the entire LAC region.³⁰⁸

The SIPRI database catalogs limited military weapons systems transfers to Nicaragua dating back to 1985 and consisting principally of towed multiple rocket launchers. Apart from one naval port call and one senior-level military meeting with Costa Rica, the countries of Central America have not had any other meaningful engagement in defense related collaboration with China from 2003 to 2016.³⁰⁹ Not unexpectedly, no

³⁰⁴ Alberto Belladonna, "Central America between China and the United States," Italian Institute for International Political Studies, October 23, 2019, <https://www.ispionline.it/en/pubblicazione/central-america-between-china-and-united-states-24236>, and "China Regional Snapshot: Mexico and Central America," Foreign Affairs Committee, March 16, 2021, <https://gop-foreignaffairs.house.gov/mexico-and-central-america/>.

³⁰⁵ Helen Davidson, "Honduras says there is 'only one China' as it officially cuts ties with Taiwan," The Guardian, March 26, 2023, <https://www.theguardian.com/world/2023/mar/26/honduras-says-there-is-only-one-china-as-it-officially-cuts-ties-with-taiwan>.

³⁰⁶ Freedom House, "Global Freedom Scores: Countries and Territories."

³⁰⁷ Voeten, Strezhnev, and Bailey, "United Nations General Assembly Voting Data."

³⁰⁸ Daniel Zovatto, "The Rapidly Deteriorating Quality of Democracy in Latin America," Brookings, February 28, 2020, <https://www.brookings.edu/blog/order-from-chaos/2020/02/28/the-rapidly-deteriorating-quality-of-democracy-in-latin-america/>.

³⁰⁹ SIPRI, "SIPRI Arms Transfers Database," Allen, Saunders, and Chen, "Chinese Military Diplomacy, 2003–2016: Trends and Implications"; DOD, "Military and Security Developments Involving the People's Republic of China 2020"; Ellis, "Chinese Security Engagement in Latin America"; and Koleski and Blivas, "China's Engagement with Latin America and the Caribbean."

Central American countries have DCAs with China.³¹⁰ The overall impression is that China's engagement with the seven Central American countries in matters related to security and defense cooperation is relatively unremarkable.

South America

China's engagement in security cooperation with South America, particularly in terms of military and defense affairs, is more significant than found elsewhere in the LAC region. In fact, compared with the other LAC subregions, China's engagement with the countries of South America in areas of security support and defense is striking. Moreover, these activities are expected to increase in intensity as China's influence building in the region becomes increasingly important, with a newly expanded foreign policy prioritizing Latin America in 2021 and beyond.³¹¹

The countries of South America closely align with the broader LAC region when supporting China at the United Nations.³¹² Paraguay is one of seven LAC countries diplomatically aligned with the ROC and remains the only South American country recognizing Taiwan. In matters of domestic politics, despite Venezuela's significantly lower Global Freedom Score of 16 and lower than average democracy scores in Bolivia, Columbia, Ecuador, and Paraguay, South America remains very close to the LAC region average. Interestingly, countries such as Chile and Uruguay score much higher than average for the region.³¹³

Collaboration between China and Argentina in matters of security and defense is especially interesting. According to the Correlates of War Project DCA dataset covering 1980 to 2010, Argentina has signed no fewer than four defense cooperation agreements with China. Argentina remains the only Latin American or Caribbean Basin country that has DCAs with China.³¹⁴ Although arms transfers from China to Argentina have remained

³¹⁰ Kinne, "The Defense Cooperation Agreement Dataset (DCAD)."

³¹¹ Isabel Bernhard, "China is Expanding its Foreign Policy Vision. Is Latin America Ready?," *The Diplomat*, January 16, 2021, <https://thediplomat.com/2021/01/china-is-expanding-its-foreign-policy-vision-is-latin-america-ready/>.

³¹² Voeten, Strezhnev, and Bailey, "United Nations General Assembly Voting Data."

³¹³ Freedom House, "Global Freedom Scores: Countries and Territories."

³¹⁴ Kinne, "The Defense Cooperation Agreement Dataset (DCAD)." China and Argentina have signed multiple DCAs. See Jordan Wilson, "China's Military Agreements with Argentina: A Potential New Phase in China-Latin America Defense Relations," U.S.-China Economic and Security Review Commission,

very limited, other areas of military engagement are more extensive. China has conducted nearly two dozen senior-level military meetings and naval port calls with Argentina.

Other defense-related initiatives between the two countries include Chinese military studies courses in Argentina's national defense college, education and training focusing on lower-level personnel such as PLA construction of field hospitals, and conferences and forums.³¹⁵ China has a (-11) meeting differential with Argentina, suggesting that it is actively cultivating a closer security and defense relationship with the South American country.

Several other South American countries, including Brazil, Bolivia, Chile, Colombia, Ecuador, Peru, Uruguay, and Venezuela, had notable security and defense cooperation arrangements with China from 2003 to 2016. For instance, Brazil had 35 encounters with China, consisting of military exercises, naval port calls, and senior-level military meetings. During the same period, Chile had three dozen senior-level meetings. Although Venezuela and Colombia had much fewer military encounters overall, both have conducted joint military exercises with China. Additionally, with a meeting differential of (-11) with Venezuela, China has demonstrated an interest in furthering its bilateral military and defense cooperation with that authoritarian and oil-rich South American country. Bolivia, Ecuador, Peru, and Uruguay are also conspicuous, with numerous senior-level military meetings and naval port calls.³¹⁶

SIPRI lists arms transfers to Argentina, Bolivia, Ecuador, Guyana, Peru, and Venezuela. The most significant arms transfers in total amount (TIVs) include Bolivia, Peru, and especially Venezuela. Prominent examples of weapons systems from China

November 5, 2015,

<https://www.uscc.gov/sites/default/files/Research/China's%20Military%20Agreements%20with%20Argentina.pdf>. Evan Ellis identified an agreement between China and Colombia signed in 2010; however, it is unclear if this involves matters of defense in general or an actual DCA. See R. Evan Ellis, "China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position," Strategic Studies Institute, August 1, 2011, https://www.jstor.org/stable/resrep11283?seq=1#metadata_info_tab_contents.

³¹⁵ Cassandra Garrison, "In Latin America, a Biden White House Faces a Rising China," Thomson Reuters, December 14, 2020, <https://www.reuters.com/article/us-latam-usa-china-insight/in-latin-america-a-biden-white-house-faces-a-rising-china-idUSKBN28O18R>, and Wilson, "China's Military Agreements with Argentina."

³¹⁶ Allen, Saunders, and Chen, "Chinese Military Diplomacy, 2003–2016," 51–52, 62–66; DOD, "Military and Security Developments Involving the People's Republic of China 2020"; Ellis, "Chinese Security Engagement in Latin America"; and Koleski and Blivas, "China's Engagement with Latin America and the Caribbean."

include towed guns, Surface-to-Air Missiles (SAMs), anti-tank missiles, fixed- and rotary-winged aircraft to Bolivia, SAMs, anti-tank missiles, and radar systems to Ecuador, and fixed-wing aircraft, tanks, anti-tank missiles, armored personnel carriers, and radar systems to Venezuela.³¹⁷

China's engagement with the countries of South America in areas that could have direct military or other defense applications, such as space cooperation, is also noticeable, particularly in Argentina. As described in the Theoretical Framework chapter, instances of technology transfer and its employment to produce influence are captured in the knowledge dimension of structural power.

Summary

Compared to the other dimensions of structural power examined later, the security structure has fewer overall metrics available for use in gauging China's growing influence in the LAC region. Those that present themselves as likely candidates of analysis are naturally aligned with coercive-centric interests such as a state's military and defense apparatuses. One obvious result of this is that the state emerges as the central actor in the security dimension of structural power.

China's global engagement in the security affairs of other states is changing. Historically cautious in overtly demonstrating its military and defense prowess, China has more recently become less concerned with concealing its growing ability to position military diplomacy resources to generate influence. All the same, in the LAC region, China's engagement in this dimension of structural power has, to date, been considerably less than what will be discovered with its trade and financial activities.

Acquiring data on state engagement in the area of security and defense is challenging because of the apparent secretive nature of such activities. The picture that emerges from open-source research efforts demonstrates that China is employing its military diplomacy capabilities worldwide (see Figure 2). Although the bulk of Chinese efforts in this dimension are located in Asia, the LAC region nevertheless figures

³¹⁷ SIPRI, "SIPRI Arms Transfers Database."

prominently with roughly ten percent of the total interactions. China's military diplomacy interactions by LAC country is displayed in Figure 5 below.

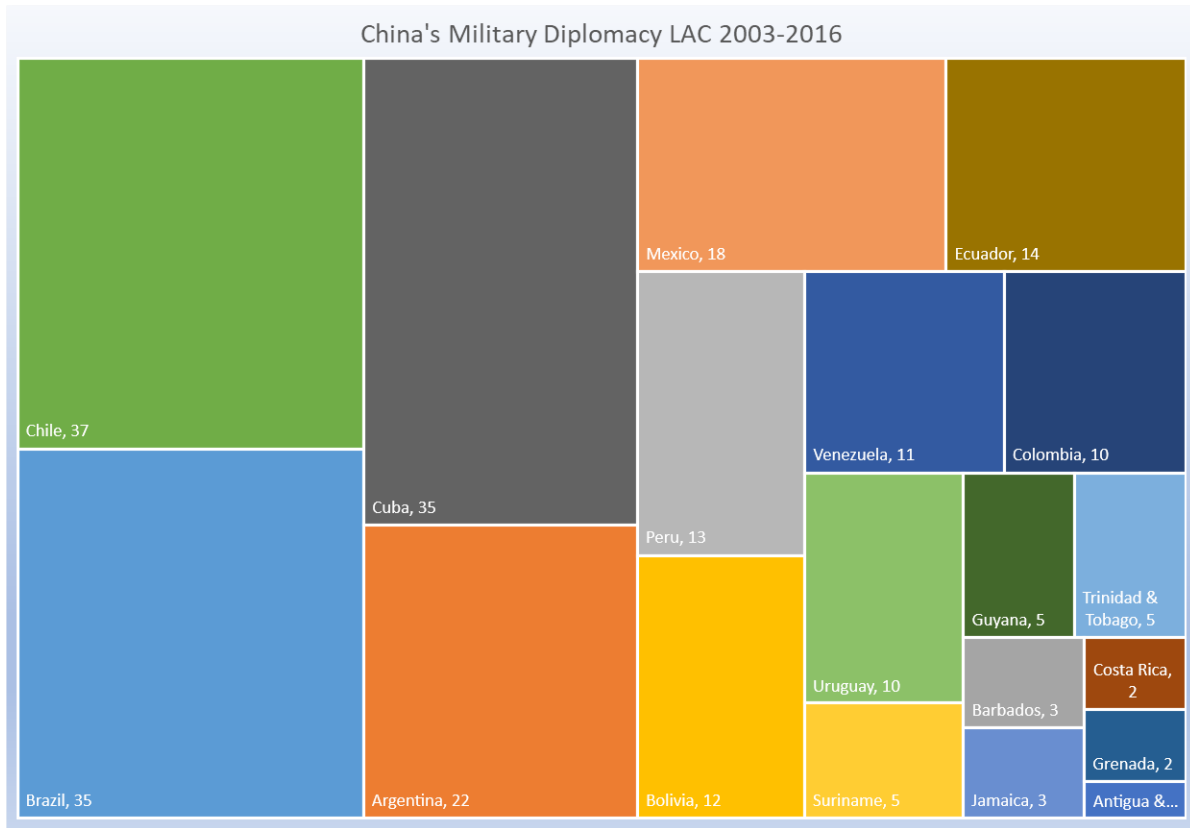


Figure 5: China's Military Diplomacy Interactions. Source: Kenneth Allen, Phillip C. Saunders, and John Chen, "Chinese Military Diplomacy, 2003-2016: Trends and Implications," Institute for National Strategic Studies.

Figure 6 below displays the top LAC country destinations of China's arms transfers as a percentage of total military spending for those countries.

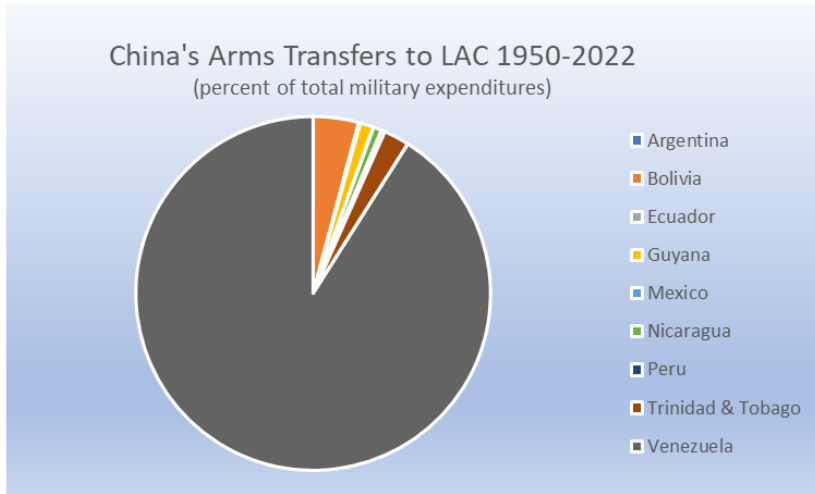


Figure 6: China's Arms Transfers to LAC Destinations. Source: SIPRI, "SIPRI Arms Transfers Database," and World Bank Open Data, "Military Expenditure (Current USD)."

Although China's arms transfers to the LAC region are noticeable, in particular its considerable transfers to Venezuela, they are clearly insignificant compared to weapons sales by US, Russia, and even Brazil (see Figure 7).

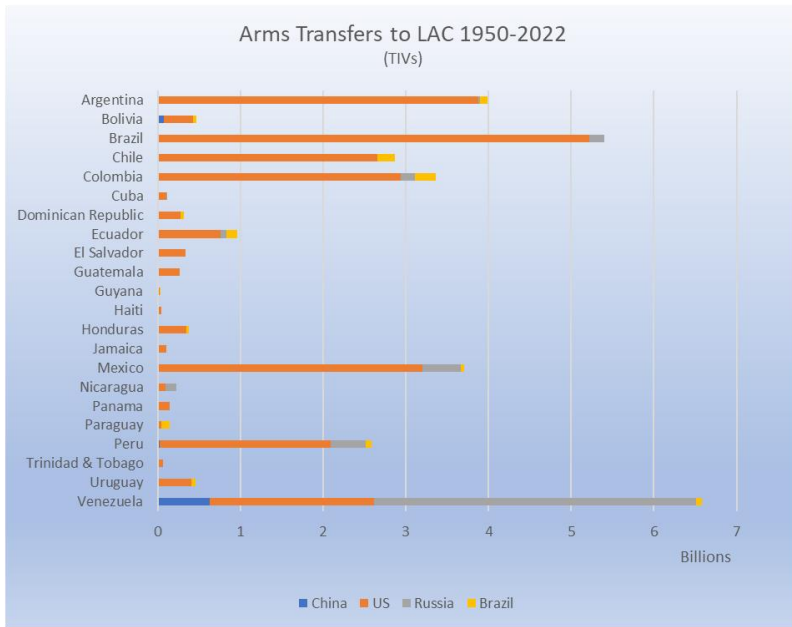


Figure 7: Weapons Systems Exporters to LAC. Source: SIPRI, "SIPRI Arms Transfers Database."

A cross-country assessment of arms transfers to the LAC region is helpful for comparison purposes; however, it is noted that arms transfers can vary significantly

based on when contracts are written and fulfilled, and historical analysis can therefore produce erratic results.

As discussed in the Theoretical Framework chapter, there have been various attempts to quantitatively assess the capabilities of states to project power. One particularly relevant example that is considered useful here is the Formal Bilateral Influence Capacity index. The FBIC assesses power by investigating how degrees of interaction across security, economic and political dimensions can create opportunities for states to influence each other. The premise of the FBIC is that through these interactions, (relative) dependencies are created, and this can produce leverage for the more dominant state. The security dimension of the FBIC captures analogous elements of military and defense cooperation that are evaluated in this project for understanding and assessing emergent structural power.

The FBIC index specifically assesses influence produced through arms transfers and military alliances, such as DCAs. The index employs controls to compensate for economic factors by calculating arms imports as a percent of total arms imports and total military expenditures. Weights are also assigned to the security component indicating the relative importance of each metric to generate influence. The weights are derived from the author's conceptual understanding of influence and power and are calibrated according to the results of a survey given to international relations experts. Table 2 below lists the upper quartile of the China-LAC FBIC security component dyads, which align with similar influence metrics as discussed in the narrative presented above. For comparison purposes, the rightmost column displays CINC scores, also for the upper quartile of LAC region countries.³¹⁸

It will be recalled that the CINC index is monadic and is not directly relatable to the FBIC index. It is used here to observe if the LAC region countries where China is making headway in its influencing efforts are also those with stronger levels of national capability.

³¹⁸ See "FBIC Interactive Data Viz," accessed August 3, 2022, https://public.tableau.com/app/profile/pardeecenterifs/viz/FBICDataVizFinal_16195805654860/FBICInteractiveDataViz. The Composite Index of National Capability (CINC) is a statistical measure of national power. See Singer, Bremer, and Stuckey, "Capability Distribution, Uncertainty, and Major Power War, 1820–1965." Essay in *Peace, War, and Numbers*, ed. Bruce Russett, 19–48 (Beverly Hills, CA: Sage, 1972). Version 6.0 used.

It can be seen that seven LAC region countries appear in both upper quartile rankings, and the interference is that there is a strong correlation between China’s efforts to influence LAC region countries in matters of security and defense cooperation and the national capabilities of those countries.

Country	FBIC Security Dyads 2016	Country	CINC Index 2012
Venezuela	0.591	Brazil	0.025
Bolivia	0.464	Mexico	0.015
Trinidad & Tobago	0.302	Colombia	0.007
Peru	0.175	Argentina	0.006
Ecuador	0.143	Venezuela	0.005
Argentina	0.060	Peru	0.003
Mexico	0.028	Chile	0.003
Brazil	0.010	Ecuador	0.002
Chile	0.004	Cuba	0.001

Table 2: China-LAC FBIC Security Dyads 2016 with CINC scores 2012. Note: For consistency with data available on China’s military diplomacy, 2016 dyads are displayed. Source: FBIC, “FBIC Interactive Data Viz,”

The FBIC dyads present an easy-to-read snapshot of China’s influence creation in the LAC region in matters related to military and defense cooperation. Because arms transfers are a significant component of the FBIC security index, the dyads naturally correlate with the results displayed in Figure 6 above. Figure 8 below displays the China-LAC FBIC security component dyads for the period 1990-2020. China’s increasing influence in the security dimension of power is clearly illustrated, especially since the beginning of the new century, which was virtually nonexistent before 1990. Since 2018, however, there has been a noticeable downward trend in security engagement presence on the part of China within the LAC region. This dip is likely a transient phenomenon due to the global pandemic.

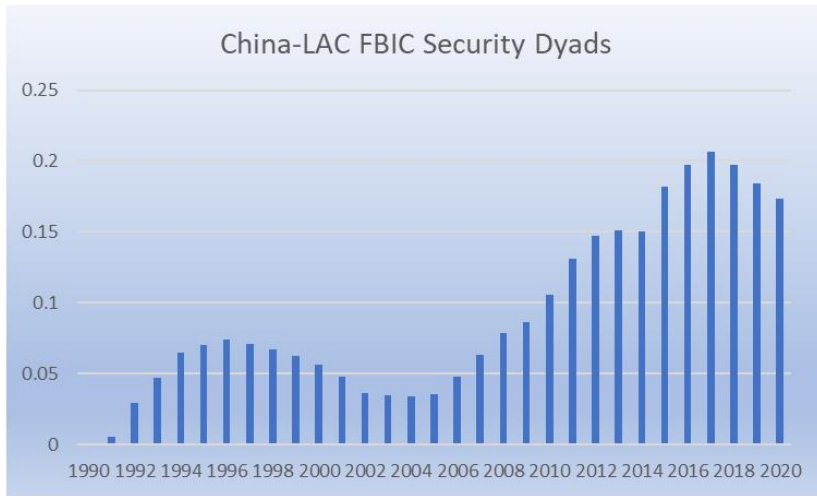


Figure 8: China-LAC FBIC Security Dyads. Source: FBIC, “FBIC Interactive Data Viz,”

The FBIC composite index does not include military diplomacy, which is considered a critical limitation in its methodology. For example, China’s meaningful engagement with Cuba in the Caribbean Basin is diminished by only observing weapons sales. When available, including direct military engagement activity data in the evaluation uncovers additional applicable regional information and therefore offers a more complete picture of the total influence capabilities of a state within this dimension of power.

To assess structural power, influence generation should be evaluated at its origin point—the emergent stage and not (only) at the international level. The initial assessment illustrates that within the security dimension of structural power, China engages with several of the larger economies of the LAC region, particularly those of South America. Furthermore, not unexpectedly, China connects with those LAC countries that recognize it over that of Taiwan.

China’s military diplomacy activities, weapons sales, and defense related dialogs and formal agreements shape LAC regional security environments. Dependencies are formed, which make LAC countries more disposed to China’s influence, potentially reorienting existing alliances and partnerships and shifting the balance of power by creating new structures that align with its interests over those of other powers such as the United States. These security and defense cooperation efforts support China’s broader economic and political goals and therefore enhance its structural power capacity by emphasizing the building of strategic relationships through regional integration that

prioritizes countries in Asia and around China's periphery. It has been noted in this project that China considers the LAC region an increasingly important part of its periphery. The project now moves to address Strange's production structure. Conventional forms of bilateral trade form the basis for measuring China's engagement in this dimension of structural power within Latin America and the Caribbean.

Chapter 6

Production

Logically building on the security structure, this chapter addresses a central objective of China's presence in the LAC region. Despite China's enormous abundance of domestic natural resource, per-capita quantities are insufficient for domestic consumption. Even more critically, however, China must locate and exploit foreign sources of raw materials to satisfy its export driven economy. Resource seeking closely aligns with China's principal regional engagement goals.

China's growth in global trade, especially since the turn of the new century, has been astonishing (see Figure 9). Although there was a short downward trend in China's worldwide imports during the recent health emergency, they appear to have regained positive growth post 2021. Additionally, while China's global exports slackened a bit, clearly due to the pandemic, they never displayed an absolute decline. Significantly, China's exports fully recovered even while the pandemic was raging worldwide. Also noticeable is that once China's trade started to significantly expand in the early 2000s, its global exports have always exceeded imports. This condition is not accidental. China's domestic economic engine is sustained by importing raw materials and turning them into value-added manufactured goods to sell worldwide.



Figure 9: China's Global Trade Growth 1992-2020. Note: Where trade data includes China and the countries of the LAC region, the reporting country is China. Although this potentially introduces PRC bias into the analysis, at least it is consistent bias rather than using data from as many as 33 different reporting systems. Source: WITS-World Bank, "Trade Statistics by Country/Region."

This phenomenal growth enabled China to become the global leader in total bilateral trade in 2020 (see Figure 10).

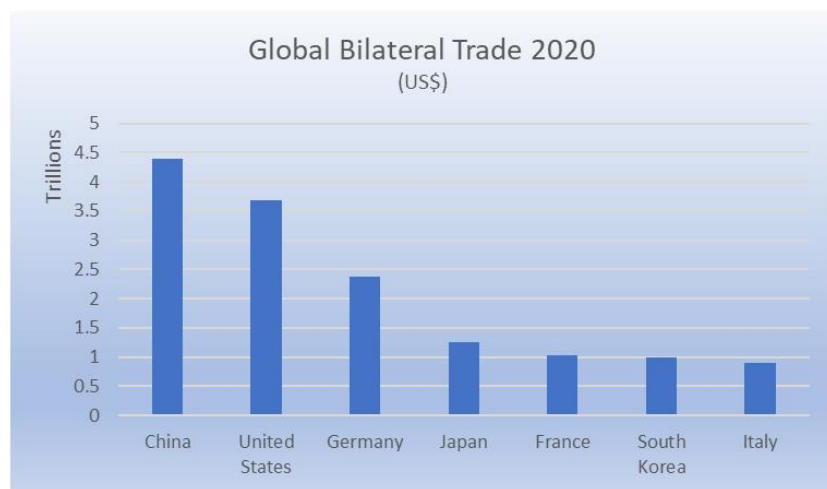


Figure 10: Global Bilateral Trade 2020. Source: WITS-World Bank, “Trade Statistics by Country/Region.”

China’s regional partners are critical to maintaining its export-oriented economy and, importantly, its positive trade balances. Not surprisingly, East Asia and the Pacific are China’s most important trading partners. In 2020, China imported US\$921 billion in products from the region while exporting US\$980 billion. Europe and Central Asia are also important to China’s economy, with imports from the region valued at US\$397 billion and exports of US\$577 billion. However, the value differential in imports versus exports is most conspicuous with its trade in North America. In 2020, China imported products from the region valued at only US\$158 billion while exporting products equaling US\$495 billion.³¹⁹

Assessing China’s Production Structure Engagement with the LAC Region

China’s total bilateral trade value with Latin America and the Caribbean is markedly lower than with the above regions. Nonetheless, China is a major trading partner with many of the countries in the region. In 2018 and continuing into 2019, China was the top contributor to LAC regional growth. Primary commodities and natural resource-based

³¹⁹ WITS-World Bank, “Trade Statistics by Country/Region.”

goods, including soybeans, iron ore, copper ore, refined copper, and fossil fuels, accounted for over 70 percent of the region's total exports to China. While demand for LAC products declined at the outset of the 2020 pandemic, it has since quickly recovered. Interestingly, by June 2020, only months into the worldwide health crisis, Argentina, Brazil, and Chile each recorded 20 percent year-on-year increases in exports to China, sharply contrasting with global trends resulting from a pandemic-related trade slowdown.³²⁰ In 2020, China imported US\$168 billion in products from the LAC region. A full 76 percent of those goods were in the form of raw materials. That same year, China exported goods to the LAC region valued at US\$150 billion. Chinese manufactured goods accounted for over three-quarters of all exports to the region.³²¹

China's engagement in the LAC region is predicated on its ability to access to its raw materials. Both in absolute quantity and the diversity of primary extractive and food products, Latin America and the Caribbean Basin have an enormous wealth of natural resources. Beginning near the end of the twentieth century but rapidly expanding early in the new century, China has targeted the LAC region to assist in meeting its mineral and agricultural requirements. This engagement obviously involves considerably less coercive resources than might be found in the security structure and is primarily driven by cooperative arrangements, such as bilateral trade and other dynamics that facilitate trade, including formal agreements and other partnerships, such as China's Belt and Road Initiative.

Susan Strange writes that (structural) power can be built from a state's presence alone. By establishing trade relationships, China is building ties with countries in the LAC region that serve as a foundation for broader cooperation across other dimensions of power and other areas of the world. As China's presence in the region grows, it can leverage newfound geopolitical opportunities to further its strategic interests and build new alliances that extend beyond its traditional sphere of influence in East Asia. China's bilateral trade develops centers of gravity within LAC structures that necessarily intersect

³²⁰ López Sergio Lay and Salvador Suárez Zaizar, "Dealmaking with China Amid Global Economic Uncertainty: Opportunities, Risks, and Recommendations for Latin America and the Caribbean," Atlantic Council, December 16, 2020, <https://www.atlanticcouncil.org/in-depth-research-reports/dealmaking-with-china-amid-global-economic-uncertainty-opportunities-risks-and-recommendations-for-latin-america-and-the-caribbean/>.

³²¹ WITS-World Bank, "Trade Statistics by Country/Region."

with and shape local and regional trade patterns and infrastructure development strategies and priorities. More importantly, China's regional trade engagement expands its global economic capacity and international integration. These outcomes directly translate into increased structural power.

Contrasted with its engagement in security cooperation and defense matters, China's presence in the LAC region in areas connected to productive capacity is significantly greater. China's engagement with Latin America and the Caribbean in matters related to bilateral trade is assessed next.

The Caribbean Basin

Not unexpectedly, the Caribbean countries have, on average, the smallest economies in the LAC region measured by nominal GDP. Comparable to the security structure, China's engagement in areas of production, trade, and transport infrastructure that facilitates trade within the LAC region is largely aligned with its official diplomatic recognition versus that of Taiwan. Of the four countries in the subregion that recognize the ROC (Haiti, Saint Kitts & Nevis, Saint Lucia, and Saint Vincent & the Grenadines), except for its exports to Haiti (the least developed and most heavily indebted country in the Caribbean), China conducts very little trade or other noticeable levels of engagement in infrastructure projects, or in formal partnerships and alliances supporting the production structure.

With a few noted exceptions, such as with Haiti above, trade between the thirteen independent nation-states of the Caribbean Basin and China is mostly unremarkable. All Caribbean nations run a trade deficit (imports exceed exports) with China. However, this is not atypical for the LAC region as a whole. In 2020, exports from all Caribbean countries to China averaged slightly less than US\$95 million, while imports from China averaged just under US\$400 million.³²²

Cuba (US\$470 million), Trinidad & Tobago (US\$335 million), and the Dominican Republic (US\$299 million) were the top Caribbean exporting partner countries to China for 2020. However, China is not ranked in the top three as an export partner with any

³²² Ibid.

Caribbean country. The total amount of exports by value that have China as a final destination is relatively insignificant for all countries, never exceeding two percent of their total. Exports to China as a percent of GDP are also inconsequential for the thirteen Caribbean countries—all less than one percent. Trinidad & Tobago is notable for its mineral, chemical, and fuel exports to China, while the Dominican Republic exports significant quantities of metals. Cuba exports large amounts of food products, metals, and minerals to China. Raw materials account for approximately 30 percent of Cuba's total exports to China. Other exports from the Caribbean Basin to China include textiles and clothing, machinery, and electrical products.³²³

Contrasting with its relatively limited exports to China, the countries of the Caribbean are significant importers of Chinese products. Top Caribbean importing partner countries from China in 2020 included the Dominican Republic (US\$2.5 billion), Haiti (US\$709 million), Jamaica (US\$630 million), Cuba (US\$483 million), and Trinidad & Tobago (US\$341 million). Haiti's imports from China are, to some degree, interesting because it remains diplomatically aligned with Taiwan. This situation will also be observed with Paraguay in South America, however. Several Caribbean Basin countries have imports from China that exceed two percent of their total annual GDPs. Antigua & Barbuda is especially conspicuous here, with imports from China at nearly seven percent of its GDP in 2020. Top imported products from China to the Caribbean include consumer goods, machinery and electrical products, textiles and clothing, transportation equipment, and metals.³²⁴

On the other hand, the United States is the most important trading partner with the countries of the Caribbean. Firstly, the US is an important destination for products from the Caribbean. Nine of the thirteen nations in the Caribbean have the United States as their first (7) or second (2) export trading partner. In those seven Caribbean countries with the US as their top export partner, the percentage of export trade to the US runs as high as 83 percent. Secondly, the US is by far the most important source of goods and services to the island nations of the Caribbean. Exclusive of Cuba, the US is the top import partner

³²³ Ibid.

³²⁴ Ibid.

for all other Caribbean countries, while China is typically the region's second or third-ranked import source.³²⁵

These bilateral trading developments generally correspond to what was observed with China's engagement with the Caribbean subregion in matters of security and defense cooperation. Outside of Cuba, of course, the Caribbean Basin generally looks northward to the US.

With the island nations in the Caribbean Basin, it is unsurprising that infrastructure projects are concentrated on facilitating various transportation methods, such as maritime port facilities and airport construction. Other projects that China has directly supported include dams, refineries, pipelines, roads, and several sports stadiums. China's infrastructure projects in Jamaica are particularly noteworthy. As of 2018, China, through its construction SOE, China Harbour Engineering (CHEC), had signed over a dozen transportation related construction deals with this third largest island nation in the Caribbean.³²⁶ Maritime and airport development projects in Antigua & Barbuda in the eastern Caribbean are other examples of China's infrastructure ventures in the region.

The so-called Yida project, named after principal investor Yida Zhang, is a "Chinese colony" constructed near an environmentally sensitive marine reserve. It will facilitate the establishment of a manufacturing hub and subsequent Special Economic Zone (SEZ) status between the two countries. The project is only one of the most recent infrastructure ventures that China has developed in Antigua & Barbuda. China also gifted a complete stadium, constructed in 2006, to the Caribbean country to host the 2007 Cricket World Cup. China Civil Engineering Construction Corporation (CCECC), a Chinese multinational SOE, is a principal contractor for infrastructure projects in Antigua & Barbuda, including a cargo port and cruise ship harbor, and has been active in construction projects in the country for over thirty-five years. Evidence supporting the importance that Chinese SOEs place on future engagement with the region comes from a recent Antiguan government statement that CCECC is building its Americas and

³²⁵ Ibid.

³²⁶ Margaret Myers, "China's Transport Infrastructure Investment in LAC: Five Things to Know," *The Dialogue*, November 13, 2018, <https://www.thedialogue.org/blogs/2018/11/chinas-transport-infrastructure-investment-in-lac-five-things-to-know/>, and Koleski and Blivas, "China's Engagement with Latin America and the Caribbean."

Caribbean headquarters in the country. However, government officials in the Caribbean country have found it necessary to defend Chinese funded and operated infrastructure projects with appeals to local environmentalists heralding China as an “important development partner” with the government and people of Antigua & Barbuda. Citing a “legion of projects that have been granted to us...” [by China], the Antiguan Information Minister noted that China has a longstanding relationship with the region, dating back to the 1950s.³²⁷

China’s engagement with Trinidad & Tobago is another interesting example of building production structure capacity. China is currently leveraging the deterioration of a once close relationship between the US and Trinidad & Tobago to build influence in the Caribbean. Diplomatic relations between Trinidad & Tobago and China date back to 1974, when it was one of the first nations in the region to recognize the PRC. Since then, Chinese construction SOEs have built numerous infrastructure projects, including a dry dock, an industrial park, public works buildings, hospitals, and stadiums. More recently, discussions have included the purchase of a refinery that can refine heavy, high-sulfur content oil produced in Venezuela. The two countries have also signed a cooperation agreement to develop air transport services between the two countries using China’s Hainan Airline. In 2018, Trinidad & Tobago was the first Caribbean nation to sign on to China’s BRI.³²⁸

China has increasingly focused on the Caribbean to engage its global infrastructure initiative. One month after Trinidad & Tobago reached an agreement with China, Antigua & Barbuda became the first eastern Caribbean country to sign a BRI agreement. Seven of thirteen Caribbean countries (Antigua & Barbuda, Barbados, Cuba,

³²⁷ Gemma Handy, “Antigua: Sprawling ‘Chinese Colony’ Plan Across Marine Reserve Ignites Opposition,” *The Guardian*, June 20, 2019, <https://www.theguardian.com/world/2019/jun/20/antigua-yida-project-chinese-colony-controversy>, and Robert Souter and Maryan Escarfullett, “Chinese Tourism Investment Flow into Antigua and Barbuda Despite Risks,” *China Dialogue*, April 16, 2018, <https://chinadialogue.net/en/nature/10568-chinese-tourism-investments-flow-into-antigua-and-barbuda-despite-risks/>. See also “Antigua and Barbuda Defends Relationship with China,” *Caribbean National Weekly*, October 5, 2020, <https://www.caribbeannationalweekly.com/caribbean-breaking-news-featured/antigua-and-barbuda-defends-relationship-with-china/>, and “Company Profile,” China Civil Engineering Construction Corporation, accessed December 5, 2021, <http://www.cccme.org.cn/shop/cccme12595/introduction.aspx>.

³²⁸ R. Evan Ellis, “China’s Engagement with Trinidad & Tobago,” *Global Americans*, March 26, 2019, <https://theglobalamericans.org/2019/03/chinas-engagement-with-trinidad-and-tobago/>.

Dominica, Grenada, Jamaica, and Trinidad & Tobago) have signed a BRI Memorandum of Understanding with China.³²⁹ China does not currently have any FTAs with the countries of the Caribbean Basin.

Similar to the analysis of the security structure, this discussion is not meant to suggest the presence or lack of a Caribbean-specific grand strategy on the part of China (or the US, for that matter). The Caribbean's proximity to the US alone can easily explain the greater degree of production structure engagement while at the same time rationalizing China's relatively insignificant engagement with the subregion in this domain. Despite lower levels of trade, with seven of thirteen Caribbean countries signed on as members of its BRI and significant infrastructure projects either developed or in progress, China is nevertheless developing capacity within the production structure.

Mexico and Central America

Second, only to Brazil, Mexico has the largest economy in Latin America and the Caribbean. In 2020, Mexico exported US\$16 billion in products to China, placing it third in the region behind Brazil and Chile. Nevertheless, Mexico's exports to China are relatively insignificant for its overall economy and comprise only about four percent of its total global exports (less than one percent of its GDP). On the other hand, with imports of US\$45 billion, Mexico was the region's biggest consumer of Chinese goods, leaving it with the largest trade deficit in LAC for 2020.³³⁰

Minerals, transportation products, industrial machinery, and electrical equipment make up the bulk of Mexico's exports to China. The mining industry is Mexico's fourth largest industry by income, and raw materials comprise 40 percent of its exports to China, slightly under the average for the LAC region.³³¹ While minerals (mainly copper) are an essential export to China, economically viable deposits of rare earth elements (REEs), have been discovered in the Mexican states of Sonora, Chihuahua, Oaxaca, and Chiapas. Currently, China is the dominant producer of REEs worldwide, controlling as much as 95 percent of the global market. China's monopoly of REEs is a geopolitical

³²⁹ "The Caribbean Engages the Belt and Road Initiative," Caribbean Investigative Journalism Network, December 1, 2019, <https://www.cijn.org/the-caribbean-engages-the-belt-and-road-initiative/>.

³³⁰ WITS-World Bank, "Trade Statistics by Country/Region."

³³¹ Ibid.

concern, and its 2010 export quota restrictions to Japan caused considerable secondary impacts in the US. Although China is the top global supplier of REEs worldwide, its growing domestic demand is beginning to outstrip supply, driving increased production from foreign sources. Mexico could potentially become an important source of REEs to China in the near term. For example, China's Ganfeng Lithium Co. Ltd. currently has lithium mining operations underway in Sonora, and this might suggest a route into Mexico's newly emerging REE market.³³²

As mentioned above, Mexico's imports from China are far more significant for its economy. In 2020, Chinese products accounted for about ten percent of Mexico's total global imports. Interestingly, pre-pandemic (2018), Mexico imported much more from China, accounting for roughly 18 percent of its total imports by value. Industrial machinery and electrical products make up the largest part of goods imported from China.³³³

As was observed with China's trade relationships with the countries of the Caribbean Basin, Mexico also looks northward. The United States is, by far, Mexico's top-ranked export partner, with Canada and China positioned considerably behind. Fully three-quarters of Mexico's exports by value are destined for the US. The United States is also Mexico's most important single country source of products, with 15 percent of total imports coming from its northern neighbor. China is Mexico's second-ranked source of products.

Within the LAC region, Mexico has the smallest portfolio of ongoing and finished infrastructure projects associated with China. Endemic corruption in the previous administration of Peña Nieto is often cited as a reason for the cancellation of numerous public works projects in Mexico. Under new president Andrés Manuel López Obrador's administration, Chinese SOEs, including China Communications Construction Company (CCCC), have again started to make inroads in Mexico with successful bids on new

³³² Rare earth elements, also referred to as strategic minerals, are important in producing many commercial products. They are also essential in the manufacture of products that have defense applications. Most of the minerals have no substitutes at present. See "Grupo Mexico Could Begin Mining for Rare Earth Metals," *Mining Global Magazine*, May 17, 2020, <https://www.miningglobal.com/supply-chain-and-operations/grupo-mexico-could-begin-mining-rare-earth-metals>; "The Geopolitics of Rare Earth Elements," Stratfor, April 8, 2019, <https://worldview.stratfor.com/article/geopolitics-rare-earth-elements>; and Ann Deslandes, "Mexico's Lithium Discovery is a Double-edged Sword," *Diálogo Chino*, February 14, 2020, <https://dialogochino.net/en/extractive-industries/33491-mexicos-lithium-discovery-is-a-double-edged-sword/>.

³³³ WITS-World Bank, "Trade Statistics by Country/Region."

infrastructure contracts. Typical Chinese supported infrastructure projects include ports, railways, and hydroelectric dams.³³⁴

Although Mexico has not signed a BRI MoU with China, it has joined with Chile, Colombia, and Peru in the Pacific Alliance trade bloc with which China has also actively engaged. As with other relationships and associations, Chinese officials and its various trade councils see the Pacific Alliance as a valuable complement to other networks it has associated itself within the region. Moreover, as a regional integration project whose members are advocates of free trade, China's engagement with the Pacific Alliance gives it another lever to influence outcomes consistent with enhancing its production structure building activities.³³⁵

On average, the seven Central American countries have larger economies than those in the Caribbean Basin but are markedly smaller than Mexico and South America. Nevertheless, several Central American countries have established steady increases in GDP growth over the past several years. Guatemala is currently the largest economy in the subregion, with Costa Rica second and Panama third.

Diplomatic recognition of the PRC by Central American countries has seen more variability than found elsewhere in the LAC region. As mentioned previously, Honduras is the most recent LAC country to switch its official allegiance to the PRC. However, Belize and Guatemala remain in the ROC camp. Exports to China from Central America are generally lower for countries diplomatically aligned with Taiwan. On the other hand, as observed with Haiti in the Caribbean, imports from China to Central America are seemingly less associated with official diplomatic recognition. For example, Panama, which recognizes the PRC, imports far more Chinese goods than all other Central American countries. Conversely, Guatemala has official diplomatic relations with the

³³⁴ Leticia Casado and Manuela Andreoni, "CCCC Expands its Latin America Portfolio," *Diálogo Chino*, June 12, 2020, <https://dialogochino.net/en/infrastructure/35869-cccc-expands-in-latin-america/>, and "Are Chinese Infra Companies Set to See a Comeback in Mexico," *bnamericas*, October 29, 2020, <https://www.bnamericas.com/en/features/are-chinese-infra-companies-set-to-see-a-comeback-in-mexico>. See also Koleski and Blivas, "China's Engagement with Latin America and the Caribbean," and Myers, "China's Transport Infrastructure Investment in LAC: Five Things to Know."

³³⁵ Benjamin Creutzfeldt, "China's Engagement with Regional Actors: The Pacific Alliance," *Wilson Center Latin American Program*, July 2018, https://www.wilsoncenter.org/sites/default/files/media/documents/publication/creutzfeldt_pacific_alliance_final.pdf.

ROC, yet imports significant quantities of goods from mainland China and ranks second just behind Panama in imports.³³⁶

On average, the Central American countries conduct considerably more bilateral trade with China than that observed with the Caribbean Basin. Similar to the Caribbean subregion, all Central American countries typically run trade deficits with China. In 2020, the countries of Central America exported US\$1.6 billion in goods to China. However, China is not a top-three ranked export trading partner in the region. Costa Rica, at US\$669 million, far exceeded the other Central American countries' exports to China for the year, while Panama ranked second at US\$469 million. Exports to China are more important overall for these two countries. In the case of Costa Rica, they comprise nearly five percent of its total global exports by value. However, export trade with China does not contribute substantively to the overall GDP of the subregion. Exported products to China from Central America include food, textiles, clothing, wood, and metals. Curiously, much of Costa Rica's exports to China are high valued microprocessors and controllers.³³⁷ Raw materials exported to China average around 25 percent of total exports compared to 48 percent for the broader LAC region.³³⁸

Similar to what was discovered in the Caribbean and Mexico, the countries of Central America import far more products by value from China than they export. In 2020, the Central American subregion imported just over US\$15 billion in goods from China. Importing products from China is essential for the economies of the subregion. All Central American countries import significant percentages of their total goods from China. Once again, Panama is conspicuous in its trade with China. Panama's most important import source is China and is the subregion's largest importer of goods by value (US\$8.8 billion) from the Asian mainland. Guatemala (US\$2.5 billion) ranks second in imports from China and Costa Rica (US\$1.5 billion) is third. Principal imports from China to Central America include textiles, clothing, industrial machinery, and electrical products.³³⁹

³³⁶ WITS-World Bank, "Trade Statistics by Country/Region."

³³⁷ See Myers and Wise, *The Political Economy of China-Latin America Relations in the New Millennium Brave New World*, 189, 196, 210–211.

³³⁸ WITS-World Bank, "Trade Statistics by Country/Region."

³³⁹ Ibid.

Nonetheless, as has been observed with the other subregions considered thus far, Central America, by and large, looks northward for its bilateral trading engagement. Not surprisingly, the United States is the top trading partner for the Central American countries. As noted above, exclusive of Panama, the other six Central American countries principally rely on the US for their goods and services.

China's engagement with the countries of Central America in areas that can facilitate trade encompasses some puzzles. For instance, El Salvador recently switched its official diplomatic recognition from Taiwan to Beijing, yet it has seemingly not reaped much in terms of infrastructure support and development from China. On the other hand, Nicaragua had previously switched its recognition from the ROC to the PRC, then switched back to Taiwan, and in 2021, switched yet again to the PRC. Interestingly, Nicaragua is on China's radar for significant infrastructure project development, including the oft-mentioned Nicaraguan Canal, a potential Chinese built and operated competitor to the Panama Canal.

Two additional interesting examples include Panama and Costa Rica. As stated above, both Central American countries have notable (relative) trade levels with China. Planned and completed infrastructure projects include hydroelectric power dams, roads, refineries and pipelines, port and container facilities, railways, and stadiums. Chinese SOE giants CCCC and CHEC are among those PRC state-directed companies involved in construction.³⁴⁰ Soon after Costa Rica switched its recognition from the ROC to the PRC, China donated a stadium and began negotiations culminating in the only Central American FTA with China (one of only three in the LAC region). Since 2007, China and Costa Rica's trade relations have grown significantly.³⁴¹ A similar pattern has been observed in Panama.

After Panama switched its recognition to the PRC in 2017, trade and infrastructure development between the two countries rapidly expanded. In addition to the

³⁴⁰ Myers, "China's Transport Infrastructure Investment in LAC: Five Things to Know," and Koleski and Blivas, "China's Engagement with Latin America and the Caribbean."

³⁴¹ Enrique Dussel Peters, Ariel Armony, and Shoujun Cui, eds., "Building Development For a New Era: China's Infrastructure Projects in Latin America and the Caribbean," Asian Studies Center, Center for International Studies, University of Pittsburgh, and Red Académica de América Latina y el Caribe sobre China, 2018, <https://www.redalc-china.org/v21/images/Red-ALC-China-y-U-PittsburghBuilding-Development2018.pdf>.

aforementioned construction projects, Panama and China entered into FTA negotiations to open a Panamanian Consulate in Hong Kong. Direct airline flights were also scheduled to begin between Shanghai and Panama.³⁴²

More recently, however, Chinese infrastructure plans in Panama have cooled somewhat. US diplomatic pressure (under the Trump administration) on the government of Laurentino Cortizo has been effective in dissuading Panama from some of its more ambitious partnerships with the Chinese mainland. As a result, several high-profile infrastructure projects operated by Chinese SOEs have been scaled back or outright canceled. For example, Panama Metro, the capital's rapid transit system, announced that a Korean engineering firm would construct a new rail line. Although a Chinese consortium underbid the Korean company, they were disqualified for not meeting "technical requirements." Considering the enormous strategic value of Panama—and specifically the Canal Zone—these developments illustrate how the US not only maintains significant influence in Central America but also demonstrate (precisely as China does) that it will use that power to enable outcomes consistent with its objectives in the region.³⁴³

Lastly, the most interesting puzzle might be that of Honduras. As noted earlier, in 2023, Honduras switched its official recognition to the PRC. However, while still diplomatically aligned with Taiwan, China had nevertheless engaged with Honduras over the past several years in a number of infrastructure related projects. Perhaps even more intriguing is that until very recently, only those Central American countries that recognized the PRC (Costa Rica, El Salvador, and Panama) had signed a BRI MoU with China. Yet, on June 12, 2023, only three months after Honduras officially recognized the PRC, the two countries completed 17 wide-ranging trade, agricultural, science and technology, infrastructure, and cultural agreements to greatly expand exchanges. As part of these

³⁴² "Panama President Cheers China's Belt and Road Initiative," AP News, April 2, 2019, <https://apnews.com/article/f21a392408744434918ebf72a749a827>.

³⁴³ Mat Youkee, "The Panama Canal Could Become the Center of the U.S.-China Trade War," Foreign Policy, May 7, 2019, <https://foreignpolicy.com/2019/05/07/the-panama-canal-could-become-the-center-of-the-u-s-china-trade-war/>, and Mat Youkee, "Has China's Winning Streak in Panama Ended?," *Diálogo Chino*, March 25, 2020, <https://dialogochino.net/en/trade-investment/34472-has-chinas-winning-streak-in-panama-ended/>.

agreements, Honduras becomes the fourth Central American country to sign a Belt and Road initiative pact with China.³⁴⁴

As was suggested in the case of the countries of the Caribbean Basin, this is not meant to hint at any type of grand strategy building on the part of China, but it is nevertheless an interesting element in the continuing diplomatic tug-of-war between the PRC and the ROC.

South America

China engages far more with South America in building its production structure capacity than is found elsewhere in the LAC region. This is consistent with what was observed with China's security structure engagement.

On average, the twelve countries of South America have by far the largest economies in LAC. In 2020, Brazil's GDP was roughly US\$1.5 trillion, which significantly exceeded the second largest economy of Argentina (US\$386 billion). The GDPs of Chile, Columbia, and Peru are considerably behind those of Brazil and Argentina. Venezuela's GDP has been as high as US\$394 billion in 2010 but has collapsed since and was only US\$44 billion in 2020. Paraguay is currently the only South American country that remains diplomatically aligned with Taiwan and is the region's third smallest economy. The smallest economies in South America are Guyana and Suriname.³⁴⁵

The only surplus trade balances with China in the LAC region are located in South America. In 2020, Brazil, Chile, Ecuador, Peru, Uruguay, and, interestingly, Guyana exported more than they imported from the Chinese mainland. Not unexpectedly, bilateral trade generally follows larger economies, and South America's trade with China is significantly greater than found in the other subregions in LAC. Brazil and Chile are China's largest trading partners in South America and the largest in the LAC region. Together, they conduct the majority of trade by value with China. As a percent of total export trade, Brazil's (US\$86 billion) and Chile's (US\$30 billion) products sold to China

³⁴⁴ Ileana Ferrer Fonte, "China, Honduras Seal 17 Pacts, Including Belt and Road Project - Prensa Latina," Prensa Latina - Latin American News Agency, June 12, 2023, <https://www.plenglish.com/news/2023/06/12/china-honduras-seal-17-pacts-including-belt-and-road-project/>.

³⁴⁵ World Bank, "GDP (current US\$)."

are important for their respective economies, and in 2020, accounted for fully one-half of total global exports for each country. For Chile, this was 11 percent of its GDP for the year.³⁴⁶ As anticipated, Paraguay ranks among the lowest in exports by value to China. Predictably, exporting products to China is much more important for the economies of South American countries than found elsewhere in the LAC region. On average, exports to China contribute twice as much to GDP for South American countries as was observed in the island nations of the Caribbean Basin, Mexico, or the Central American countries.

A wide variety of products from South America make their way to China. Argentina is noted for exporting significant quantities of food and agricultural products. Fuel products, minerals, and metals are important exports for Brazil, Chile, and Columbia. Venezuela is well-known as a crude oil exporter to China. Similar export baskets are found in other South American countries. The common denominator among export products from South America to China is that they are heavily weighted in natural resources, particularly agricultural products, and the extractive sectors. As previously discussed, strategic minerals are of particular interest to China in its engagement in the region. Brazil, Bolivia, Chile, and Argentina are notable within South America for their deposits of REEs. Raw materials make up the bulk of exports to China from the region. On average, over 80 percent of exports from South America are raw materials, and in Bolivia, Ecuador, Suriname, and Venezuela, that amount exceeds 90 percent.³⁴⁷

Brazil, Chile, Colombia, Peru, and Argentina are the top LAC region importing countries from China by total value of goods and services. In 2020, Brazil imported US\$35 billion in goods from China. China is the most important source of goods and services for Bolivia, Brazil, Chile, Paraguay, Peru, and Uruguay and ranks second or third for the other six countries. Nearly one-third of Venezuela's and Columbia's imports come from China. For these countries, industrial machinery and electrical products, chemicals, and metals are the principal imports from China. Comparable to what has been discovered throughout the LAC region, manufactured goods are the norm for South American imports

³⁴⁶ WITS-World Bank, "Trade Statistics by Country/Region."

³⁴⁷ Ibid. See also "Chile to Boost Rare Earth Mining," Bnamericas, October, 1, 2020, <https://www.bnamericas.com/en/analysis/chile-to-boost-rare-earth-mining>, and "The World Factbook," Central Intelligence Agency, 2021, <https://www.cia.gov/the-world-factbook/countries/>.

from China.³⁴⁸ As has been found throughout Latin America and the Caribbean, the US and China rival each other as top import partners for the region.

Thus far in the analysis, the United States has been the more important trading partner within the subregions of LAC. Moving to South America, we see China's influence in bilateral trade becoming much more important. Within South America, Brazil is the most important export partner with the other countries in the subregion. However, China and the United States are South America's most important export trading partners outside the continent. Nine South American countries count the US as their top three export destination, while China is in the top three for eight South American countries.

Predictably, no conspicuous levels of infrastructure project development were discovered in Paraguay. However, in the eleven other South American countries, China has completed or is building hydroelectric dams, power transmission infrastructure, refineries, and related structures, such as pipelines and port loading terminals, airports, railways, roads, bridges, tunnels, and bus terminals.

As is the case with much of China's engagement in the LAC region, its interest in seeking resources from South America and its support of infrastructure projects in the subregion are symbiotic. Chinese SOEs are involved in building dozens of infrastructure projects in South America and most indirectly benefit the production and transportation of raw materials back to the Asian mainland. For example, in Brazil, a focus for China has been on the construction of marine port terminals, storage facilities, and other logistics projects enabling bulk commodities loading. In Bolivia, Chinese SOEs have developed nearly two dozen road and bridge projects supporting the export of lumber and minerals.

China's relationship with Ecuador is indicative of its infrastructure relationships and development in the region. To reduce its dependence on imported refined petroleum products, Ecuador has increased its domestic hydropower capacity. At the same time, it can sell spare electrical power to neighboring countries to generate additional income. China's construction SOEs, including China National Electric Engineering Company (CNEEC) and Synohidro Corporation, are noticeably active in developing these large projects. In addition to the production and export of crude oil, the mining of copper, silver,

³⁴⁸ WITS-World Bank, "Trade Statistics by Country/Region."

and gold has been used by Ecuador to diversify its economy. Ecuador's most significant mining operation is undoubtedly the Chinese SOE operated copper mine at Mirador. However, several other mining concessions have been awarded to Chinese companies in recent years. China's infrastructure activities in Argentina are also typical of its engagement in the region. Due to low levels of domestic investment and a lack of home-grown entrepreneurial expertise, Argentina has long suffered from an infrastructure gap. This has created an opportunity for China. Two conventional areas on which Argentina and China have collaborated include generating electricity from hydropower and modernizing and upgrading an antiquated freight railway system. However, a less conventional infrastructure project includes advanced industries.

The construction of nuclear power plants outside of the Chinese mainland is a relatively new enterprise for China. China's nuclear SOE, China National Nuclear Corporation (CNNC), is involved with a planned nuclear power plant in Argentina that departs somewhat from its typical vertical approach to business ventures. Instead of controlling all aspects of a project, from sourcing labor and materials to the construction itself, CNNC acts more as a financier and supplier of equipment and services while relying on Argentina's proficiency in its existing nuclear power industry and supply chains. This is a new business model for China, which expands its competence in working with multiple international actors and enhances its ability to assimilate new technologies from those partners. By leveraging Argentina's long-term institutional weaknesses and its competency in specific industries, China's relationship has evolved from one centered principally on trade to an arrangement that more fully integrates itself into a wider variety of its sectors.³⁴⁹

In addition to its increased profile in matters of trade and construction projects, China's engagement in formal partnerships and alliances is also more pronounced in South America than discovered with the rest of the LAC region. With its official diplomatic

³⁴⁹ Myers, "China's Transport Infrastructure Investment in LAC: Five Things to Know"; Koleski and Blivas, "China's Engagement with Latin America and the Caribbean"; Dussel Peters, Armony, and Cui, eds., "Building Development For a New Era"; Raquel Carvalho, "How Chinese Projects are Tearing Communities in Ecuador Apart," *South China Morning Post*, May 25, 2019, <https://multimedia.scmp.com/week-asia/article/3011618/beijing-conquest-latin-america/chapter02.html>, and "Pandemic Makes Brazil Even More Reliant on China," Wilson Center, September 4, 2020, <https://www.wilsoncenter.org/blog-post/pandemic-makes-brazil-even-more-reliant-china>.

recognition still on the side of Taiwan, it is not unexpected that Paraguay has not signed a BRI MoU with China. Eight of the other South American countries are signatories, while three have not yet joined China's initiative. It is notable that South America's largest economies, including Brazil, Argentina, and Colombia, have not signed on to its Belt and Road Initiative.³⁵⁰ Chile and Peru join Costa Rica as the only FTAs that China has concluded within the LAC region. Finally, Chile, Colombia, and Peru (along with Mexico) are members of the Pacific Alliance trade bloc.

Summary

Production is the foundation of all political economies. In describing her production structure, Strange noted that all organized societies are built on a system that puts people to work, creating wealth. Strange argues that China, with a (relatively) advanced society, should have rapidly surpassed feudal Europe in the development of its production structure. However, the bureaucracy of an inefficient state which did not provide incentives for change, combined with its enormous population, held it back.³⁵¹

Forged by Deng Xiaoping, China's economic reforms, also known as its "opening" led to a series of events ultimately resulting in a system referred to as a "socialist market economy." The spectacle of "China's rise," particularly that observed during the opening decades of the new century, depended on this restructuring, and necessitated the procurement of raw materials to fuel its export-oriented system. Bilateral trade and preferential agreements that facilitate trade support China's immediate objectives. The byproduct of China's presence in the LAC region is economic and political influence, which also potentially has the ability to impact system-level structures.

China's engagement in trade with LAC was minimal before the start of the twenty-first century. However, similar to China's increased activities in other dimensions of power, as well as its broader economic gravitas regionally and worldwide, this dramatically changed beginning around 2002. The trajectory of China's trade with the LAC region over the past three decades is illustrated in Figure 11 below.

³⁵⁰ Whether measured by purchasing power parity (PPP) or nominal GDP, Brazil, Argentina, and Colombia had the largest GDPs in South America in 2020.

³⁵¹ Strange, *States and Markets*, 70, 73, 77–78.

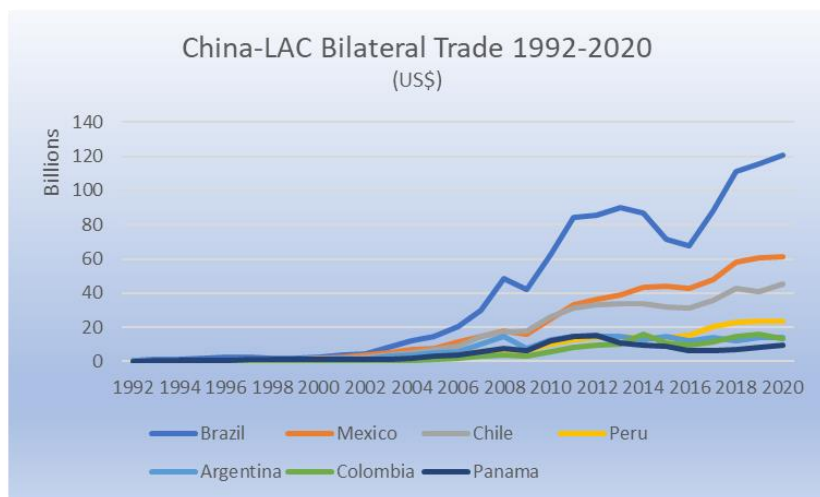


Figure 11: China's Trade with LAC (selected countries) 1992-2020. Note: The top seven LAC countries are displayed. Source: WITS-World Bank, "Trade Statistics by Country/Region."

One approach to conceptualizing the dynamics of bilateral trade is to observe trade as a percentage of nominal GDP to control for economy size. Table 3 below displays the upper quartile of the thirty-three LAC countries ranked by exports to China and imports from China as a percent of those countries' GDP. Also listed are total global exports and imports as percentages of GDP.

Country	Exports to China (% of GDP) 2020	Global Exports (% of GDP) 2020	Country	Imports from China (% of GDP) 2020	Global Imports (% of GDP) 2020
Chile	12%	22%	Panama	16%	10%
Peru	7%	16%	Suriname	8%	82%
Brazil	6%	11%	Antigua & Barbuda	7%	15%
Guyana	6%	40%	Chile	6%	30%
Uruguay	4%	17%	Belize	5%	18%
Ecuador	4%	16%	Haiti	5%	7%
Suriname	2%	42%	Guyana	5%	43%
Argentina	2%	10%	Jamaica	5%	7%
Colombia	2%	15%	Peru	4%	30%

Table 3: China-LAC Region Exports and Imports by Percent of GDP 2020. Source: WITS-World Bank, "Latin America & Caribbean Trade Balance, Exports and Imports by Country and Region 2020."

The economic impact of South American exports to China is evident here. On the other hand, the importance of Chinese products imported to Central America and the Caribbean Basin is also demonstrated.

Chile's and Peru's exports to China are clearly an important part of their global export trade. Additionally, trends indicate that LAC countries' exports to China are an

increasing component of overall GDPs for the region. On the other hand, exports to China add very little to the GDPs of Suriname, Argentina, and Columbia, even though global exports are nevertheless important for their economies in the aggregate.³⁵²

On the import side of bilateral trade with China, it is observed that Panama's imports are an important part of its economy. Indeed, Panama's imports from China add significantly more to its GDP than do global imports on the whole. Paraguay, the only South American country still aligned with the PRC, ranked tenth overall in imports from China as a percent of its GDP. Lastly, while Venezuela should figure prominently among the LAC region when assessing trade with China, it dropped just outside of the top quartile using the metrics considered here.

While bilateral trade has been theoretically demonstrated to have effects on economic growth and therefore is a driver of influence, insight gained from the literature indicates that exports can be a more important component of that growth than imports. This is partly due to the ability of exports to be more quickly (and directly) converted to shifts in GDP, while imports, such as machinery used to produce finished goods and then sold, take longer to have an economic impact. However, this difference is not quantitatively determined here and is difficult to isolate in any case.³⁵³

Coincidentally, Sayef Bakari and Mohamed Mabrouki studied the relationship between exports, imports, and economic growth in Panama. They found that in the single case of Panamanian economic growth, while both exports and imports were a source of growth, imports were viewed as more beneficial because they assisted in producing exportable products.³⁵⁴ Clearly, more than a single example is needed to make a robust case for diplomatic alignment and trade engagement. However, the degree to which

³⁵² The trade-to-GDP ratio is a commonly employed indicator to assess how important international trade is to the overall economy of a selected country. The world average for 2020 was 23 percent and has been declining year-over-year recently. In the case of Chile, for example, at 22 percent, it is clearly an "average" exporting country by percent of GDP standards, yet 12 percent of its exports as a percent of GDP can be explained by export trade with China alone. See "Trade Statistics by Country/Region" and "Exports of Goods and Services (% of GDP)," WITS-World Bank, accessed December 5, 2021, <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>.

³⁵³ This oversimplifies the numerous differences between the economic effects of exports and imports. However, a thorough examination is beyond the scope of the current project. For research explicating these differences, see Sayef Bakari and Mohamed Mabrouki, "Impacts of Exports and Imports on Economic Growth: New Evidence from Panama," *Journal of Smart Economic Growth* 1 no. 2 (2017): 67–68.

³⁵⁴ *Ibid.*, 67, 76.

China's goods impact Panama's economy and its recent (2017) shift in allegiance to the PRC is nevertheless noteworthy.

It is not argued here that China's bilateral trade volume, infrastructure development, and participation in various other partnerships with LAC countries are positively correlated with its diplomatic recognition over that of the ROC. China is obviously politically driven, but it is also pragmatic. It could be that specific circumstances, such as resource availability or other market conditions, are present in countries that China engages with, and these elements drive (or are driven by) official diplomatic alignment. However, it has been demonstrated that, in general, China's trade activities are greater in those LAC countries with which they have official governmental relations.

The analysis demonstrates that China's bilateral trade activities in the LAC region are considerable and are increasing annually, especially since the turn of the new century. However, as was found with China's engagement in matters of security and defense cooperation, they are much less compared to that of the United States (see Figure 12).

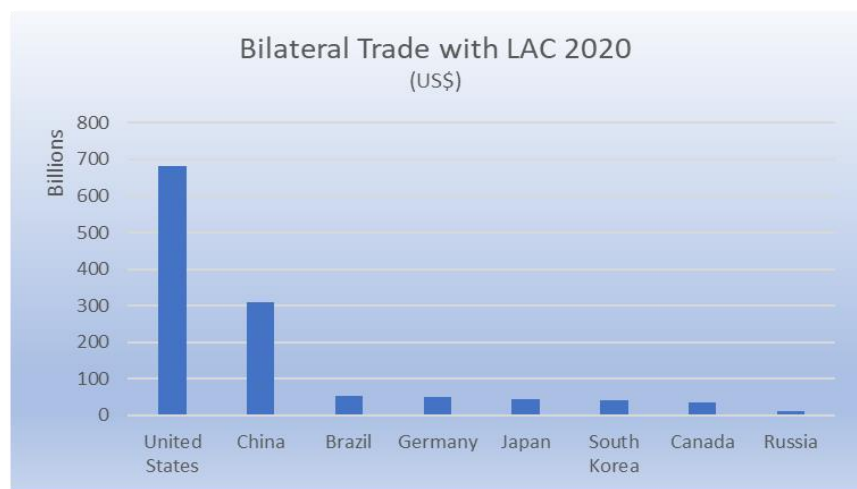


Figure 12: Top Trading Countries with LAC 2020. Note: LAC reporting countries are used for consistency across the entire region. Russia is included for comparison purposes and is not in the top ten trading countries with LAC. Source: WITS-World Bank, "Trade Statistics by Country/Region."

In 2020, the US had more than twice the amount of bilateral trade with the LAC region than China. Nevertheless, China's trade exceeds that of the next six countries combined.

The FBIC composite index is used again to make some generalizations regarding China's engagement with the LAC region in matters related to the production structure of

power. The economic component of the FBIC assesses total trade, trade as a percentage of total trade and GDP, and trade agreements. These metrics capture what is evaluated in this project and closely align with what Susan Strange posits are critical for the development of structural power within her production dimension. Table 4 below lists the upper quartile of the China-LAC FBIC economic component dyads for 2020.

Country	FBIC Economic Dyads 2020
Chile	0.920
Peru	0.856
Guyana	0.789
Panama	0.774
Jamaica	0.751
Cuba	0.746
Dominica	0.728
Brazil	0.718
Uruguay	0.711

Table 4: China-LAC FBIC Economic Dyads 2020. Note: The economic component of the FBIC also includes development aid. In this project, ODA is analyzed in the financial dimension of power as a capital flow. Source: FBIC, "FBIC Interactive Data Viz."

In general, it is observed that the FBIC appraises China's engagement with the LAC region as comparable to what has been described in the narrative above. However, Cuba and Dominica are exceptions to the assessment. Their dyad scores are likely due to Chinese ODA targeting these two countries, and this will be explored in the financial dimension chapter. Finally, Figure 13 below displays the China-LAC FBIC economic component dyads from 1990 to 2020.

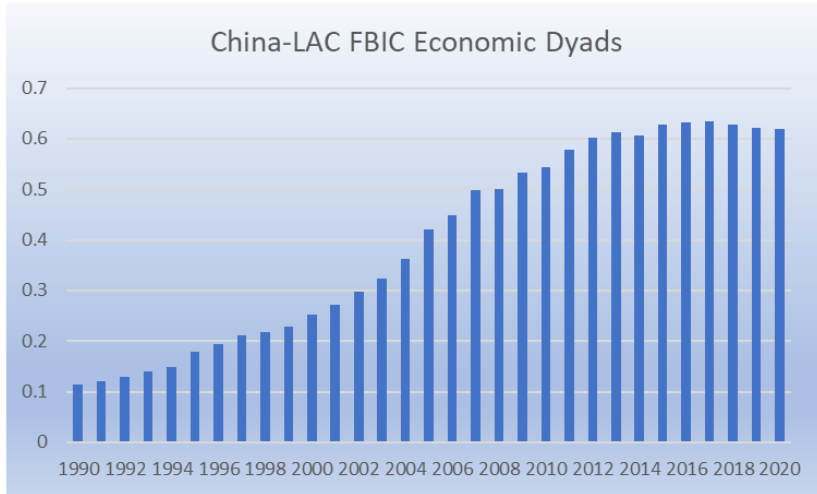


Figure 13: China-LAC FBIC Economic Dyads. Source: FBIC, “FBIC Interactive Data Viz.”

Although the FBIC economic dyads have shown a slight tapering trend since 2018, it is clearly visible here that China has been steadily building capabilities within this structural power dimension.

According to Strange, the control of key elements in the production and transportation cycle of goods and services can lead to structural power. China’s regional engagement in this dimension of power is primarily driven by resource seeking. Bilateral trade within the LAC region contributes to the development of China’s structural power in several ways.

It has been previously demonstrated that trade directly impacts nations’ economies by adding to the GDPs of partner countries. However, more to the point, bilateral trade and infrastructure systems that facilitate trade enable China to acquire resources that it may not have the capacity to produce itself, and this is critical for its continued economic growth both at home and abroad. For example, it was noted earlier that Argentina is an important supplier of food and agricultural products to China. Food security is a vital area of concern for China’s leadership, and the LAC region figures prominently as a food basket for its significant domestic consumption requirements.³⁵⁵ Arguably, even more critically, the LAC region is important for China’s energy security strategy. Resource

³⁵⁵ Not to put too fine a point on it, but if for no other reason than to have a ready supply of labor to produce export products.

availability in the energy sector is particularly acute for China. As the gap between China's oil consumption and production continues to widen, Latin America has become an important supplier of energy products to China. Until fairly recently, China was East Asia's largest oil exporter; it is now one of the largest oil importers in the world. Securing access to fossil fuels to support its domestic energy requirements is a national priority and an important part of China's energy security agenda.³⁵⁶ By 2016, the LAC region was supplying China with over 13 percent of its total oil imports, and this trend has continued.³⁵⁷

Partnerships such as the Belt and Road Initiative also contribute to China's capabilities in the production structure. China's BRI is fundamentally an infrastructure development collaboration project between it and partner countries. The construction of transportation networks, such as roads and ports, improves regional connectivity, and enhances supply chain logistics, facilitating the movement of goods between the LAC region and the Asian mainland. Adding new trading partners, enhancing existing relationships, and streamlining trade routes also promote greater trade flows. This increases China's production structure related influence in areas of market access and policies that impact trade. Lastly, the BRI increases China's regional integration and expands its prevailing spheres of influence by encouraging closer cooperation in bilateral trade activities. This will inevitably boost its abilities in production-related sectors, shaping both the regional trade landscape and international structures.

Strange's production structure is concerned with wealth creation through the utilization of labor, capital, and resources. It is viewed here as a more conventional structure involving bilateral trade, connected infrastructure systems, and preferential agreements designed to support that trade.

China's engagement with the LAC region in matters of bilateral trade is more significant than that found with the security dimension of structural power. This is not unexpected, as resource-seeking is a principal goal of China's activities in the region to make good the lack of domestic raw materials to support its global export-oriented

³⁵⁶ Nargiza Salidjanova, "Going Out: An Overview of China's Outward Foreign Direct Investment," 7.

³⁵⁷ Patricia Vasquez, "China, Oil, and Latin America: Myth vs. Reality," Atlantic Council, March 5, 2018, <https://www.atlanticcouncil.org/in-depth-research-reports/report/china-oil-and-latin-america-myth-vs-reality/>, 4-5.

strategy. The LAC region is well-known for its vast wealth of natural resources. China has benefited from importing primary commodities, including agricultural products and resource-based goods such as minerals and fossil fuels. South America easily surpasses the other subregions of Latin America and the Caribbean in its exports to China. Although global exports are an important source of economic growth for the South American continent, finished goods imports are nevertheless significant for the LAC region as a whole. This dynamic is also observed in the regions' trade activities with China.

The financial dimension of structural power is addressed next. Contrasted with the production structure, the cross-border movement of capital has undergone substantial change since Strange developed her original thesis of structural power and is viewed as possibly the most consequential of her dimensions when employed by a state to develop influence.

Chapter 7

Financial

One of the claims of this project is that China's financial presence in Latin America and the Caribbean is more significant for the development of structural power than its engagement in the other three dimensions of power. This aligns with the importance that Strange placed on the financial structure.

In the past, economic relations between countries were largely defined by their trading relationships. Indeed, in Strange's production dimension of power, the focus was on bilateral trade and other elements that facilitate trade. Today, however, a global financial ecosystem that is much more complex, diverse, and impactful than transactions involving only trade and the transportation of those goods has been established. The cross-border movement of enormous sums of capital, directly by states or through public or private, and state-directed multinational enterprises, characterizes how nations interact across a wide range of financial, commercial, business, and even security and political dimensions. These kinds of transactions, particularly the financial types, aptly describe China's engagement with the LAC region today. In the financial dimension of power, the emphasis is on capital flows and their employment to generate influence.

It has been noted that the purchase and sale of financial assets are now the dominant form of cross-border transactions. The consequence of this shift is that the financial structure is becoming more central to developing structural power capabilities. This assertion is further supported when examining the aggregate quantity of goods and services produced globally, or the total amount of worldwide trade in those products, compared to transactions involving financial assets. In 2019, the total global GDP amounted to roughly US\$87 trillion, while the global trade value of all goods exported throughout the world was approximately US\$19 trillion.³⁵⁸ Contrasting with those figures, a 2005 study calculated the total amount of capital intermediated through the world's

³⁵⁸ Aaron O'Neill, "Global GDP 2014–2024," Statista, July 30, 2021, <https://www.statista.com/statistics/268750/global-gross-domestic-product-gdp/>, and "Trends in Global Export Value of Trade in Goods from 1950 to 2020," Statista, May 7, 2021, <https://www.statista.com/statistics/264682/worldwide-export-volume-in-the-trade-since-1950/#:~:text=In%202019%2C%20the%20global%20trade%20value%20of%20goods,in%20international%20trade%2C%20globalization%2C%20and%20advances%20in%20technology.>

banking system and capital markets to be more than US\$118 trillion and projected that by 2010 the amount would exceed US\$200 trillion.³⁵⁹ The movement of capital throughout the world clearly dwarfs the total value of products produced or traded globally.

Of the various types of capital flows considered here, foreign direct investment is arguably the most recognized form.³⁶⁰ Figure 14 below displays global FDI flows for the period 1990 to 2021. Although worldwide FDI has steadily increased since the 1990s, there has been considerable variability over time. Unsurprisingly, investments are subject to the vagaries of the worldwide economy.

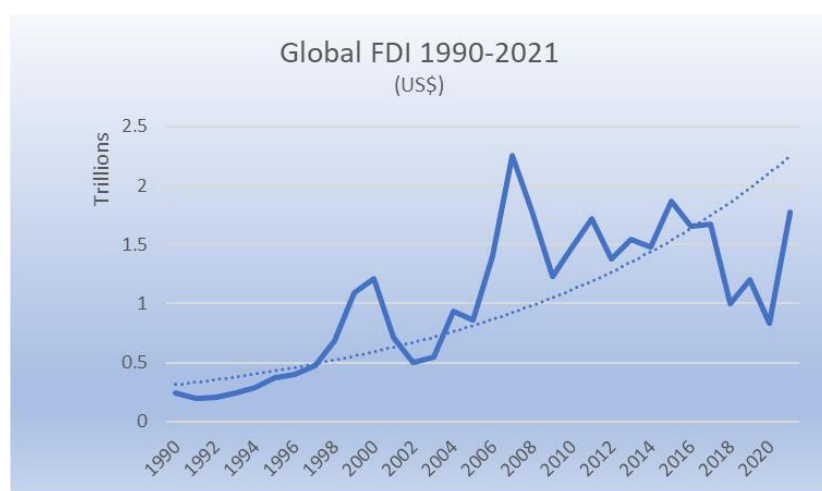


Figure 14: Global FDI 1990-2021. Note: FDI data are aggregated for 186 countries. Source: UNCTAD, "World Investment Report 2022."

The dramatic investment runup prior to the collapse triggered by the 2008 financial crisis reduced global investment by over 20 percent. More recently, there was an

³⁵⁹ Diana Farrell, Tim Shavers, and Aneta Marcheva Key, "\$118 Trillion and Counting: Taking Stock of the World's Capital Markets," McKinsey & Company, February 1, 2005, <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/118-trillion-and-counting#>.

³⁶⁰ FDI has two principal forms. Horizontal FDI is used to produce similar products in the host country as those produced in the home country. Vertical FDI, by contrast, are investments made to integrate all stages of production more fully, from raw materials to finished products. A specific type of FDI is backward vertical FDI or upstream FDI. Upstream FDI is investments in the supply chain made to secure raw materials when they cannot be obtained or are not economically feasible to produce domestically. See Richard E. Caves, "International Corporations: The Industrial Economics of Foreign Investment," *Economica* 38, no. 149, (1971): 4,10. China employs horizontal and vertical foreign direct investment globally; however, China's primary form of investment in the LAC region is vertical FDI. Many of these investments target less-developed countries in the LAC region that do not have adequate capital or infrastructure to develop the resources themselves.

additional downward trend. In 2018, reductions were largely due to a weak global economic outlook but also were a consequence of US enterprises repatriating accumulated earnings and were not necessarily indicative of structural changes in FDI. Investments directed to developed countries declined by 27 percent, reaching their lowest point since 2004, while FDI flows to developing economies remained relatively stable.³⁶¹ As the global investment situation began to turn around, the pandemic of 2019 hit. The downturn from the initial effects of the pandemic was followed by a rebound in investment as the actual impacts of the emergency became better understood. Despite uneven growth in foreign direct investment, caused mainly by global economic strains but also by health emergencies, the trendline demonstrates that foreign direct investment is robust and continues to increase over time.

Strange argues that structural power can proceed from “being there,” and this project focuses on that space—the emergence domain of structural power. Therefore, less attention is given to evaluating China’s policies driving its engagement. Nonetheless, it is interesting to note that China has explicitly communicated its global investment strategy.

Starting in the 1990s, but significantly increasing in the early 2000s, with the implementation of the “go-global” economic strategy, China has emerged as a significant source of FDI among developing and transition economies.³⁶² The go-global strategy became official Chinese economic policy in the 10th Five-Year Plan (2001-2005). After outlining the 12th Five-Year Plan in 2010, Chinese Premier Wen Jiabao stated:

We must accelerate the implementation of the go-global strategy, in accordance with market orientation and the principle of independent decision-making and guide enterprises with different kinds of ownership to invest overseas and co-operate in an orderly manner.³⁶³

In a speech at the World Economic Forum Annual Meeting in 2011, Premier Jiabao again articulated China’s interest in OFDI as an economic strategy:

³⁶¹ “UNCTAD Investment brief,” UNCTAD, 2009, https://unctad.org/system/files/official-document/webdiaeia20095_en.pdf, 1, and UNCTAD, “World Investment Report 2019,” 2-3.

³⁶² “OECD Investment policy reviews – China 2008,” OECD, 2008, <https://www.oecd.org/daf/inv/investmentfordevelopment/41792683.pdf>, 66.

³⁶³ Ken Davies, “China Investment Policy,” OECD iLibrary, May 29, 2013, https://www.oecd-ilibrary.org/finance-and-investment/china-investment-policy_5k46911hmvbt-en, 35.

We have pursued the dual strategy of introducing foreign capital and encouraging Chinese companies to invest overseas to achieve greater balance between the use of FDI and overseas Chinese investment.³⁶⁴

China's outbound FDI was relatively modest through the first few years of the new century; however, beginning around 2005, China's OFDI flows have followed an exponential trajectory (see Figure 15). Demonstrative of China's growing integration into the international economic order, its OFDI has been sensitive to the same economic conditions observed globally, and has generally followed worldwide investment patterns.

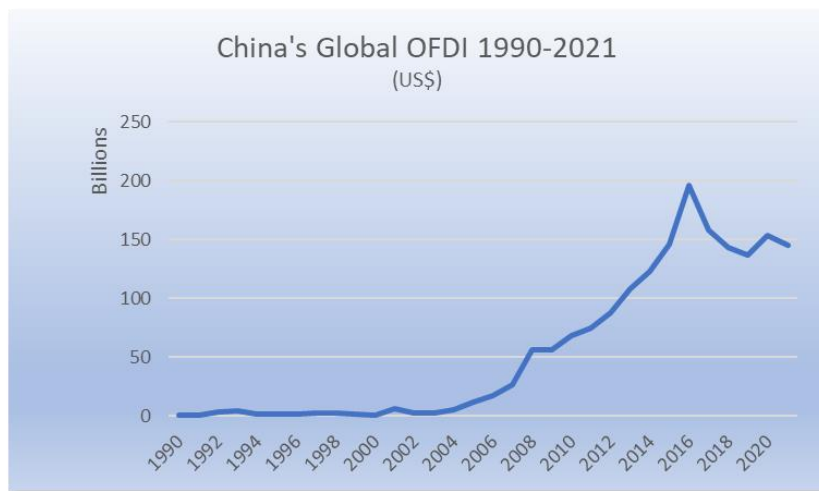


Figure 15: China's Global OFDI 1990-2021. Source: UNCTAD, "World Investment Report 2022."

Figure 16 below shows the foreign investment positions for the top ten countries as of 2021. While the United States has more than twice the FDI portfolio abroad than second-ranked Japan, it is noteworthy that China's OFDI is roughly one-third of the largest global investor. China now rivals Japan, Germany, and the UK as a worldwide equity investor. By investing with foreign partners, China expands its regional financial relationships and increases access to critical resources necessary to support its manufacturing sectors.

³⁶⁴ Wen Jiabao, "Full Text of Speech by Premier Wen Jiabao," September 15, 2011, <http://in.china-embassy.org/eng/xwfw/xxfb/t859482.htm>.



Figure 16: Largest Investment Positions 2021. Note: Total OFDI stock is displayed. Source: UNCTAD, “World Investment Report 2022.”

Another approach to examining capital flows is to look at the destination of FDI worldwide. Inbound investment can be a determinant for where favorable financial opportunities might be present. Figure 17 below displays foreign direct investment for the top ten recipient countries as of 2021.

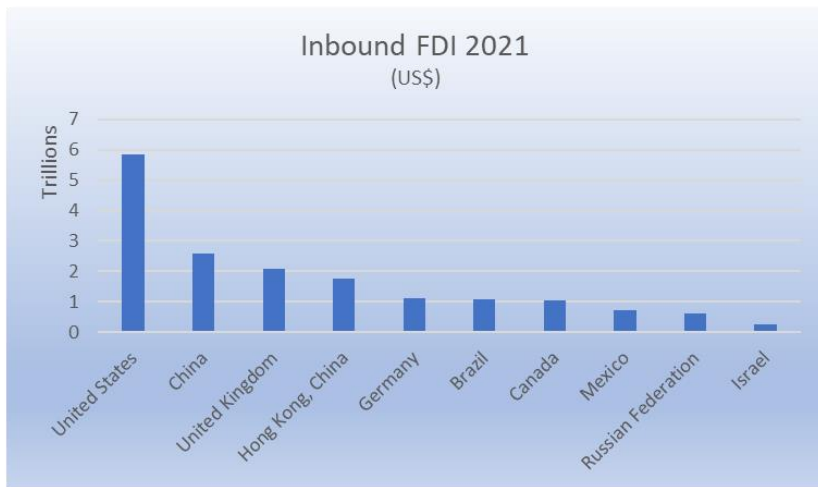


Figure 17: Top Ten Recipients of FDI 2021. Source: UNCTAD, “World Investment Report 2022.”

The United States continues to be the top recipient of inward FDI, but China accounted for nearly one-half of all inbound investment activity worldwide and was ranked second overall in 2021. Despite a Communist-authoritarian government, China now attracts a significant proportion of global investment.

Agreements, such as Bilateral Investment Treaties (BITs), facilitate foreign investment by protecting both signatories in financial transactions. According to UNCTAD, China has signed 145 BITs worldwide since the 1980s. Interestingly, this is more than three times the number of BITs that the US has completed.³⁶⁵

Foreign exchange reserves are an important source of capital for funding FDI, and here China leads the world. Figure 18 below shows the ten largest foreign reserve amounts by country as of 2020.



Figure 18: Top Ten Holders of Foreign Exchange Reserves 2020. Note: These figures include gold reserves held by central banks. Source: World Bank Open Data, “Total Reserves (Includes Gold, Current US\$).”

China has nearly three times the foreign exchange reserves of second-ranked Japan and almost five times the reserves of the US. During economic or financial emergencies, reserves can be used as a buffer to stabilize (or, in the case of China, often manipulate) domestic currencies and ameliorate the adverse effects of volatile markets. Large reserves permit more flexibility and autonomy in shaping broad-based monetary policy. China’s substantial foreign exchange reserves can signal stability and confidence to international markets, and this enhances its global economic and political reputation. Additionally, as mentioned earlier in the project, China specifically uses its foreign exchange reserves to make investments abroad. Foreign exchange reserves also support funding bilateral currency swaps and sovereign wealth funds.

³⁶⁵ “IIA Navigator,” International Investment Agreements Navigator | UNCTAD Investment Policy Hub, accessed June 26, 2023, <https://investmentpolicy.unctad.org/international-investment-agreements>.

Currency swaps generate influence for China by developing financial ties and trust with its regional partners while at the same time increasing the internationalization of the Renminbi. This is especially useful for China's engagement with the LAC region because it permits trade activity to proceed even when countries, such as Argentina, are at risk of liquidity crises. Over the past decade, China has signed currency swaps with 41 countries, including Canada, Iceland, Indonesia, Singapore, South Korea, Thailand, Turkey, and the United Kingdom, as well as a handful of LAC countries (see Figure 19).



Figure 19: China's Bilateral Currency Swaps 2009-2019. Source: Kalim Siddiqui, "The Bilateral Swap Agreements, Chinese Currency and the Demise of the US Dollar," *The World Financial Review*.

Sovereign wealth funds (SWFs) are state-owned entities whose principal function are to invest capital for the benefit of the citizens of a country.³⁶⁶ Funding for SWFs is primarily derived from foreign exchange reserves; however, other national assets, including government pension funds can be invested.³⁶⁷

China has three sovereign wealth funds with a combined asset value of approximately two trillion dollars (USD). The largest is the China Investment Corporation (CIC) and is China's official SWF. The National Council for Social Security Fund (NSSF)

³⁶⁶ SWFs are considered long-term portfolio assets where the leading investment objectives are returns versus liquidity and are therefore distinguished from assets held for shorter-length periods. Traditionally, SWFs have been regarded as passive portfolio investments, as contrasted with investments whose motives are active control of an entity, e.g., FDI.

³⁶⁷ Marc Levinson, *Guide to Financial Markets: Why They Exist and How They Work* (New York, NY: Hachette Book Group, 2018), 23.

is China's second-largest SWF. China's smallest SWF by asset valuation is the State Administration of Foreign Exchange (SAFE).³⁶⁸ Although China's SWFs generally do not disclose specific holdings, SAFE does make its external portfolio holdings public. As of 2019, SAFE listed roughly US\$100 billion in assets invested in the LAC region.³⁶⁹ However, because the funding of China's SWFs is typically made through offshore accounts, such as the British Virgin Islands and the Cayman Islands, the final LAC country destinations are uncertain.

China's capital flows contribute to the development of LAC industries and improve the overall economic climate of the region. This is an immediate source of influence for China, which can foster broader structural capabilities. Expertise gained by operating overseas develops China's financial and banking systems, drives domestic industrial development, assists in acquiring leading edge business expertise and technology, and improves its overall international competitiveness.

China uses a variety of state-owned and privately-owned entities to direct the outlay of state capital on behalf of the central government. China's financial activities in Latin America and the Caribbean are overwhelmingly linked to remedying natural resource limitations to support its continued domestic growth. It has made the acquisition of energy, minerals, and agricultural products national security priorities. However, other geopolitical motivations are also present.

China's leaders emphasize the close relationship between economics and security. This association is based on an awareness of China's national vulnerabilities and how economic growth can provide stability to secure the regime's legitimacy. By extension, this reaffirms the Chinese Communist Party's ability to produce economic growth for its people. This argument is self-reinforcing—the instrumental use of economics to reduce China's vulnerability and thereby increase its security not only mutually benefits its people but also underpins the power of the CCP to deliver on its promises.³⁷⁰

³⁶⁸ "Top 86 Largest Sovereign Wealth Fund Rankings by Total Assets," Sovereign Wealth Fund Institute, accessed December 2, 2021. <https://www.swfinstitute.org/fund-rankings/sovereign-wealth-fund>.

³⁶⁹ "Data and Statistics," State Administration of Foreign Exchange, 2019, <http://www.safe.gov.cn/en/2019/1129/1602.html>.

³⁷⁰ Norris, *Chinese Economic Statecraft: Commercial Actors, Grand strategy, and State Control*, 19-20.

As China's investment strategies in the LAC region have matured, it has redeployed assets to other sectors, such as infrastructure projects. However, access to the extractive and agricultural sectors remains a priority, and when capital is directed to other areas, these investments create synergies, such as improved transportation networks to assist China in accomplishing its primary national objectives.

Not surprisingly, as a managed economic system, China's financial entities are highly integrated. For example, Central Huijin, which controls China's financial state-owned enterprises, is also a wholly state-owned entity of the sovereign wealth fund China Investment Corporation. China's investment practices are also complementary. Its state-owned enterprises, including its national oil companies (NOCs) and policy banks, provide loans to assist other Chinese organizations in making investments abroad. China's financial activities in Latin America and the Caribbean create access and control, but more meaningfully, its presence generates influence.

China's foreign investing activities are principally carried out by its state-owned enterprises. Although parastatals are not unique to China, its state-owned enterprises are far more instrumental in carrying out commercial activities on behalf of the government than those found in other countries and take a leading role in its state-directed investment activities.

China's SOEs receive financial and political support from Beijing and can be categorized into three groups based on the regulating agency. Central and local industrial SOEs are administered by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), which is under the authority of the State Council of China. State-owned financial institutions are typically controlled by the Central Huijin Investment Company, which is owned by the Chinese government. Lastly, some SOEs are directly managed by China's Ministry of Finance (MOF).³⁷¹

China's SOEs contribute to 30 percent of its total GDP. This amount far exceeds that of developed countries. A primary focus of China's go-global strategy has been to shape its SOEs and MNEs into "national champions," consequently, most of China's

³⁷¹ Zoey Zhang, "What the Latest Round of Reforms Mean for the Market," China Briefing News, May 29, 2019, <https://www.china-briefing.com/news/chinas-soe-reform-process/>, and ChinaPower, "How Dominant Are Chinese Companies Globally?," ChinaPower Project, May 5, 2021, <https://chinapower.csis.org/chinese-companies-global-500/>.

outbound foreign direct investment is managed through these enterprises.³⁷² Even by global standards, China's SOEs are large. In 2019, nearly 70 percent of the 119 Chinese enterprises represented on the Fortune Global 500 were state-owned enterprises.³⁷³

The CCP maintains significant influence over its SOEs by placing top executives in important party positions. These relationships empower China's SOEs to be directly integrated into the national strategic agenda.³⁷⁴ In Latin America and the Caribbean, Chinese SOEs dominate its investments. In sectors China has determined are strategic, such as securing access to energy, agricultural products, and other natural resources, SOEs control as much as 80 percent of China's OFDI to the region. This contrasts with Chinese OFDI in the United States and Europe, for example, where private companies are the principal investors.³⁷⁵

An illustration of the integration between China's SOEs and the strategic agenda of the government can be found in the operations of its national oil companies in the LAC region. China's largest state-owned NOCs, China Petroleum and Chemical Corporation (Sinopec), China National Petroleum Corporation (CNPC), and China National Offshore Oil Corporation (CNOOC), are among the largest of its SOEs/MNEs, and all three operate in Latin America. China's national oil companies were some of the first of its SOEs to venture overseas to secure access to fossil fuels as part of its energy security priorities.³⁷⁶

China's investments in the hydrocarbon sector within the LAC region are dominated by its NOCs, however private firms provide essential support functions. While China's SOEs take the lead, its non-state owned MNEs form an integral part of its investment activities. China's NOCs operating in the LAC region are frequently supported by privately owned Chinese oil service and engineering companies.³⁷⁷

The CCP is influential in China's private MNEs as well. Chinese President Xi Jinping has expanded the presence of the CCP within private firms through "party building" measures.³⁷⁸ These efforts have been successful, with party penetration rates

³⁷² Ken Davies, "China Investment Policy," 38.

³⁷³ ChinaPower, "How Dominant Are Chinese Companies Globally?"

³⁷⁴ Ibid.

³⁷⁵ Avendano, Melguizo, and Miner, "Chinese FDI in Latin America: New Trends with Global Implications," 10.

³⁷⁶ Norris, *Chinese Economic Statecraft: Commercial Actors, Grand strategy, and State Control*, 67.

³⁷⁷ Vasquez, "China, Oil, and Latin America: Myth vs. Reality," 7.

³⁷⁸ ChinaPower, "How Dominant Are Chinese Companies Globally?"

as high as one-third of private enterprises. This was concerning for US officials; in 2012, the US Congress investigated two of China's largest telecoms, Huawei and ZTE on suspicion of having close connections with China's state security agencies.³⁷⁹

China's shift to overseas markets for investment opportunities has increasingly become not just a choice but is frequently a requirement for its MNEs, especially its state-owned enterprises. For example, state-directed SOEs must comply with PRC mandates to support broader economic-political aligned projects, such as the BRI.³⁸⁰ Sovereign lending is another important component of China's worldwide capital flows.

China's direct (state-to-state) debt financing activities are carried out by its two (official) policy banks. China Development Bank (CDB) and Export-Import Bank of China (China Ex-Im Bank) are the primary government lending institutions in China.³⁸¹ CDB and China Ex-Im Bank were created during the 1994 reforms of the financial sector in China. Agricultural Development Bank of China (ADBC), which is now called the Agricultural Bank of China (ABC), was one of the original "big-four" commercial banks that existed prior to the reforms and is somewhat of a hybrid institution—technically a commercial bank, yet one that is closely aligned with the central government and mandated to provide domestic lending for rural areas and the agricultural sector. The policy banks, officially "tools of the government" provide lending which explicitly supports China's economic and other policy objectives and can take quasi-fiscal measures such as issuing bonds.³⁸²

China's commercial banks now include the Industrial and Commercial Bank of China (ICBC), Bank of China (BOC), China Construction Bank (CCB), Bank of Communication (BoCom), and Agricultural Bank of China (formally ADBC).³⁸³ All

³⁷⁹ Xiaojun Yan, and Jie Huang, "Navigating Unknown Waters: The Chinese Communist Party's New Presence in the Private Sector," *China Review* 17, no. 2 (2017): 38, 39.

³⁸⁰ Ding Ding et al., "Chinese Investment in Latin America: Sectoral Complementarity and the Impact of China's Rebalancing," IMF, June 7, 2021, <https://www.imf.org/en/Publications/WP/Issues/2021/06/07/Chinese-Investment-in-Latin-America-Sectoral-Complementarity-and-the-Impact-of-Chinas-50217>, 4–5.

³⁸¹ See Chen Jia, "Policy Banks Focus of Meeting," *Chinadaily.com.cn*, September 30, 2019, <https://global.chinadaily.com.cn/a/201909/30/WS5d9150fea310cf3e3556e3db.html>.

³⁸² Kevin Gallagher, Amos Irwin, and Katherine Koleski, "The New Banks in Town: Chinese Finance in Latin America," *Inter-American Dialogue*, February 2012, https://www.bu.edu/pardee/files/2013/07/The-New-Banks-in-Town_English.pdf, 3. See also Norris, *Chinese Economic Statecraft: Commercial Actors, Grand strategy, and State Control*, 98.

³⁸³ See Margaret Myers and Kevin Gallagher, "Down But Not Out: Chinese Development Finance in LAC, 2017," March 2018, <https://www.thedialogue.org/wp-content/uploads/2018/03/Chinese-Finance-to-LAC-2017.pdf>, 3.

commercial banks have varying degrees of public ownership but are majority owned by the state.³⁸⁴

Combined, China's policy and commercial banks have financed nearly 200 loans to the LAC region since 2005. China's policy banks have underwritten roughly US\$140 billion in loans. However, because China's commercial banks operate in the LAC region as part of a syndicate of lenders, its total loan amounts are difficult to assess.³⁸⁵ Similar to its FDI targeting the LAC region, China's debt financing is heavily concentrated in the natural resource (primarily energy) and infrastructure sectors. Energy sector projects in the LAC region have received over 70 percent of China's total debt financing.³⁸⁶

The CDB finances China's macroeconomic policies outlined in its five-year plans, and its officials maintain that its chief function is the provision of financing abroad to meet domestic needs in natural resources. Of China's two official policy banks, CDB is by far the largest lender in the LAC region. CDB focuses on fewer countries with higher value financing, while the Ex-Im Bank tends to lend to a wider variety of countries in the LAC region but with relatively smaller loans. The China Ex-Im Bank facilitates the export and import of products and assists Chinese companies with offshore projects and outbound investment.³⁸⁷

Unlike international lending institutions, China's policy banks can employ a coordinated approach to assist in accomplishing state-directed mandates. Although initially, the policy banks were designed to separate commercial lending from government directed fiscal and monetary goals, the Chinese banking system continues to mix the two purposes—profit-making and state-mandated objectives.³⁸⁸ Former Premier Wen Jiabao announced in 2007 that the policy banks would eventually be converted into commercial institutions; however, this goal has yet to be fully realized.³⁸⁹ China's unique dual system

³⁸⁴ Gallagher and Myers, "China-Latin America Finance Databases."

³⁸⁵ Ibid.

³⁸⁶ Ibid.

³⁸⁷ See Gallagher, Irwin, and Koleski, "The New Banks in Town: Chinese Finance in Latin America," 4; Ken Davies, "China Investment Policy," 41; Gallagher and Myers, "China-Latin America Finance Databases"; and Chen Jia, "Policy Banks Focus of Meeting," Chinadaily.com.cn, September 30, 2019, <https://global.chinadaily.com.cn/a/201909/30/WS5d9150fea310cf3e3556e3db.html>.

³⁸⁸ Ibid, 4.

³⁸⁹ Myers and Wise (eds), *The Political Economy of China-Latin America Relations in the New Millennium Brave New World*, 52.

of policy and commercial banks jointly operating in a state-directed approach gives it advantages when it comes to loaning money.

For example, China's policy banks write loans that leverage their strong financial position against both the supply and price of petroleum products at terms that are favorable to China's economy and its strategic objectives. Chinese loans to the LAC region will frequently contain a commodity-backed clause. Commodity backed financing, so-called "loans-for-oil" is a method that China's policy banks have used to insulate themselves against market risk—essentially, the banks are hedging against supply risk, thereby fulfilling its energy security mandate. Although not in the majority, some loan contracts are arranged to be paid in a quantity of oil, so if the market prices fluctuate (a widespread occurrence in the early 2000s), the only thing that might change is the length of the term of payment of the original loan. The result is that supply risk is eliminated, while price risk is, in effect, built-in by potentially requiring only a different pay-back period. Contracts, which are linked to the price of oil, simply mean that China *potentially* pays more for an agreed quantity of oil. In this case, its policy banks are still satisfying its energy security requirements, which are paramount.³⁹⁰

Other structural differences in China's sovereign lending to the LAC region include not placing policy conditions on borrower governments. Unlike loans from the World Bank, for example, debt financing arrangements from China's policy banks typically do not require economic or political reforms. These policies permit China's banks to increase their leverage when structuring loans to the LAC region. Although, officially, Chinese lending comes with "no strings attached", in reality, it is more nuanced. For example, China's lending can come with mandates requiring borrower countries to use Chinese services or purchase equipment from Chinese vendors.³⁹¹

Finally, China's loans are concentrated in LAC countries that have limited access to global capital markets. This results in additional leverage being applied by China's

³⁹⁰ Avendano, Melguizo, and Miner, "Chinese FDI in Latin America: New Trends with Global Implications," 15, and Norris, *Chinese Economic Statecraft: Commercial Actors, Grand strategy, and State Control*, 82.

³⁹¹ See Gallagher, Irwin, and Koleski, "The New Banks in Town: Chinese Finance in Latin America," 1; Avendano, Melguizo, and Miner, "Chinese FDI in Latin America: New Trends with Global Implications"; 15; and Christopher Balding, "Venezuela's Road to Disaster Is Littered with Chinese Cash," *Foreign Policy*, June 6, 2017, <https://foreignpolicy.com/2017/06/06/venezuelas-road-to-disaster-is-littered-with-chinese-cash/>.

policy banks, such as interest rate premiums. Interest rates charged by China's policy banks illustrate the complementarity of China's financing activities in the LAC region. For example, China's Ex-Im Bank generally offers loans at lower interest rates. These below market rate loans are similar to concessional loans from the World Bank.³⁹² Concessional loans can be considered a form of (un)official development assistance, generating soft-power influence in the LAC region for China.

China's debt financing has been a subject of international concern. It has been argued that China's opaque reporting of its worldwide loan commitments poses a risk to the global economy. Speaking at an investment forum in Singapore in 2019, Carmen Reinhart, a professor at the Kennedy School of Government at Harvard University, stated:

China's rise as a global creditor has also meant that there are a lot of hidden debts. That is, countries that had borrowed from China but this borrowing is not reported by the IMF, by the World Bank...so, there is a tendency to think these countries had lower debt levels than what they actually have.³⁹³

Figures reported by the IMF and World Bank could inadvertently be masking actual debt. Reinhart estimates that official statistics might be capturing only one-half of Chinese loans to other countries. China's secrecy in reporting loan commitments is also observed in the LAC region. Reinhart cited Venezuela, Ecuador, and Cuba as LAC countries that routinely misrepresent loan data.³⁹⁴ The under-reporting of loans by China to countries in the LAC region causes uncertainty and increases the risk for other lenders when making investment decisions in Latin America and the Caribbean, further exacerbating conditions such as those found in Venezuela.

The remaining sizable capital flow originating from China to LAC is foreign aid. Much of the discussion surrounding official assistance has been with its classification and reporting and has been previously covered in the Theoretical Framework and Research Methodology chapters.

³⁹² Avendano, Melguizo, and Miner, "Chinese FDI in Latin America: New Trends with Global Implications," 14, and Gallagher, Irwin, and Koleski, "The New Banks in Town: Chinese Finance in Latin America," 1,3.

³⁹³ Weizhen Tan, "China's Loans to Other Countries Are Causing 'hidden' Debt. That May Be a Problem," CNBC, June 12, 2019, <https://www.cnbc.com/2019/06/12/chinas-loans-causing-hidden-debt-risk-to-economies.html>.

³⁹⁴ Ibid.

China does not publish detailed country-by-country information on what it defines as “aid.” In fact, China considers its foreign aid a state secret and, unlike OECD members, does not publish detailed information on types, sources, or destinations.³⁹⁵ Using data from AidData, ODA-like flows to the LAC region from China for the period 2000-2014, were calculated at approximately US\$8.6 billion.³⁹⁶ When using a less restrictive definition of aid than used by OECD, China’s assistance to the LAC region reportedly runs into the hundreds of billions (USD).³⁹⁷

Similar to China’s other financial activities, immediate economic goals frequently dominate its foreign aid assistance programs by placing conditions on the recipients of aid.³⁹⁸ These conditions include the collateralization of loans for aid (consisting of property and other assets) and stipulations of minimum purchases of Chinese goods, equipment, and services that are tied to the assistance packages. Loans for aid often include escrow accounts held by China’s lending institutions, in which recipient countries are required to make payments to service the debt. As a result of commitments made by China, obligations accepted by recipient countries, and benefits expected by it and those received by the recipients, there exists a distinctive *quid pro quo* element attached to its assistance programs.³⁹⁹

To a large extent, China’s aid serves its own developmental necessities. Facilitating access to raw materials and their conveyance to China is a central objective of China’s aid.⁴⁰⁰ China’s official aid commitments are heavily concentrated on supporting

³⁹⁵ Americas Quarterly, “Chinese (Un)official Development Aid.”

³⁹⁶ “AidData’s Global Chinese Official Finance Dataset, 2000–2014, Version 1.0,” AidData, a research lab at William and Mary, October 11, 2017, <https://www.aiddata.org/data/chinese-global-official-finance-dataset-version-1-0>.

³⁹⁷ Americas Quarterly, “Chinese (Un)official Development Aid.”

³⁹⁸ Thomas Lum et al., “Congressional Research Service: China’s Foreign Aid Activities in Africa, Latin America, and Southeast Asia,” USC US-China Institute, February 25, 2009, <https://china.usc.edu/congressional-research-service-%E2%80%99Cchinas-foreign-aid-activities-africa-latin-america-and-southeast>, summary, 2.

³⁹⁹ Charles Wolf et al., “China’s Foreign Aid and Government-Sponsored Investment Activities: Scale, Content, Destinations, and Implications,” RAND Corporation, September 13, 2013, 7, 14.

⁴⁰⁰ Thomas Lum et al., “Congressional Research Service: China’s Foreign Aid Activities in Africa, Latin America, and Southeast Asia,” USC US-China Institute, February 25, 2009, <https://china.usc.edu/congressional-research-service-%E2%80%99Cchinas-foreign-aid-activities-africa-latin-america-and-southeast>, summary, 2, and Lorenzo Maggiorelli, “Chinese Aid to Latin America and the Caribbean: Evolution and Prospects,” *Revista Internacional de Cooperación y Desarrollo*, 4 no. 2 (2017): 42.

the energy, mining, and transportation sectors.⁴⁰¹ During 2001-2011, the composition of China's global aid was predominantly directed toward projects in natural resources (42%), including energy-related projects (e.g., fossil fuels) and the mining of minerals and metals, and infrastructure (40%), such as roads, ports, and power generation.⁴⁰²

In addition to its other influence generating instruments, China uses foreign aid to shape the political and diplomatic landscape to its benefit. China's foreign aid is not a one-way road—it retains near complete control, comes “without political strings attached,” providing it with increased leverage over its recipients, and includes added varieties, including military assistance not available from other international sources.

With broadly defined and often inconsistently calculated ODA figures, measuring China's foreign assistance to the LAC region is challenging. Nevertheless, aid has become an important component of China's increased economic gravitas in the LAC region.⁴⁰³ As is the case with China's other cross-border capital flows, its foreign aid programs develop relationships by integrating assistance into countries where it can reap strategic benefits. This establishes a foothold for subsequent financial activities in LAC. Although aid provides apparent advantages for recipient nations, adverse effects have been observed. For example, unconditional aid to Venezuela has increased the risk of political instability and corruption.⁴⁰⁴

Lastly, beginning with its “opening” in the 1970s, China's participation in international organizations has yielded tangible benefits at the global level. A similar approach to its regional interactions has been followed. China's engagement with numerous organizations with banking and financial market connections within LAC, such as the NDB, the IDB, the AIIB, CARICOM, and the Caribbean Development Bank, provides a window into the region's decision and policymaking, which it can leverage to create influence, and power.

⁴⁰¹ AidData, “AidData's Global Chinese Official Finance Dataset, 2000–2014, Version 1.0.”

⁴⁰² Charles Wolf et al., “China's Foreign Aid and Government-Sponsored Investment Activities: Scale, Content, Destinations, and Implications,” RAND Corporation, September 13, 2013, 21-22.

⁴⁰³ Americas Quarterly, “Chinese (Un)official Development Aid.”

⁴⁰⁴ Lorenzo Maggiorini, “Chinese Aid to Latin America and the Caribbean: Evolution and Prospects,” *Revista Internacional de Cooperación y Desarrollo*, 4 no. 2 (2017): 41.

Assessing China's Financial Structure Engagement with the LAC Region

As was observed with comparisons of global trade and investment activities, China's investment stock in the LAC region has recently grown at a faster rate than seen with its trade activities. Initially, China's engagement with the LAC region primarily centered on trade to supplement its growing domestic raw materials and agricultural product requirements. After this early engagement period, China's financial presence has dramatically grown, especially from the 1990s and even more so in the first two decades of the twenty-first century. Although still highly concentrated in extracting resources to build domestic industrial capacity and feed its citizens, China's capital flows to the LAC region have become more diversified over time. For instance, more recently, infrastructure projects, such as the production and transmission of electricity and communications technologies, have become primary targets of China's investment activities.

Assessments of China's capital flows to Latin America and the Caribbean can vary considerably depending on the types and classifications of capital included and the data sources used to calculate those flows. This study uses an estimate of roughly one-quarter of a trillion dollars (USD) invested or otherwise transferred by China to the LAC region. The overwhelming majority of this investment is in the twelve countries of South America. It is stressed, however, that this figure is undoubtedly very conservative. Other significant (yet difficult to quantify with any precision) sources of capital flows include sovereign wealth funds and regional investment funds, which could dramatically increase the total amounts. Also, how financing for official development assistance is classified according to OECD standards or not, can change the estimates considerably.

China uses its banking networks to (often purposively) obfuscate both the source and destination of its financial transactions. For example, it is estimated that three-quarters of China's outbound FDI targeting the LAC region originates from offshore financial centers or banking channels located in the Caribbean Basin, Hong Kong, and Macau, China.⁴⁰⁵ Including FDI from these sources would significantly increase China's total known investment in the region. However, because the individual sources and

⁴⁰⁵ Dussel Peters, "Characteristics of Chinese Overseas Foreign Direct Investment in Latin America (2000–2012)," and Avendano, Melguizo, and Miner, "Chinese FDI in Latin America," 19.

destinations of these capital flows cannot be determined accurately, they are not used in the analysis.

Although an emerging power, China is still considered among the world's developing nations and was not immune from the adverse, yet apparently temporary, economic effects of the recent worldwide health emergency. The 2020 global pandemic significantly impacted foreign investment, especially among developing countries. As a result, global FDI fell as much as 42 percent in 2020. Although the overall outlook remained weak through 2022, Figure 14 above demonstrates that initial predictions were overly pessimistic.⁴⁰⁶ It should be noted that even before the pandemic, China's sovereign lending activities in the LAC region had slowed. This was partly due to the fact that it had amassed a staggering amount of existing loan commitments globally and partly because of some LAC countries' reluctance to continue to acquiesce to China's model of sovereign lending discussed previously.

Financial instability in the LAC region has always been a concern for lenders (including lenders of last resort). This has made countries like Argentina and Ecuador look elsewhere for economic support. Yet, countries such as Chile, Peru, and Mexico—that have rejected China's lending practices in the past—may soon view Chinese sovereign lending with renewed interest. A lack of global financing opportunities, coupled with credit concerns from traditional international capital sources, might again have some LAC countries knocking on the doors of China's lending institutions.

Comparable to the global slowdown in FDI observed during 2018-2020, China's outbound FDI directed to LAC has also been restrained more recently. But, like its sovereign financing in the region, this is not expected to last long. Chinese investors are considering new mergers and acquisitions (M&A) projects in Argentina, Brazil, Colombia, and Peru.⁴⁰⁷ Chinese private and state-directed investors have learned from past

⁴⁰⁶ "Global Foreign Direct Investment Fell by 42% in 2020, Outlook Remains Weak," UNCTAD, January 24, 2021, <https://unctad.org/news/global-foreign-direct-investment-fell-42-2020-outlook-remains-weak>.

⁴⁰⁷ Resource-based OFDI, particularly that targeting the extractive sector, is often made through mergers and acquisitions. M&As and joint ventures are the preferred method used by China, particularly in its investment in new industry sectors. Purchase of existing operations leverages in-place business networks and facilitate the rapid implementation of state-directed investment goals. See Deng, "Outward Investment by Chinese MNCs," 11. Multinational enterprises use three methods of foreign investment. M&As acquire existing enterprises, greenfield investment creates new facilities, and joint ventures establish cooperative arrangements with entities in a host country. See Imad Moosa, *Foreign Direct Investment: Theory, Evidence, and Practice* (London: Palgrave Macmillan, 2002), 13–14, 16.

difficulties with countries such as Venezuela and are diversifying their portfolios to limit exposure. More stable LAC countries such as Chile, Colombia, Peru, and Mexico are also expected to be attractive investment opportunities post-pandemic. Finally, China regards Latin America as a good prospect for investing in distressed assets. Moving beyond 2022, it is anticipated that China will leverage its stronger economic position in LAC region companies that need capital injections. The acquisition of assets that have been significantly devalued because of the global health emergency will be fertile ground for China's SOEs and private MNEs operating in the LAC region.⁴⁰⁸ Despite earlier difficulties, China's existing and anticipated future financial engagement in the LAC region remains a bellwether of the importance it places on this dimension of structural power to create influence.

China's financial presence in the LAC region is significantly greater than its engagement in the security dimension of structural power. Further, although it was found that China's trade, infrastructure projects, and related activities examined in the production structure are indeed considerable, the empirical evidence will demonstrate that capital flows and activities facilitating financial arrangements with the LAC region are greater in scope, and it is theorized that the latent implications of those flows are therefore amplified.

China's engagement with Latin America and the Caribbean in matters related to capital flows is assessed next. While the focus is on capital flows and other monetary arrangements made by China in the LAC region, additional indicators of influence such as institution creation and membership in relevant influential organizations by it and LAC region countries are explored as well.

The Caribbean Basin

Consistent with the examination of Strange's previous two structures, China's financial engagement with the LAC region is at least outwardly linked to its official

⁴⁰⁸ Margaret Myers, "China's Financial Calculus in Latin America: Before and After COVID-19," *Global Americans*, April 2, 2020, <https://theglobalamericans.org/2020/04/chinas-financial-calculus-in-latin-america-before-and-after-covid-19/>, and Thiago Barrozo et al., "China to Grow Stronger In Latin America In Aftermath of Covid-19 Pandemic," *Forbes*, June 10, 2020, <https://www.forbes.com/sites/mergermarket/2020/06/10/china-to-grow-stronger-in-latin-america-in-aftermath-of-covid-19-pandemic/?sh=35aef4ce4986>.

diplomatic recognition versus that of Taiwan. All Caribbean nations that have received even nominal amounts of capital from China recognize the PRC over the ROC. In fact, Grenada is the only Caribbean nation that recognizes the PRC yet has not been the recipient of any noticeable financial engagement on the part of China. This seemingly close association between China's engagement and its recognition by LAC region countries has been observed previously and is not unusual in the Caribbean subregion.

It is not within the project's scope to examine China's political motivations in the LAC region. According to the broader logic of the study, debates over China's objectives in the Caribbean Basin are less relevant. What China might realistically expect from its financial engagement is also less of a concern. It is understood that China's capital flows to the Caribbean produce outcomes that have the effect of shaping the broader structural environment to its advantage. This is much more significant from a geopolitical perspective.

While China's bilateral trade with the Caribbean subregion was found to be generally unexceptional, the same cannot be said of its financial engagement. Although estimates vary, using the datasets selected for this project, China had, by 2021, moved more than US\$15 billion into nine of the thirteen independent island nations of the Caribbean Basin.⁴⁰⁹ However, because as much as three-quarters of China's total outbound FDI moves through offshore channels, actual flows cannot be determined with precision, and it is assumed here that the real numbers are significantly higher.

China's total capital in Cuba at nearly US\$7 billion as of 2021, is the largest within the Caribbean subregion. Although China has a limited investment and sovereign lending portfolio in Cuba, its ODA is, by far, the largest observed in the Caribbean Basin and across the entire LAC region. Other notable standouts as beneficiaries of China's capital within the region include Jamaica at roughly US\$4 billion, and Trinidad & Tobago and Antigua & Barbuda at US\$2 billion and US\$1 billion respectively.⁴¹⁰

Chinese infrastructure projects in the Caribbean were examined in the previous chapter through the lens of Strange's production structure. The financial structure

⁴⁰⁹ "China Global Investment Tracker—AEI," China Global Investment Tracker, accessed June 29, 2023, <https://www.aei.org/china-global-investment-tracker/>; Gallagher and Myers, "China-Latin America Finance Databases"; and AidData, "AidData's Global Chinese Official Finance Dataset, 2000–2014, Version 1.0."

⁴¹⁰ Ibid.

connects these projects through China's direct investments, sovereign lending, and outright gifts, such as a stadium in Grenada, hospitals, and other projects that build infrastructure capacity.⁴¹¹

Through 2021, China's foreign direct investments in the Caribbean have been mostly concentrated in the countries of Antigua & Barbuda (US\$740 million), the Bahamas (US\$350 million), Cuba (US\$500 million), Jamaica (US\$1.2 billion), and Trinidad & Tobago (US\$1.2 billion).⁴¹² China focuses on the agricultural, tourism, minerals, and energy sectors with its FDI in the Caribbean Basin and with the exception of Antigua & Barbuda (which is well-known as an FDI friendly country), has completed bilateral investment treaties with the above countries. China and its longtime Caribbean partner Cuba have completed multiple BITs.⁴¹³ China has also made significant inroads in Barbados, with a recently signed MoU making it a part of China's BRI. This agreement is expected to develop its shipping, aviation, infrastructure, and agriculture sectors. China's direct investment in Barbados is believed to be worth at least a half-billion dollars, mainly targeting the tourism sector.⁴¹⁴ In recent years, Barbados has also established tax-favored initiatives with China to become a financial hub for its further economic advances within the broader LAC region.

Barbados is a country in transition as it became an independent republic at the end of 2021, thus discarding its colonial past. Although the island nation gained its independence in 1966, it has maintained close relations with Great Britain. This change

⁴¹¹ Chris Pleasance, "How China has Poured Billions into the Caribbean by Investing in Ports, Roads and a Five-Star Resort in a Soft Power Grab—as Beijing is Blamed for Barbados's Calls to Drop the Queen as Head of State," *Daily Mail Online*, September 23, 2020, <https://www.dailymail.co.uk/news/article-8764715/How-China-poured-billions-Caribbean.html>. As discussed previously, mergers and acquisitions, joint ventures, and greenfield deals are the methods of foreign direct investment.

⁴¹² China Global Investment Tracker, "China Global Investment Tracker—AEI."

⁴¹³ Richard Bernal, "Chinese Foreign Direct Investment in the Caribbean," Inter-American Development Bank, November 2016, <https://publications.iadb.org/publications/english/document/Chinese-Foreign-Direct-Investment-in-the-Caribbean-Potential-and-Prospects.pdf>, and "Database of Bilateral Investment Treaties," World Bank ICSID, accessed June 29, 2023, <https://icsid.worldbank.org/resources/databases/bilateral-investment-treaties>. See also Mark D. Wenner and Dillon Clarke, "Chinese Rise in the Caribbean: What Does It Mean for Caribbean Stakeholders?," July 2016, <https://publications.iadb.org/en/publication/12513/chinese-rise-caribbean-what-does-it-mean-caribbean-stakeholders>, and Caitlin Campbell, "China's Expanding and Evolving Engagement with the Caribbean," U.S.-China Economic and Security Review Commission, May 16, 2014, <https://www.uscc.gov/research/chinas-expanding-and-evolving-engagement-caribbean>.

⁴¹⁴ Indicative of the challenges with reliable and transparent data availability, this amount is not included in the CGIT dataset referenced for the project.

is apt to cause a domino effect with Britain's overseas realms, challenging its longstanding influence in the Caribbean with the potential for more consequential effects.⁴¹⁵

Jamaica is regularly thought to be among the largest recipient of Chinese investment in the Caribbean. The database used for the project shows US\$1.2 billion in FDI from China, but other sources have the amount at more than twice that figure. China's interest in Jamaica has centered on infrastructure development, such as the Kingston Freeport Marine Terminal and projects which support the tourism sector. Trinidad & Tobago has been another focus of China's investments in the Caribbean. China's attention in the Caribbean nation off the coast of Venezuela has been on energy resources, infrastructure, and logistical development projects. Different data sources have China's FDI in Trinidad & Tobago at US\$1.2 billion on the low side to as much as nearly US\$2 billion.

Cuba is a somewhat intriguing example of China's investment activities in the region. As the only Communist country in the Caribbean, China has invested roughly one-half of a billion dollars in Cuba, the largest country by land area but one of the most economically challenged countries in the region. China's investment focus in Cuba has largely been in commodities, including metal ores and scrap metal materials. Notably, Cuba's potential as a newly emerging tourist destination has piqued China's interest in infrastructure development projects to support that industry. China's other prominent investment activity in the Caribbean includes the earlier referenced Yida tourism-resort project in Antigua & Barbuda, estimated at between three-quarters and one billion dollars (USD).⁴¹⁶

China's sovereign lending to the Caribbean is equally notable and generally follows the pattern found with its direct investments in the subregion. Through its two official policy banks, CDB and Ex-Im Bank, China has underwritten twenty-nine loans to eight

⁴¹⁵ Stéphanie Fillion, "Barbados Is Ready to Say Goodbye to the Queen," *Foreign Policy*, June 28, 2021, <https://foreignpolicy.com/2021/06/28/barbados-republic-queen-elizabeth-monarchy-caribbean/>, 2021, and Pleasance, "How China has Poured Billions into the Caribbean."

⁴¹⁶ China Global Investment Tracker, "China Global Investment Tracker—AEI," and Pleasance, "How China has Poured Billions into the Caribbean." See also Campbell, "China's Expanding and Evolving Engagement with the Caribbean," and Wenner and Clarke, "Chinese Rise in the Caribbean," 7.

Caribbean countries valued at roughly US\$4.4 billion as of 2021. China's commercial banks have not extended any debt financing to the countries of the Caribbean.⁴¹⁷

Similar to its foreign direct investing activities, Jamaica has also been a focus of China's sovereign lending, with eleven loans totaling US\$2.1 billion. China's loans to Jamaica have mostly targeted infrastructure development, such as convention centers and road and highway construction projects. Trinidad & Tobago has received five loan packages valued at US\$695 million. Once again, this financing has been chiefly directed to the development of infrastructure, such as hospitals and industrial parks. Ex-Im Bank has funded one infrastructure related loan to the Dominican Republic worth US\$600 million to build electrical distribution systems. Other noteworthy loans by China's policy banks to the Caribbean countries include four infrastructure related loans to Cuba totaling US\$369 million, two road rehabilitation loans to Barbados totaling US\$291 million, and three loans for a power plant, international airport terminal, and port facility to Antigua & Barbuda for US\$176 million. The Bahamas and Grenada round out other less significant debt financing by China to the region.⁴¹⁸ In what might be considered a somewhat duplicitous gesture, as part of its "mask diplomacy," China extended loans to countries in the Caribbean Basin to purchase vaccines to fight the recent pandemic.⁴¹⁹ Lastly, China and the thirteen Caribbean Basin countries have not signed any bilateral currency swaps.

With the notable exceptions of Jamaica, and particularly, Cuba, both of which are significantly above average recipients of official assistance in the region, the independent states of the Caribbean have received minimal ODA from China during the timeframe examined (2000-2014).⁴²⁰ On the other hand, both Cuba and the Dominican Republic have received assistance to support efforts for the recent global health emergency.⁴²¹

China's cooperation with and relationships established with newly created or existing institutions is another means of its financial engagement with the LAC region. Six Caribbean countries are members of the Inter-American Development Bank, and all

⁴¹⁷ Gallagher and Myers, "China-Latin America Finance Databases."

⁴¹⁸ Ibid.

⁴¹⁹ Kirk Semple, "China Extends Reach in the Caribbean, Unsettling the US," *The New York Times*, November 8, 2020, <https://www.nytimes.com/2020/11/08/world/americas/china-caribbean.html>.

⁴²⁰ AidData, "AidData's Global Chinese Official Finance Dataset, 2000–2014, Version 1.0."

⁴²¹ "Aid from China and the U.S. to Latin America amid the COVID-19 Crisis," Wilson Center, accessed December 2, 2021, <https://www.wilsoncenter.org/aid-china-and-us-latin-america-amid-covid-19-crisis>.

Caribbean countries except Cuba and the Dominican Republic are members of the Caribbean Development Bank and CARICOM. Notably, China is also either a full member, non-borrowing member, or otherwise significantly engaged with these key banking and economic institutions in the Caribbean.⁴²² Additionally, China has leveraged “one-off” forums to engage with the Caribbean. For example, in 2004, as part of an initial drive into the region, China initiated a ministerial level forum for China-Caribbean economic and trade cooperation.⁴²³

Despite generally smaller markets and fewer available resources located in the Caribbean, China uses its direct investment and sovereign lending to extend its capabilities in the subregion as an important hub for its growing logistics, banking, and other commerce related activities.

Mexico and Central America

Similar to the trends observed throughout the LAC region thus far, China’s financial engagement in Mexico and Central America is connected with diplomatic recognition. After Honduras’s recent change in its allegiance to the PRC, Belize and Guatemala are now the only countries in the subregion that maintain official relations with the ROC. Exclusive of relatively minor capital transactions in Nicaragua (as mentioned, a country that has switched its allegiance more than once), China has not had any significant financial engagement with the countries in the subregion that remain diplomatically aligned with Taiwan.

China has moved considerably more capital into Mexico than found with the other countries in the subregion. As of 2021, China’s financial related outlays to Mexico totaled roughly US\$5.6 billion.⁴²⁴ Most of China’s activities here are in the form of direct investments versus sovereign lending or official assistance. The CGIT database consulted for the project places China’s total FDI stock in Mexico at just under US\$4.6

⁴²² Various sources: IDB, Caribbean Development Bank and CARICOM.

⁴²³ “Zeng Qinghong Attends ‘China-Caribbean Economic & Trade Cooperation Forum’ and Delivers Speech,” Embassy of the People’s Republic of China in the Republic of Estonia, accessed December 6, 2021, <https://www.fmprc.gov.cn/ce/ceee/eng/dtxw/t184238.htm>.

⁴²⁴ China Global Investment Tracker, “China Global Investment Tracker—AEI”; Gallagher and Myers, “China-Latin America Finance Databases”; and AidData, “AidData’s Global Chinese Official Finance Dataset, 2000–2014, Version 1.0.”

billion as of 2021.⁴²⁵ However, other sources estimate China's FDI in Mexico from 2003–2016 at US\$6 billion. During that same timeframe, it has been reported that China completed sixty-five M&A and greenfield deals with Mexico.⁴²⁶ China and Mexico have one bilateral investment treaty in place currently.⁴²⁷

The complex relationship between the US and Mexico has caused China to take a cautionary position regarding its investments with this politically, economically, and culturally important neighbor of the United States. This relationship has been further complicated by the recent 2020 United States-Mexico-Canada Agreement that replaced the North Atlantic Free Trade Agreement (NAFTA), which leaders in Mexico believe will put it in a disadvantaged position vis-à-vis bilateral trade, particularly with the US. Decreases in China's global OFDI (and in the broader LAC region) have also tempered its financial decisions in Mexico. However, since 2018, China has again concentrated on investment opportunities in the United States' southern neighbor. Like its activities elsewhere in the LAC region, China's FDI focus within Mexico has been on extractive resources and infrastructure, particularly energy related projects. From Mexico's perspective, China's financial presence is a potential catalyst to jumpstart its economic recovery hard hit by the global pandemic. Mexico's interest is also evidently a reaction to the aforementioned new economic agreement between itself, the US, and Canada.⁴²⁸

According to the China-Latin America Finance Database, China's lending activities in Mexico are relatively unremarkable. China's Ex-Im policy bank has underwritten only one loan for offshore drilling equipment valued at US\$1 billion in 2013.⁴²⁹ Not included in that data source is a new financing deal for constructing an oil refinery at the Mexican port of Dos Bocas. The value of this loan package is estimated to be US\$600 million.

⁴²⁵ China Global Investment Tracker, "China Global Investment Tracker - AEI."

⁴²⁶ Avendano, Melguizo, and Miner, "Chinese FDI in Latin America: New Trends with Global Implications," 7. Citing Bureau Van Dijk and fDi Markets FDI databases.

⁴²⁷ World Bank, "Database of Bilateral Investment Treaties."

⁴²⁸ See Enrique Dussel Peters, "Monitor of Chinese Infrastructure in Latin America and the Caribbean", RED ALC-China, July 13, 2020, https://www.redalc-china.org/monitor/infraestructura/images/pdfs/menuprincipal/DusselPeters_MonitorInfraestructura_2020_Eng.pdf; Ortiz, "Mexico, China & the US: A Changing Dynamic"; Jacqueline Christ, "What The Impact of Chinese Investments Could Mean For Mexico," November 13, 2017, <https://www.diplomaticourier.com/posts/impact-chinese-investments-mean-mexico>; and Vijay Prashad and John Ross, "China and Mexico Partnership, Despite US Pressure," LA Progressive, November 11, 2020, <https://www.laprogressive.com/china-mexico-agreement/>.

⁴²⁹ Gallagher and Myers, "China-Latin America Finance Databases."

However, the specifics of this recent financing are somewhat murky, with both the loan terms undisclosed and the total eventual cost of the refinery questioned as overly optimistic. This could result in additional financing requirements once construction has commenced, leaving Mexico in a disadvantaged position vis-à-vis China. Two of China's commercial banks, the Industrial and Commercial Bank of China and Bank of China, are reportedly participating in the financing arrangements with Mexico. The refinery has been considered an important infrastructure project with a key goal to reduce Mexico's reliance on imported refined petroleum products currently largely supplied by US refiners.⁴³⁰

At present, China and Mexico have not arranged for any bilateral currency swaps. China's ODA to Mexico is below average for the LAC region and was inconsequential for the period evaluated. However, China provided capital to support Mexico's ongoing efforts for the 2020 pandemic.⁴³¹

China and Mexico have established several institutional relationships in the banking and financial markets space. Although Mexico is not a member of the AIIB, it is a member of the Inter-American Development Bank, the Caribbean Development Bank, and the Asia-Pacific Economic Cooperation Forum. China is a member of those three influential regional banking and economic cooperation institutions as well.⁴³²

Compared to the other subregions, particularly, South America, China's total capital flows to Central America, at approximately US\$1.6 billion as of 2021, are relatively insignificant. Nevertheless, China's engagement reveals some notable dynamics and patterns found previously. The CGIT database for Central America lists only Panama (US\$300 million) and Nicaragua (US\$310 million) as having received any direct investment from China as of 2021.⁴³³ For both countries, the target of China's investment centers on infrastructure. Not surprisingly, China's interest in Panama is in transportation and shipping connected to the Canal Zone. China is also positioning itself to leverage a growing relationship with Panama for its Belt and Road Initiative, creating further

⁴³⁰ "Chinese Banks Providing Financing for Mexican Refinery: Ambassador," Reuters, January 13, 2020, <https://www.reuters.com/article/us-mexico-china-refinery/chinese-banks-providing-financing-for-mexican-refinery-ambassador-idUSKBN1ZC2FM>.

⁴³¹ AidData, "AidData's Global Chinese Official Finance Dataset, 2000-2014, Version 1.0," and Wilson Center, "Aid from China and the U.S. to Latin America amid the COVID-19 Crisis."

⁴³² Various sources: AIIB, IDB, Caribbean Development Bank, APEC.

⁴³³ China Global Investment Tracker, "China Global Investment Tracker – AEI."

cooperative benefits. For Nicaragua, China's investment has (as with other Central American countries) focused on infrastructure related projects such as those found in the telecom sector. Additionally, it is well known that China has had an on-again-off-again interest in Nicaragua for its own transoceanic canal. Other sources of reporting list three-quarters of a billion dollars (USD) in FDI targeting Costa Rica, with increasing interest by China in the Central American countries of Honduras, Guatemala, and El Salvador.⁴³⁴ China has bilateral investment treaties with Belize, Costa Rica, and Honduras.⁴³⁵

China's sovereign debt financing in Central America is relatively minor, especially compared to South America. The China-Latin America Finance Database lists a single US\$435 million loan underwritten by Ex-Im Bank to Costa Rica in 2015.⁴³⁶ As with many of China's projects, this financing is for infrastructure development—in this case, highway construction. Typical of such projects, China's SOEs, like the China Harbour Engineering Company (CHEC), is the principal construction operator. Additionally, in 2013, China's commercial bank, ICBC, financed a hydropower energy project. China and the seven Central American subregion countries have not signed any bilateral currency swaps.

Among the countries of Central America, the only noteworthy ODA from China has been directed to Costa Rica, totaling US\$528 million. China has also provided capital to Costa Rica, El Salvador, and Panama for the 2020 pandemic.⁴³⁷

Possibly more than found elsewhere in the LAC region, China's growing interest in Central America has seemingly been connected to its diplomatic recognition by the countries located in the isthmus. In rapid succession beginning in 2017, Panama and El Salvador switched their recognition to the PRC. These changes followed Costa Rica, which transferred its diplomatic recognition to the PRC in 2007. There is anecdotal evidence demonstrating that China's capital flows have been at least indirectly aligned with such diplomatic allegiance shifts.

For example, since establishing diplomatic ties in 2017, China's investments targeting Panama have quickly increased. China has several projects underway which

⁴³⁴ Avendano, Melguizo, and Miner, "Chinese FDI in Latin America: New Trends with Global Implications."

⁴³⁵ World Bank, "Database of Bilateral Investment Treaties."

⁴³⁶ Gallagher and Myers, "China-Latin America Finance Databases."

⁴³⁷ AidData, "AidData's Global Chinese Official Finance Dataset, 2000-2014, Version 1.0."

and Wilson Center, "Aid from China and the U.S. to Latin America amid the COVID-19 Crisis."

are part of its broader Belt and Road Initiative in the LAC region, including a US\$900 million deep-water port near the Caribbean entrance to the Panama Canal. Panama and China are also assessing a project to build a US\$5 billion railway connecting Panama with Costa Rica and possibly the entirety of Central America.⁴³⁸

A more intriguing example is associated with Costa Rica's 2007 diplomatic realignment. China's SAFE sovereign wealth fund used its considerable financial clout to facilitate this political shift in allegiance. In a secret deal with China, Costa Rica signed a memorandum of understanding that quickly led to the establishment of diplomatic relations between the two nations. China, at that point an important trading partner with Costa Rica, agreed to purchase US\$300 million in bonds from the Central American country. The memorandum, which eventually came under intense scrutiny resulting in a public disclosure by Costa Rica's government, was co-signed by Yang Jiechi, China's foreign minister. The deal was for an initial purchase by SAFE in 2008, of US\$150 million 12-year bonds at an interest rate of 2 percent per year, and a second purchase of US\$150 million one year later in 2009. Notably, the interest rate specified for the purchase was significantly below current market rates at that time.⁴³⁹

With dramatic shifts in diplomatic alignment over the past few years, only two Central American countries remain tied to Taiwan. Beijing sees building relationships in Central America as supporting both commercial and geopolitical opportunities, and this has become even more likely as tensions between Central America and Washington have continued into the new US administration. Additionally, as suggested previously, China is exploring new opportunities in the region post-pandemic.⁴⁴⁰ Although it is too early to assess what specific types and amounts of capital flows China's new friend in Central

⁴³⁸ Jacopo Dettoni, "Panama Looks to Cash in on Growing China Links," fDi Intelligence, June 14, 2018, <https://www.fdiintelligence.com/content/feature/panama-looks-to-cash-in-on-growing-china-links-72213>.

⁴³⁹ Graham Bowley, "Cash Helped China Win Costa Rica's Recognition," The New York Times, September 12, 2008, <https://www.nytimes.com/2008/09/13/world/asia/13costa.html>, and Stephen Fidler, "Fierce Battle for Diplomatic Supremacy," Financial Times, September 8, 2008, <https://www.ft.com/content/27db85da-8029-11dd-99a9-000077b07658>.

⁴⁴⁰ Steve Colantuoni, "Chinese Investment in Central America is Growing," The Central American Group, accessed December 6, 2021, <https://www.thecentralamericangroup.com/chinese-investment-in-central-america/>, Luis Guillermo Solís, "What's Behind China's Growing Push into Central America?," Americas Quarterly, July 1, 2021, <https://www.americasquarterly.org/article/whats-behind-chinas-growing-push-into-central-america/>, and "Chinese Firm to Help Costa Rica Expand Key Highway," Xinhuanet, March, 2, 2018, http://www.xinhuanet.com/english/2018-03/02/c_137010762.htm.

America will amass, as was previously mentioned in the production structure analysis, Honduras signed multiple economic accords immediately following its diplomatic realignment in 2023.

Overall, China's financial presence in Central America has followed a familiar pattern found with much of its engagement across other structural power dimensions in the LAC region. Infrastructure projects that broadly support the BRI and produce other synergistic benefits largely define a significant portion of its engagement.

China and the countries of Central America have established several institutional level relationships that facilitate financial and other economic interaction and cooperation. All seven Central American countries are members of the Inter-American Development Bank, and Belize is a member of the Caribbean Development Bank and CARICOM. China is either a member, a non-borrowing member, or otherwise significantly engaged with each of these economic institutions and forums.⁴⁴¹

South America

As was found with China's engagement in security and defense cooperation and bilateral trade, its capital flows to South America far exceed that of the other subregions in Latin America and the Caribbean. This is exclusive of Paraguay of course, which remains the only South American country diplomatically aligned with Taiwan, and, unsurprisingly, has not been the recipient of any capital transfers from China. As of 2021, China's total capital directed to the twelve countries of South America amount to nearly US\$300 billion.⁴⁴² This represents over 90 percent of China's capital in the LAC region as a whole.

China's capital flows directed to Brazil now approach US\$100 billion and far exceed second-ranked Venezuela at US\$64 billion. Argentina (US\$29 billion), Peru (US\$26 billion), Ecuador (US\$24 billion), and Chile (US\$16 billion) round out the top six recipients of China's capital in South America.⁴⁴³

⁴⁴¹ Various sources: IDB, Caribbean Development Bank, CARICOM.

⁴⁴² China Global Investment Tracker, "China Global Investment Tracker—AEI"; Gallagher and Myers, "China-Latin America Finance Databases"; and AidData, "AidData's Global Chinese Official Finance Dataset, 2000–2014, Version 1.0."

⁴⁴³ Ibid.

Typical of China's financial presence in the LAC region overall, investments remain in the extractive resources, agricultural, and infrastructure sectors. China's latest areas of interest in South America include the service sectors, such as telecom and information technology (IT), as well as the automotive industries. Notably, Chinese private and state-owned companies are increasingly controlling critical infrastructure such as electricity generation and transmission systems throughout the broader LAC region and South America in particular. Several South American countries, including Argentina, Brazil, Chile, and Venezuela have completed numerous M&As and greenfield investment deals with China.⁴⁴⁴

Two-thirds of China's capital in Brazil is related to its direct investment activities. The extractive sectors, specifically oil and gas, and mining, have received the lion's share of Chinese FDI to date. However, China's investments in transportation, electricity utilities, telecom services, and IT is expanding.⁴⁴⁵

China's direct investment interest in Argentina has primarily been driven by agriculture and food products, and its financial presence is expected to grow over the coming years. Recently, Argentina has been seeking partners to assist it in rebuilding an economy that was hard hit even before the recent global health emergency. On top of the roughly US\$12 billion in investments used for analysis in the current study, fifteen new infrastructure, energy, and transport projects amounting to US\$30 billion are part of a mid-term plan between China and Argentina focused on the post-pandemic period. Other investment opportunities are anticipated to arise for Argentina, as China has imposed restrictions on the import of several food products from Australia.⁴⁴⁶

Peru is another significant target of China's FDI. Chinese investment relationships in Peru have been overwhelmingly concentrated in mining copper, iron, and gold. However, hydrocarbon extraction and the commercial fishing sectors are also

⁴⁴⁴ Avendano, Melguizo, and Miner, "Chinese FDI in Latin America: New Trends with Global Implications," 7.

⁴⁴⁵ Ibid., 2, 11.

⁴⁴⁶ Jack Conway, "Argentina Pursues Deeper China Ties to Spark Recovery," fDi Intelligence, August 27, 2020, <https://www.fdiintelligence.com/article/78578>, and "Argentina and China Expedite Plan for US\$30 Billion Infrastructure Investments," The Rio Times, March 3, 2021, <https://riotimesonline.com/brazil-news/mercosur/argentina-and-china-rush-a-us30-billion-investment-plan/>.

significant.⁴⁴⁷ Peru is an excellent example of how China's FDI is expanding into infrastructure and the service sectors. Two noteworthy direct investments made by China include the construction of the Chancay mega port by Cosco Shipping and the acquisition of Luz del Sur, one of the most important electricity generators in Peru. The combined value of these two deals is estimated at over US\$6 billion.⁴⁴⁸ China and Peru have also signed a BIT.⁴⁴⁹

Although China has made investments in Chile's agricultural products sector, other low value products, such as copper and potassium nitrate in the extractive sector far exceed those commodities in importance for the South American country. Chile's mining industry is one of the principal channels for financial investment with China. Recently, lithium mining, critical to manufacturing electric vehicles, electronics, and defense technologies, has come to the forefront. In 2019, Chile and China signed a US\$4.1 billion deal to acquire a 24 percent stake in SQM, a Chilean company mining lithium in the Atacama salt flats. Other sectors which have drawn China's direct investment attention in Chile include electrical generation and transmission, transportation infrastructure projects, telecommunications, space, banking, and e-commerce.⁴⁵⁰ China and Chile have also signed a bilateral investment treaty. Other South American countries that have signed BITs with China include Bolivia, Colombia, Guyana, and Uruguay.⁴⁵¹

China has moved limited direct investment funds into Ecuador (US\$6 billion) and has a BIT as well. China also has limited FDI in Venezuela (US\$5 billion).⁴⁵² With both countries, the extractive (hydrocarbon) sectors are of interest to China, and debt financing is its principal means of engaging with them to gain access to these critical commodities.

⁴⁴⁷ Cynthia Sanborn and Victoria Chonn, "Chinese Investment in Peru's Mining Industry: Blessing or Curse?," BU Global Economic Governance Initiative, August 2018, <http://www.bu.edu/pardeeschool/files/2014/12/Peru2.pdf>, 2–3.

⁴⁴⁸ Luis Quesada, "Peru and China: 50 Years of Strong Partnership," CGTN, July 10, 2021, <https://news.cgtn.com/news/2021-07-10/Peru-and-China-50-years-of-strong-partnership-11MIJQ24ITq/index.html>. Luis Quesada is Peru's ambassador to China.

⁴⁴⁹ World Bank, "Database of Bilateral Investment Treaties."

⁴⁵⁰ Evan Ellis, "Chinese Advances in Chile," Global Americans, March 2, 2021, <https://theglobalamericans.org/2021/03/chinese-advances-in-chile/>.

⁴⁵¹ World Bank, "Database of Bilateral Investment Treaties."

⁴⁵² China Global Investment Tracker, "China Global Investment Tracker—AEI."

Through its policy banks, China has financed ninety loans in South America as of 2021, totaling US\$131 billion. This is over 95 percent of China's sovereign loans by value to the LAC region as a whole.⁴⁵³

Possibly more than any other method of engagement in the LAC region, China's loans to South American countries, such as Venezuela have received the greatest amount of international attention (and trepidation) with allegations of "debt-trap diplomacy" and "loans-for-oil" frequently described by both media and government officials. As of 2021, China's policy banks, CDB and Ex-Im Bank, have underwritten sixteen loans to Venezuela for over US\$60 billion.⁴⁵⁴ As mentioned above, most of China's debt financing to Venezuela has been associated with its energy sector.

China's financing arrangements with Brazil and Ecuador have generally followed a similar pattern. Fourteen loans to Brazil by China's policy banks valued at US\$31 billion are principally in the energy sector, but limited infrastructure development also typifies its debt financing. China's commercial banks have underwritten nine loans to Brazil that have similarly focused on energy and infrastructure projects. Brazil and China have a currency swap agreement in place as well.

China's sovereign financing by its policy banks to Ecuador is an equally striking US\$18 billion, with twenty-four loans underwritten, plus an additional three by its commercial banks. Again, the energy sector and infrastructure projects largely illustrate China's financing arrangements with Ecuador. The common denominator in China's debt financing deals with these South American countries align with their relatively low credit ratings, which reduces access to conventional financing markets. As a result, China is seen as a "creditor of last resort" and has provided a lifeline for these financially distressed countries, thereby generating potential leverage benefits. Contrasted with Venezuela, Brazil, and Ecuador, countries with higher credit ratings and easier access to international capital markets, such as Peru and Colombia (even though they, too, are oil and gas-producing exporting countries), have not been recipients of China's sovereign financing from its policy banks. However, both countries have received loan packages from China's

⁴⁵³ Gallagher and Myers, "China-Latin America Finance Databases."

⁴⁵⁴ Ibid.

commercial banking system focusing on the extractive (primarily copper mining) and infrastructure sectors.⁴⁵⁵

Argentina, with thirteen loans from China's policy banks valued at over US\$17 billion, is an example of a more diversified portfolio of debt financing. A mix of energy related loans, coupled with a wide variety of infrastructure development financing, is characteristic of China's loans to this country. China has in the past connected potential financing arrangements to its Belt and Road Initiative. Although, thus far, Argentina has been hesitant to sign on to its massive global infrastructure project. The United States is Argentina's largest creditor, and this circumstance is thought to be a principal driver for its reluctance to become a BRI partner with China. With a struggling economy even before the global pandemic, Argentina is in the (arguably unenviable) position to be assisted and potentially influenced by new Chinese capital in the form of debt.⁴⁵⁶ China's commercial banks have provided an additional 36 loans to Argentina. Once again, this financing is aimed at energy and infrastructure projects.⁴⁵⁷ Finally, China and Argentina have signed several currency swap agreements, with the most recent in 2020 valued at over US\$18 billion.⁴⁵⁸

While China has not made any loan provisions to Chile from its policy banks, its commercial banks have made four loans targeting the energy sector. Additionally, Chile and China have a 2015 currency swap agreement in place valued at US\$8.1 billion.⁴⁵⁹

Lastly, one other monetary arrangement of interest in South America is Suriname. Although China's sovereign financing, at roughly three-quarters of a billion (USD) is not particularly noteworthy compared to other countries in the region, it does have a currency swap arrangement with Suriname. According to the Chinese embassy in Suriname, it is

⁴⁵⁵ Vasquez, "China, Oil, and Latin America: Myth vs. Reality," 9–10, and Gallagher and Myers, "China-Latin America Finance Databases."

⁴⁵⁶ Verónica Dalto, "Argentina Ponders BRI Endorsement Amid Tricky Debt Restructuring," *Diálogo Chino*, August 12, 2020, <https://dialogochino.net/en/trade-investment/36865-argentina-ponders-bri-endorsement-amid-tricky-debt-restructuring/>, and Gallagher and Myers, "China-Latin America Finance Databases."

⁴⁵⁷ Gallagher and Myers, "China-Latin America Finance Databases."

⁴⁵⁸ "China, Argentina to renew currency swap of \$18.2 billion," *Global Times*, July 26, 2020, <https://www.globaltimes.cn/content/1195641.shtml#:~:text=The%20central%20bank%20of%20Argentina,week%2C%20E!%20Economista%20reported%20Friday.>

⁴⁵⁹ Evan Ellis, "Chinese Advances in Chile," *Global Americans*, March 2, 2021, <https://theglobalamericans.org/2021/03/chinese-advances-in-chile/>, and Gallagher and Myers, "China-Latin America Finance Databases."

aimed at “boosting investment and strengthening financial cooperation” between the two central banks.⁴⁶⁰

Except for Bolivia and, to a lesser extent, Guyana, China does not direct any noteworthy amounts of ODA to South America.⁴⁶¹ However, the global health emergency of 2020 has presented unexpected opportunities for China. Only a half-year into the pandemic, China had provided support to 150 countries and seven international organizations.⁴⁶² This funding has extended to the countries of South America. Apart from Guyana and, not surprisingly, Paraguay, China has provided capital assistance to all South American countries. In Ecuador, China’s pandemic-related capital flows have been particularly conspicuous.⁴⁶³ China’s long-standing interest in Argentina has facilitated health emergency initiatives, including cosponsored vaccine trials to respond to the recent pandemic.⁴⁶⁴ In response to the global health emergency, as efforts have moved from containment and support to treatment and prevention, China’s “vaccine diplomacy” is increasingly evident in several South American countries.⁴⁶⁵

China’s institution creation and engagement, and the relationships and cooperation fostered by those agreements, are predictably much more significant in South America than found elsewhere in the greater LAC region. The Asian Infrastructure Investment Bank, a multilateral financial institution conceived, led, and headquartered in China, currently counts eight of twelve South American countries as either full members or prospective members. All twelve South American countries are members of the IDB, while Brazil is also a member of the New Development Bank, formally referred to as the BRICS bank. Brazil, Columbia, Guyana, Suriname, and Venezuela are members of the

⁴⁶⁰ Embassy of the People’s Republic of China in Suriname, “China, Suriname Sign Currency Swap Deal,” accessed July 1, 2023, http://sr.china-embassy.gov.cn/eng/sbgxyw/201503/t20150320_4233409.htm.

⁴⁶¹ AidData, “AidData’s Global Chinese Official Finance Dataset, 2000-2014, Version 1.0.”

⁴⁶² Ciara Nugent and Charlie Campell, “The U.S. and China are Battling for Influence in Latin America, and the Pandemic has Raised the Stakes,” *Time*, February 4, 2021, <https://time.com/5936037/us-china-latin-america-influence/>.

⁴⁶³ Wilson Center, “Aid From China and the U.S. to Latin America Amid the COVID-19 Crisis.”

⁴⁶⁴ Cassandra Garrison, “In Latin America, a Biden White House Faces a Rising China,” Thomson Reuters, December 14, 2020, <https://www.reuters.com/article/us-latam-usa-china-insight/in-latin-america-a-biden-white-house-faces-a-rising-china-idUSKBN28O18R>.

⁴⁶⁵ Huizhong Wu and Kristen Gelineau, “Chinese Vaccines Sweep Much of the World, Despite Concerns,” AP News, March 2, 2021, <https://apnews.com/article/china-vaccines-worldwide-0382aefa52c75b834fbaf6d869808f51>.

Caribbean Development Bank. Chile and Peru are members of APEC, while Guyana and Suriname are members of CARICOM. China has also established important relationships with these banking institutions and economic forums, in some cases as members, or by other means, has developed contacts to engage with the countries of South America through these organizations.⁴⁶⁶

Summary

In the not-too-distant past, the trade of goods was the main form of cross-border transaction and was fundamental to establishing (or limiting) the wealth of nations. Today, the worldwide flow of capital is the leading driver of growth in both developed and developing countries. The movement of FDI and the repatriation of earnings from those investments, sovereign and private debt financing, and other advanced methods using international financial markets generate significant economic and political influence. For states like China, which are increasingly integrated (and actively participate) in the global economic system, positive outcomes can be achieved.

From the time that Strange conceptualized her original financial structure in the closing decades of the twentieth century, this shift in global markets from traditional trade relationships to much more sophisticated capital transactions has rendered her original definition less capable for evaluating its impact on structural power. This project builds on Strange's framework with an updated specification of a financial structure using specific indicators that have been demonstrated to generate economic and political influence. Using the emergence domain of structural power as a lens, this revised definition assesses China's engagement in the LAC region.

The past three decades have witnessed increased investment interest in Latin America and the Caribbean. Figure 20 below shows global FDI flows directed to the LAC region from 1990 to 2021.⁴⁶⁷ Similar to what was found with worldwide FDI, investment in the region has seen a great deal of variability. Global and regional factors play a role in investment decisions, and notwithstanding a precipitous decline in inbound FDI subsequent to the collapse of commodity prices beginning in 2013, and a further

⁴⁶⁶ Various sources: AIIB, IDB, NDB, Caribbean Development Bank, APEC, CARICOM.

⁴⁶⁷ UNCTAD, "World Investment Report 2022."

weakening in 2019 due to the pandemic, there is tentative support for the optimistic predictions described earlier.

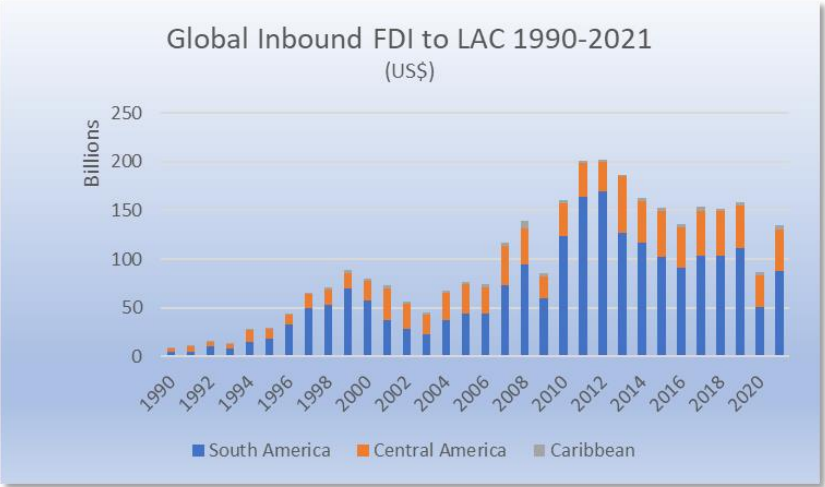


Figure 20: Global FDI Directed to LAC 1990-2021. Source: UNCTAD, “World Investment Report 2022.”

China’s financial interest in the LAC region has increased commensurate with global attention. This has been particularly noticeable since the start of the new century when the majority of China’s investments have been made. Figure 21 below displays China’s OFDI stock in LAC by year since 2005.

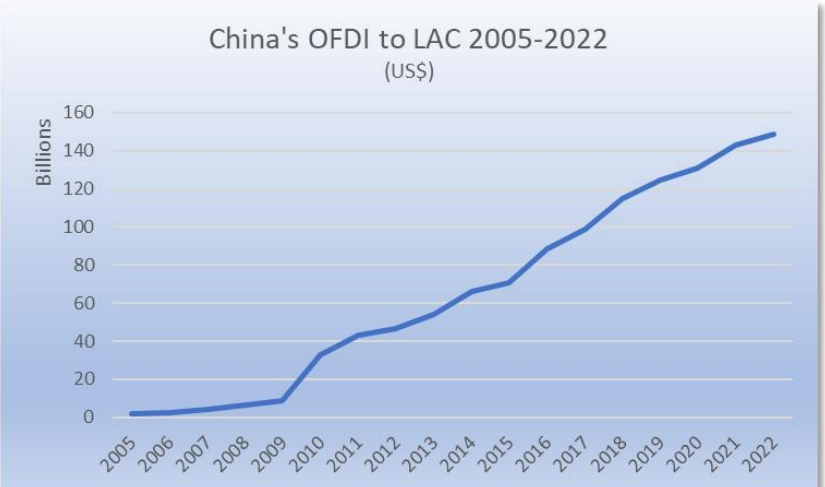


Figure 21: China's OFDI to LAC 2005-2022. Source: China Global Investment Tracker, “China Global Investment Tracker—AEI.”

China’s foreign direct investments are but one component of its total capital flows to the region. Adding support to the descriptive narrative presented earlier, Table 5 below lists China’s total capital stock and as a percent of GDP for the upper quartile of LAC region countries as of 2022.

The established approach to view China’s capital flows to the LAC region is to assume that all of that money must buy influence. This has been the narrative in the popular press, particularly in the United States, with the usual dire warnings about the consequences of these transactions.⁴⁶⁸ Moving past what is already known—China is actively engaged in moving large sums of capital into the LAC region—what arises as more interesting, and what was proposed in the Introduction Chapter, the *what* and the *how* become much more interesting and relevant.

Country	Total Capital 2022 (US\$ billions)	Percent of GDP
Brazil	97	7%
Venezuela	65	147%
Argentina	29	7%
Peru	26	13%
Ecuador	24	25%
Chile	16	6%
Cuba	7	6%
Colombia	6	2%
Mexico	6	1%

Table 5: China's Capital Stock in LAC 2022. Note: Figures include China's verifiable OFDI, sovereign lending, and ODA to LAC countries. Source: China Global Investment Tracker, "China Global Investment Tracker—AEI"; Gallagher and Myers, "China-Latin America Finance Databases"; and AidData, "AidData's Global Chinese Official Finance Dataset, 2000–2014, Version 1.0."

Brazil and Venezuela are noteworthy standouts for gross capital flows from China. However, when their economy sizes are considered, the implications for both countries are potentially quite distinct. To put these figures in context, China’s direct investment in the United States is currently estimated at between US\$150 and US\$200 billion. However, with an economy valued at over US\$20 trillion in 2021, China’s FDI in the US

⁴⁶⁸ For example, a comprehensive and timely summary is offered by Diana Roy. See Diana Roy, “China’s Growing Influence in Latin America.”

at less than one percent of its GDP is relatively inconsequential.⁴⁶⁹ The economic-political implications of China's capital targeting Mexico is analogous. Ecuador is somewhat in between these two extremes, with China's inflows of capital equal to one-quarter of its GDP.

Analyzing the above figures by considering economy size measured by GDP offers additional insight, both as a direct control for economy size, which considers the potential domestic implications to the LAC recipient nation on its own economy and also presumably reflects more (or less) opportunities for an investor state.

Another approach for relating the economic-political implications of China's capital flows to LAC is by considering debt loads. Debt can be examined as a percentage of GDP to investigate a countries' ability to repay financing. However, examining China's portion of debt is considered more relevant here for investigating its potential for influence as leverage. Table 6 below lists total debt and China's portion for the upper quartile of LAC region countries as of 2021.

Country	Debt (US\$ Billions) 2021	China's Portion	Country	China's Portion
Brazil	606	5%	Venezuela	60%
Mexico	606	1%	Suriname	45%
Argentina	246	7%	Antigua & Barbuda	40%
Chile	193	None	Ecuador	31%
Colombia	172	None	Guyana	28%
Panama	101	None	Bolivia	20%
Venezuela	100	60%	Jamaica	12%
Peru	87	1%	Dominica	11%
Ecuador	58	31%	Grenada	9%

Table 6: LAC Region Debt with China's Portion 2021. Note: Total external debt is debt owed to non-residents and is the sum of guaranteed and non-guaranteed long-term and short-term debt. Source: WITS-World Bank, "External Debt Stocks, Total (DOD, current US\$)," and Gallagher and Myers, "China-Latin America Finance Databases."

The assumption here is that a higher proportionate share of debt from China potentially generates more influence. Key takeaways from the above table are that even though Brazil and Mexico are the most heavily indebted countries in the LAC region in absolute terms, China's portion of that debt is relatively insignificant and leaves them out of the upper tier of LAC countries (rightmost columns). Contrasting with those two

⁴⁶⁹ Using the CGIT dataset, China's FDI in the US is calculated at US\$185 billion. See also "U.S.-China Investment Ties: Overview," Congressional Research Service, January 15, 2021, <https://sgp.fas.org/crs/row/IF11283.pdf>.

countries, Venezuela, Ecuador, and several other LAC region countries have a significant percentage of their total debt financed by China.

The timing of China's sovereign lending to Guyana is intriguing. Although Guyana's total external debt at roughly US\$1.9 billion is not necessarily remarkable, China has been increasing its sovereign lending in recent years (including a US\$192 million loan package in 2022 by Ex-Im Bank) and now holds over one-quarter of that debt. Coincidentally (or not), in 2015, oil was discovered off Guyana's coast.⁴⁷⁰ And it will be recalled that China and Guyana have a bilateral investment treaty.

Interestingly, although Argentina has a considerable amount of external debt compared to its LAC peer group, it has worked to ameliorate the impact of those financing arrangements with China. This is generally consistent with Argentina's overall bilateral engagement with China, which has tended to be more diversified and less dependent (and arguably subject to reduced leverage exposure) on any specific indicator within the structural power dimensions considered thus far.

To place the subject of state debt into perspective, while China holds at least one-third of the debt of four countries in the LAC region, which undoubtedly has consequences for their relationships with the PRC, consider US debt and the amount that China holds consisting of only US Treasury securities. Presently, the United States (the largest debtor nation in the world) has around US\$28 trillion in debt, of which roughly US\$21 trillion is owned by either the American people themselves or by the US government. The balance (about US\$7 trillion) consists of Treasury bills, notes, and bonds held by foreign countries. Of this amount, China owns US\$1.1 trillion in treasury securities or roughly 15 percent of the total. However, sharply contrasting with China's financial engagement with the LAC region and the asymmetrical relationships this engenders, the China-US relationship vis-à-vis the holding of US treasuries has been likened to two scorpions in a bottle—neither can do much to the other without appreciably damaging itself as well.⁴⁷¹

⁴⁷⁰ Jared Ward, "China and Guyana: A Special Relationship Years in the Making," *Global Americans*, February 27, 2020, <https://theglobalamericans.org/2020/02/china-and-guyana-a-special-relationship-years-in-the-making/>.

⁴⁷¹ Kimberly Amadeo, "US Debt to China: How Much Is It, and Why?," *the balance*, December 30, 2021, <https://www.thebalance.com/u-s-debt-to-china-how-much-does-it-own-3306355>.

Unlike the production structure where information is available for cross-country examination, a lack of data covering similar time-periods and individual country data, and importantly, similar methodological approaches, prevented direct assessments with other countries. Nevertheless, a cursory assessment reveals that in 2020, the United States had a direct investment portfolio of roughly US\$345 billion and a debt instrument financing position in the LAC region (exclusive of the Caribbean Basin) of approximately US\$4 billion. Additionally, total foreign assistance to the LAC region from the US was estimated in 2020 at roughly US\$1.7 billion.⁴⁷² These amounts clearly exceed China's capital transactions in the region.

Unfortunately, the FBIC composite index does not include an individual component that specifically assesses the influence capacity of capital flows. While there is some alignment between LAC countries with higher levels of capital flows by China and higher China-LAC country dyads from the economic component of the FBIC index, there is not an especially strong relationship between the two overall (see Table 4 and Figure 13 in the Production chapter). The economic component of the FBIC is trade-centric, both in the number of trade related metrics and the weights assigned to them. The designers of the FBIC contend that trade-related activities faithfully capture the ability of investments, such as FDI, to produce influence.⁴⁷³ However, it is argued that this effectively renders the FBIC less useful for the direct examination of capital flows.

Without a doubt, China's capital transactions in LAC are not the largest single contributor to global investment in the region. While it is not asserted here that there exists a specific trip point that must be attained, China's financial engagement nevertheless develops influence and is a source of structural power capabilities similar to its engagement in areas relating to security and defense cooperation and bilateral trade.

⁴⁷² See "U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Data," Bureau of Economic Affairs, accessed July 17, 2022, <https://www.bea.gov/international/di1usdbal>, and "U.S. Foreign Assistance to Latin America and the Caribbean: FY2021 Appropriations," Congressional Research Service, December 4, 2020, <https://crsreports.congress.gov/product/pdf/R/R46514/4>.

⁴⁷³ Moyer et al., "Power and Influence in a Globalized World," 4,5. Essentially, the economic component of the FBIC is a synthetic measurement of the influence capacity of FDI and other similar capital flows. It was noted in the production structure chapter that Cuba's FBIC dyad was higher than anticipated and that ODA included in the economic component was the likely culprit. This is demonstrated with China's US\$7 billion in capital flows to Cuba. The majority of China's capital in Cuba is foreign assistance.

China's OFDI and sovereign lending to LAC deepen its regional integration by expanding and strengthening existing (and creating new) economic relationships. Inflows of capital to the region foster infrastructure development and creates jobs, improving local conditions while enhancing China's financial position with ownership in industries and access to resources that are critical to its economic progress.

Additionally, due to a history of severe economic setbacks, access to traditional financial markets has remained limited for the LAC region as a whole. Therefore, China's influence is increased as a lender (or even investor) of last resort. This creates dependencies and contributes to China's structural power by providing leverage in gaining entry to financial markets and the ability to exert influence in regional policy decisions affecting capital flows to the region.

China's foreign assistance in the LAC region is also an instrument for influence. By supporting local development initiatives, China promotes its public image and unique economic development model as a partner in the region. Aid cultivates goodwill and strengthens diplomatic relationships that advance China's structural power capacity.

Finally, in an often-overlooked aspect of China's growing economic strength, it was noted earlier in the chapter that its massive foreign exchange reserves provide funding for OFDI and facilitate bilateral currency swaps. Currency swaps enable China's trade and investment in the LAC region by limiting exchange rate risks and providing liquidity and stability for local economies. China's currency swaps have the added structural power benefit of increasing the internationalization of its currency while decreasing the use of competing currencies, such as the US dollar.

The movement of many varied types of capital through worldwide financial markets has replaced trade as the major form of cross-border transaction. Even though China's total financial position in the LAC region is comparatively small relative to global totals (and the US, in particular), its engagement in this domain potentially has more significance than with the other dimensions of structural power.

The financial structure has been described as perhaps the most important of Strange's dimensions of power, yet it is one that she did not fully develop. Moreover, since Strange formed her framework, those structures have undergone significant change. The financial structure in particular has seen a transformative shift in importance globally.

More sophisticated financial instruments exist today than were available even as recently as the closing decades of the twentieth century. The methods used by states and private and state-owned enterprises to generate, transfer, and put to purpose vast sums of capital have redefined the financial structure and further increased its status relative to the other dimensions of structural power.

The case study examination of China's engagement in matters connected with capital flows demonstrated a broad-based effort on the part of China to move large sums of money into the LAC region. The emergence domain of structural power concept illuminated what processes are involved and how this engagement develops capabilities for China in the region and potentially beyond. Examining state engagement at the subsystem level exposes the influence-power nexus in its early stages. It permits a comprehensive assessment of structural power, which is not accessible when observing this phenomenon only after the fact or at the international level of state interaction.

Strange's final dimension of structural power, and the subject of Chapter 8, is knowledge. This structure is the least conceptualized and arguably the most controversial when selecting how a state might generate power and influence through its use.

Chapter 8

Knowledge

Strange's knowledge structure is unique among her four dimensions of power. Although she argued in *States and Markets* that her structures were basically equivalent, she nevertheless saw the knowledge dimension as an exceptional type of structural power—those who can control access to knowledge will hold a "...special kind of structural power." This seemingly poses a contradiction by suggesting a hierarchical arrangement among her four structures of power.

Yet, this puzzle can be partially rationalized by the challenges inherent in defining and understanding the knowledge structure. It is true that Strange's final dimension of structural power remains the least conceptualized dimension within her framework. Others have suggested that the knowledge structure is difficult to ascertain or establish in the first place. Accordingly, it might be argued that it should not exist as a distinct structure of power because knowledge (and its information), at least as it relates to the subject of structural power, is itself contained entirely within the other three dimensions.

Strange recognized the difficulties in grasping its significance as a separate dimension of power and offered historical context to assist in its understanding. As Strange proceeded with the development of the knowledge dimension of structural power, she referred to two earlier knowledge structures and (as she proposed) a transitional form found in IPE today.

The Treaty of Westphalia was the demarcation between authority resting in the Sovereign and the sovereignty of the state. Before 1648, the Church acquired authority from the Sovereign because it offered eternal life. From this authority, the Church made certain demands on the legitimate use of power by the Sovereign. This relationship was essentially symbiotic but also (importantly) asymmetric. Although the Sovereign ceded some of its authority to the Church, the belief systems of medieval Christendom (everlasting life and all that this encompassed) were nevertheless compelling. This system comprised a knowledge structure.

After 1648, another symbiotic relationship with a different belief system took over from the Sovereign-Church structure. New transportation and communication

technologies that served the financial sectors and provided synergies to the state authority ushered in a new knowledge structure. The scientific state replaced the Church as the gatekeeper to knowledge. Today, Strange notes that this authority is ever more held by non-state actors like transnational corporations and networks of scientists who control technology channels.⁴⁷⁴

The use of technology to control information is increasingly viewed as an essential component of the knowledge structure. Guzzini saw technology as one of only two elements comprising this dimension of structural power, the other being culture. Lawton et al. noted the centrality of technological elements in the knowledge dimension of structural power and went as far as asserting that it has come to dominate the financial and production structures.⁴⁷⁵ Bertjan Verbeek suggests that although Strange did not *a priori* construct a hierarchy among her four structures of power, she considered that processes “in the real world” in the knowledge structure were a fundamental cause of transformational changes in her other three structures of power.⁴⁷⁶ Incidentally, Strange has been noted for her dislike of theoretical solutions, preferring instead, “real world functioning of power in the global political economy.”⁴⁷⁷

Scholars of Strange agree that the knowledge structure stands apart from her other dimensions of power. Strange, as well, observed that the knowledge structure cannot be considered in “isolation from the other three structures...” suggesting that it has “close connections and mutual interactions” with the other structures of power.⁴⁷⁸ Strange offered numerous examples of how information, including how technology additionally augments these effects, is leveraged in other structures such as the financial structure to increase the concentration of its power.⁴⁷⁹ Clair Cutler examines Strange’s interest in the connections between her structures, particularly those of the financial-knowledge kind. She provides an example of these associations by suggesting that new developments,

⁴⁷⁴ Strange, *States and Markets*, 131-140.

⁴⁷⁵ Thomas C. Lawton, James N. Rosenau, and Amy C. Verdun, “Looking Beyond the Confines,” in *Strange Power*, ed. Lawton, Rosenau, and Verdun, 9.

⁴⁷⁶ Bertjan Verbeek, “Criticizing US Method and Thought in International Relations: Why a Trans-Atlantic Divide Narrows IR’s Research Subject,” in *Strange Power* ed. Lawton, Rosenau, and Verdun, 151.

⁴⁷⁷ Cutler, “Strange Bedfellows? Bankers, Business(men) and Bureaucrats in Global Financial Governance,” 103.132. This might provide one explanation for why she did not further develop her theoretical framework of structural power.

⁴⁷⁸ Strange, *States and Markets*, 133.

⁴⁷⁹ *Ibid.*, 144, 148.

such as creating credit in innovative ways, connect the financial structure with the knowledge structure.⁴⁸⁰

The connections that Strange and Cutler refer to are at least partly responsible for difficulties in locating suitable independent metrics to assess China's capabilities in this dimension of structural power. These difficulties also align with the above knowledge dimension as a distinct structure argument. For instance, echoing Cutler, innovative technology-based components might not exist as singularly unique (and measurable) influence metrics.⁴⁸¹ Rather, it is conceivable that the influence effects of technology have been previously captured through capital flows or trade activities. This can result in a conflation of evidence regarding which indicators might be responsible for the changes under investigation.

As a substitute for technology as the central vector of influence in the knowledge structure, this project leverages Guzzini's concept that the communication of culture is key to its assessment and understanding. In addition to Confucius Institutes, focusing on other organizations and institutions, such as sister cities, has the added benefit of capturing technological elements that Strange views as influential within the knowledge dimension.

Assessing China's Knowledge Structure Engagement with the LAC Region

Engagement in the knowledge dimension of structural power shapes positive perceptions and narratives of China within LAC, which can influence behavior and decision-making in the region to its advantage. Influence is synonymous with power, and because China's activities in the realm of knowledge can generate economic-political influence outcomes, this can also build structural power capacity.

The assessments of China's security and defense cooperation, bilateral trade, and financial investment have shed light on its considerable presence in Latin America and the Caribbean. While unique among the four dimensions of power, the knowledge structure is subject to the same underlying dynamics found in the delivery of security, the

⁴⁸⁰ Cutler, "Strange Bedfellows? Bankers, Business(men) and Bureaucrats in Global Financial Governance," 130-132.

⁴⁸¹ Although it will be recalled that Guzzini believes that technology is directly countable.

means of production, or the provision of capital. In all dimensions, power is conferred upon those actors who have and use the means to leverage certain aspects of those structures to their benefit. China's engagement with the LAC region in matters related to information and ideas, and its influence in the channels by which that knowledge is communicated, is growing.

It has been observed that China's financial presence exceeds its productive capacity efforts in scope and scale. In turn, its trade and associated activities exceed that of its security and defense cooperation engagement. However, because of the uniqueness of the knowledge structure, including the effects of crossing structural dimension boundaries, assessments regarding whether its engagement in this dimension exceeds that of the other three are practically impossible. Nevertheless, it is argued that, like its presence in other emergence domains of structural power, in the knowledge structure, China's engagement builds synergies and interoperability across the other structures of power, demonstrating the linked nature of Strange's dimensions of structural influence and power.

China's presence in the LAC region has witnessed meteoric growth for over two decades. China-Latin America specialist Margaret Myers notes that China is well-positioned to continue this engagement into the future. Persistent concerns about China's growing footprint in the region, particularly the increasingly dominant position of its MNE-SOEs vis-à-vis domestic companies, have largely been overshadowed by a general belief that China is a "willing and able economic partner." Polling data, for example, demonstrate that while Latin Americans' opinions of the US are deteriorating, almost half of those surveyed stated a favorable opinion of China.⁴⁸² China scholar Guo Cunhai, when translating Howard Wiarda's book *The Soul of Latin America: The Cultural and Political Tradition*, writes that he was fascinated with its opening line, "Americans have a hard time

⁴⁸² Margaret Myers, "China's Quiet Play for Latin America," NOEMA, January 14, 2021, <https://www.noemamag.com/chinas-quiet-play-for-latin-america/>. It is important to note that negative opinions of the United States do not automatically translate into feelings of attraction toward China. Opinions of any given country are influenced by numerous factors, including the consequences of past relationships or present-day political and economic interests. The perceptions of countries, such as China or the United States in LAC, should be viewed independently rather than necessarily inversely (or equivalently) intertwined. For example, individuals might have negative attitudes toward specific foreign policies of the United States while also holding unfavorable views of China's history of human rights abuses.

understanding Latin America...The United States will do anything for Latin America except read about it.”⁴⁸³ China has, thus far, seemingly managed better.

China’s efforts to understand the LAC region are typified by an explosion of Spanish and Portuguese language courses on the Asian mainland. By 2018, over 100 Chinese universities offered Spanish majors. This is eight times as many as just two decades earlier. Similarly, Portuguese programs rose from two to more than forty during that same period. In addition, by 2018, China had founded sixty Latin American studies centers, of which 70 percent had been established in only the past five years. Yet, Cunhai notes that China’s efforts directed at knowledge lack a foundation to bring cultural, historical, and social context to that learning. For example (yet not surprisingly), its Latin American studies programs focus almost entirely on politics, economics, and diplomacy. Cunhai suggests that cultural understanding should extend beyond practical applications and recommends that the Chinese “consciously empathize” in their understanding of Latin America and articulate those values in a “common destiny” construct.⁴⁸⁴ Interestingly, this sounds curiously similar to the simplistic yet compelling “South-South cooperation” narrative, which is a part of China’s efforts in the propagation of its political and economic aims, and, more broadly, the dissemination of its collective knowledge system to the LAC region (as it is employed elsewhere in the world).

Because they enable the transmission of ideas, relationships with influential and regionally relevant institutions, formal and informal partnerships, and related organizations are valuable for understanding the development of structural power capacity within the knowledge dimension. China’s engagement with the LAC region in forums that focus on intergovernmental cooperation and bilateral economic and political support provides a starting point for it to build collaborative structures which can facilitate the diffusion of its unique brand throughout the Americas and, consequently, increase its influence and power. China’s engagement with Latin America and the Caribbean in matters related to the acquisition and control of information and ideas is assessed next.

⁴⁸³ Guo Cunhai, “A Path for China to Better Understand Latin America,” *Americas Quarterly*, April 15, 2019, <https://www.americasquarterly.org/article/a-path-for-china-to-better-understand-latin-america/>.

⁴⁸⁴ *Ibid.*

The Caribbean Basin

Although it has been previously discussed that China is undoubtedly building capacity across Strange's structural power dimensions considered thus far in the Caribbean, its engagement in those structures is, on the whole, unexceptional. This is especially true relative to China's presence in South America. Reasons for a generally lower level of engagement by China with the Caribbean states include a lack of significant deposits of minerals and other raw materials for export to the Chinese mainland, smaller domestic markets to serve with its own products, and the apparent mindfulness by the Chinese of the proximity of the Caribbean to the US. However, one important driver of China's interest in the subregion is to degrade and ultimately eliminate the recognition of Taiwan in the Caribbean Basin. Notably, four of the seven countries in the LAC region that still officially recognize the ROC are located in the Caribbean.⁴⁸⁵

China's attention in the LAC region is also directed to countries with which it has long-standing relations and those with which it would like to expand its contacts and cooperation. China's closest relationship in the Caribbean is with Cuba. This attention is frequently illustrated by high-level visits to Cuba of China's top diplomats. Chinese presidents and premiers have visited Cuba four times since 2000.⁴⁸⁶ China's only other high-level visit to the region was to Trinidad & Tobago in 2013. It is considered noteworthy, therefore, that in March 2021, Chinese President Xi Jinping stated that China is willing to "consolidate its traditional friendship with Trinidad & Tobago" and is ready to "lift bilateral comprehensive cooperative partnership to a new level."⁴⁸⁷

China uses a variety of formal "partnerships" to foster economic, diplomatic, and cultural cooperation. These partnerships develop government-to-government and people-to-people exchange and relationships and are viewed by China as both bilateral

⁴⁸⁵ Haiti, Saint Kitts & Nevis, Saint Lucia, and Saint Vincent & the Grenadines in the Caribbean have diplomatic relations with the ROC. The other three in the LAC region are Belize and Guatemala in Central America and Paraguay in South America.

⁴⁸⁶ Enrique Dussel Peters, "China's Evolving Role in Latin America: Can it Be a Win-Win?," Atlantic Council, September 16, 2015, <https://www.atlanticcouncil.org/in-depth-research-reports/report/china-s-evolving-role-in-latin-america-can-it-be-a-win-win/>.

⁴⁸⁷ "China, Trinidad and Tobago Pledge to Consolidate Friendship," CGTN, March 17, 2021, <https://news.cgtn.com/news/2021-03-16/President-Xi-holds-phone-call-with-Trinidad-and-Tobago-PM-YGsNmSofZu/index.html>.

and multilateral. As discussed in the Theoretical Framework chapter, one such type of arrangement is a Strategic Partnership.⁴⁸⁸

These partnerships reveal that China considers its bilateral relationship with a country to be long-term and durable, and, importantly, they have overcome differences in ideology and political systems.⁴⁸⁹ Interestingly, although China has an extensive suite of formal and informal agreements with Cuba, it does not maintain a Strategic Partnership with its longtime ally in the Caribbean Basin. One possible explanation for this is that China (and perhaps Cuba as well) sees no added value in another formal agreement with a country with which it is already politically and diplomatically closely aligned.

On the other hand, Trinidad & Tobago, an early adopter of the BRI with a long and close history with China, has recently upgraded their joint relations to a Comprehensive Strategic Partnership. Notably, as suggested above, China uses Strategic Partnerships because they permit alliances without ideological or political alignment.⁴⁹⁰ This could explain China's new interest in significantly expanding its relationship with Trinidad & Tobago. The only other Caribbean Basin country that maintains a Strategic Partnership with China is Jamaica.

Partnerships and the cooperation they create underpin China's other visible engagement efforts and reinforce its desired public image. This is important. Juxtaposed to tangible measures of security and defense cooperation, production and bilateral trade, and direct investment is China's less discernible but equally important global *perception*. An image of a trustworthy, cooperative, peace-loving, and (notably) a "developing country" (the "South-South" narrative)—building a "harmonious society" and contributing to a "harmonious world" as a responsible, i.e., a "non-interference" global actor—is

⁴⁸⁸ China uses a wide-ranging (and confusing) array of names for these types of partnerships. As near a complete list as possible includes Comprehensive Strategic Partnership, All-Weather Strategic Cooperative Partnership, Comprehensive Strategic Cooperative Partnership, Strategic Cooperative Partnership, All-Round Comprehensive Strategic Partnership, Strategic Partnership, Comprehensive Cooperative Partnership, Innovative Comprehensive Partnership, and finally, a simple Alliance. For an excellent overview of China's Strategic Partnerships, see Margaret Myers and Ricardo Barrios, "How China Ranks Its Partners in LAC," *The Dialogue*, March 2, 2021, <https://www.thedialogue.org/blogs/2021/02/how-china-ranks-its-partners-in-lac/>.

⁴⁸⁹ Quan Li and Min Ye, "China's Emerging Partnership Network: What, Who, Where, When, and Why," 68, 71.

⁴⁹⁰ *Ibid.*, 68.

China's objective.⁴⁹¹ China's public image goals and its public diplomacy efforts are closely intertwined.

Despite the PRC's horrible record concerning freedom of the press, the China-Caribbean Press Centre was founded in 2018 to "enhance exchanges...elevate our cooperation level and advance our comprehensive and cooperative partnership" in the Caribbean. Established by the Chinese Foreign Ministry, this forum facilitates cultural exchanges for Caribbean journalists traveling on month-long visits to China. Conspicuously, and even a little disingenuously, it was stated by Gui Fan, VP of the Beijing International Chinese College, that the media serves as "the gatekeepers of information...and are charged with the responsibility of disseminating their findings to the public at large."⁴⁹²

Confucius Institutes are an essential means for China to advance its public image and public diplomacy. The PRC Ministry of Education organizes CIs, and although officially they promote the diffusion of Chinese language and culture in foreign countries, they have been linked to advancing China's foreign policy objectives.⁴⁹³ China's CI footprint in the region is considerable. Confucius Institutes or Confucius Classrooms have been established in ten of the thirteen Caribbean Basin nations. Saint Kitts & Nevis, Saint Lucia, and Saint Vincent & the Grenadines are the only Caribbean countries without Confucius Institutes or its affiliated Classrooms. Interestingly, Haiti, with which China does not currently maintain official diplomatic relations, has a Confucius Classroom but not a Confucius Institute. Closely associated with the role of Confucius Institutes and Classrooms in spreading its culture, formal teaching of the Chinese language is another means to spread belief systems. Chinese Testing Centers (HSK), which are usually

⁴⁹¹ Ingrid d'Hooghe, "The Rise of China's Public Diplomacy," Netherlands Institute of International Relations, July 2007, https://www.clingendael.org/sites/default/files/pdfs/20070700_cdsp_paper_hooghe.pdf. See also Rachel Yu, "China's Public Diplomacy Strategy in Latin America and the Caribbean," *Sigma Iota Rho Journal of International Relations*, March 29, 2020, <http://www.sirjournal.org/op-ed/2020/3/29/chinas-public-diplomacy-strategy-in-latin-america-and-the-caribbean>.

⁴⁹² "China Regional Snapshot: The Caribbean," Committee on Foreign Affairs, accessed December 6, 2021, <https://gop-foreignaffairs.house.gov/china-snapshot-project-the-caribbean/>, and Vicki Cann, "China-Caribbean Press Center Launched," CCTV-China, April 19, 2018, <http://english.cctv.com/2018/04/19/ARTIBzkdnQ3Ld2GWuohcBiSd180419.shtml>. China's principal media outlets are state-run and are consistently at the bottom of lists ranking countries' freedom of the press.

⁴⁹³ As discussed, one argument of the project is that China's goals and objectives are essentially irrelevant (or, at the least, less relevant). In this case, the diffusion of its culture is why China's Confucius Institutes are considered here.

located at CIs, are also found in the Bahamas, Barbados, Jamaica, and Trinidad & Tobago.⁴⁹⁴

Chinese cultural influence in the Caribbean is assisted by a history of migration to the region from the Asian mainland. While not widespread, Chinese diaspora to the Caribbean has witnessed two distinct waves. The first largely consisted of indentured laborers, while the second wave principally involved voluntary migrants. Jamaica, in particular, has a long history of immigration from mainland China, with possibly the greatest influence on the island's own culture of any people from Asia.⁴⁹⁵ Cuba, which in the first wave of migration from the mainland, saw Chinese laborers forced to work on sugar plantations, is notable in the Caribbean for having a Chinese colony in Havana that is today being revitalized into a tourist destination. Other notable migration from the Chinese mainland to the Caribbean Basin includes the Dominican Republic.

Sister Cities International is another forum that promotes long-term partnerships, cooperation, and cultural, economic, and business exchange. China and Cuba have established at least one sister city, Jamaica has three, and Grenada has one sister city with China.⁴⁹⁶

China also engages with or is a member of regional and inter-regional organizations and platforms in Latin America and the Caribbean that promote dialog and cooperation in political, economic, and cultural areas. Cuba is a member of the Latin American Integration Association, the Latin American Parliament, and FEALAC. Dominica is a member of the Latin America Parliament, and the Dominican Republic is a member of FEALAC.

⁴⁹⁴ “Confucius Institutes around the World —2021,” digmandarin, February 22, 2021, <https://www.digmandarin.com/confucius-institutes-around-the-world.html>. Confucius Classrooms (CC) is an extension of Confucius Institutes (aka Hanban). They are supported by the Confucius Institute Headquarters (CIHQ) and focus on Chinese language and culture. See “What Is a Confucius Classroom?,” Texas Southern University China Institute, accessed December 6, 2021, <http://tsuci.org/courses/classrooms>.

⁴⁹⁵ Stephanie Korney, “7 Contributions Made by Chinese Immigrants to Jamaica,” Jamaicans.com, accessed December 6, 2021, <https://jamaicans.com/contributions-chinese-immigrants-jamaica/>. See also Romain Cruse and Kevon Rhiney, eds., “The Chinese in the Caribbean During the Colonial Era,” Caribbean Atlas, 2013, <http://www.caribbean-atlas.com/en/themes/waves-of-colonization-and-control-in-the-caribbean/daily-lives-of-caribbean-people-under-colonialism/the-chinese-in-the-caribbean-during-the-colonial-era.html>.

⁴⁹⁶ Sister Cities of the World, “Sister Cities in China.”

A second key component of Strange's knowledge structure is technology. While still insignificant relative to the other LAC subregions, and as mentioned earlier, difficult to distinguish from the effects of vectors of influence in other dimensions of structural power, China's technology engagement with the Caribbean region is expanding. In the Caribbean, Cuba is an important partner for China in this dimension of influence and power. Cuba is a member of China's BRI and has signed a Digital Silk Road (DSR) memorandum of understanding.⁴⁹⁷ A sub-component of the BRI, the DSR has enjoyed substantial support from Chinese SOEs. At present, the DSR is a loosely identified set of projects and has even been described as more of a brand for anything related to data or the sale of technology. However, China's long-term vision is to have the DSR become more deeply embedded with international technology standard-setting and governance norms (and their regulating bodies) related to internet infrastructure. To accomplish this, China is encouraging its tech SOEs and private MNEs such as Huawei, ZTE, and others to build more pieces of the financial, information, and telecommunications networks used globally. China has signed at least sixteen DSR MoUs, and there are estimates that as many as one-third of current BRI members are also informally participating in its Digital Silk Road.⁴⁹⁸

It has been suggested that Cuba will increasingly be a key player in the expansion of the DSR throughout the Caribbean Basin, as well as facilitating its development in other subregions in LAC. Cuba's digital ties to China date back at least two decades. Huawei built Cuba's first fiber optic backbone in 2000, and Shanghai Bell was a partner in an (at that time confidential) joint venture to build an undersea cable (ALBA-1) from Venezuela to Cuba in 2006. Huawei has also linked Trinidad & Tobago to the South American

⁴⁹⁷ Larry Press, "Does China's Digital Silk Road to Latin America and the Caribbean Run through Cuba?," CircleID, June 3, 2019, https://circleid.com/posts/20190603_does_chinas_digital_silk_road_to_latin_america_run_through_cuba/, and Eurasia Group, "The Digital Silk Road: Expanding China's Digital Footprint."

⁴⁹⁸ Robert Greene and Paul Triolo, "Will China Control the Global Internet Via its Digital Silk Road?," Carnegie Endowment For International Peace, May 8, 2020, <https://carnegieendowment.org/2020/05/08/will-china-control-global-internet-via-its-digital-silk-road-pub-81857>, and "Assessing China's Digital Silk Road Initiative: A Transformative Approach to Technology Financing or a Danger to Freedoms," Council on Foreign Relations, accessed December 6, 2021, <https://www.cfr.org/china-digital-silk-road/>.

continent via Brazil with fiber optic cable and has contracted with the Caribbean country to install 5G telecom systems.⁴⁹⁹

Strange's knowledge structure focuses on a state's ability to control the dissemination of ideas and information and how this might build structural power capacity. A useful instrument for quantifying a state's success at permitting (or limiting) information flow is the Freedom on the Net index. This index is particularly applicable to the knowledge dimension because it assesses the movement of information through technological means, such as the Internet. The Freedom on the Net index measures a country's degree of internet freedom based on criteria considered important in an array of issues relevant to human rights online and is calculated for 70 countries worldwide.

Cuba, with a score of 20 (out of a possible 100) in 2022, is the only Caribbean Basin country assessed and is classified as "Not Free" by the index.⁵⁰⁰ The LAC region average is 56 and the apparent conclusion is that Cuba is successful at restricting the free flow of information. The fact that China and Cuba have very low Freedom on the Net scores and are also heavily engaged with each other in areas of technology, which has the potential to control the flow of information, is suggestive of effective influencing efforts within the knowledge structure.

China's efforts to put technology to use in the Caribbean Basin to produce influence are, at present, relatively minor but are growing. Matters regarding acquiring,

⁴⁹⁹ R. Evan Ellis, "China's Advance in the Caribbean," Wilson Center Latin American Program, October, 2020, <https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/China's%20Advance%20in%20the%20Caribbean.pdf>; 5, "Huawei Expanded in Latin America During 2019," Latin American Tech, December 21, 2019, <http://www.latinamerica.tech/2019/12/21/huawei-expanded-in-latin-america-during-2019/>; AJ Cortese, "Chinese Technology's Growing Influence in Latin America," Pandaily, December 7, 2019, <https://pandaily.com/chinese-technologys-growing-influence-in-latin-america/>; Margaret Myers and Guillermo García Montenegro, "Latin America and 5G: Five Things to Know," The Dialogue, December 14, 2019, <https://www.thedialogue.org/analysis/latin-america-and-5g-five-things-to-know/>; Raymond R. Dua, "The Rise of Chinese Technology in Latin America," Global Americans, August 12, 2020, <https://theglobalamericans.org/2020/08/the-rise-of-chinese-technology-in-latin-america/>; and Natalia Cote-Muñoz and Lorand Laskai, "Is Latin America Prepared for China's Booming Tech Investment?," Americas Quarterly, April 16, 2019, <https://www.americasquarterly.org/article/is-latin-america-prepared-for-chinas-booming-tech-investments/>.

⁵⁰⁰ "Freedom on the Net Research Methodology," Freedom House, accessed July 9, 2023, <https://freedomhouse.org/reports/freedom-net/freedom-net-research-methodology>. A lower Freedom on the Net index indicates more control by the state over the free flow of information. Put differently, a lower score is viewed as worse for the citizens of the country examined. Unfortunately, the Freedom House dataset includes only 9 of the 33 countries in the LAC region.

transferring, and controlling information through technological means are considered here as a precursor to the employment of that technology to have measurable effects in Strange's other three structures. Consequently, what is observed in Cuba and Trinidad & Tobago is consistent with expected continued increases in technology to control information in the subregion.

Mexico and Central America

The pattern observed thus far is that China's engagement across Strange's security, production, and financial structures appears to be less pronounced in the Caribbean Basin. This trend continues in the knowledge dimension of power. It has also been revealed that Mexico has been somewhat of an outlier with regard to China's engagement. It has been proposed that this may well be a consequence of a complicated triangular relationship found between the United States, Mexico, and China.

In May 2021, Mexico's President Lopez Obrador, notably with the Chinese Ambassador to Mexico present, officially apologized for the massacre of 303 Chinese immigrants in the northern city of Torreon in 1911. This marked the 110th anniversary of a dark chapter in Mexican history and was meant to signal to the Chinese that Mexico would like a fresh start in its relations with the PRC. It is also viewed as a message to Washington. More significantly, perhaps, the event underscores China's increasing influence in Mexico.⁵⁰¹

China's presidents and premiers have visited Mexico three times since 2000. These high-level visits rank just behind Brazil, Chile, and Cuba in the LAC region.⁵⁰² In 2003, Mexico signed a Strategic Partnership with China, and in 2013 this agreement was upgraded to a Comprehensive Strategic Partnership.⁵⁰³

At least five Confucius Institutes are located in Mexico, second only to Brazil in the LAC region. Associated with its CIs, Mexico also hosts HSK Chinese language testing centers.⁵⁰⁴ There are currently five China-Asia academic programs at Mexican

⁵⁰¹ Laura Daverio, "The Chinese-Mexican Bromance," *The Globalist*, June 2, 2021, <https://www.theglobalist.com/the-china-mexico-covid-foreign-policy-vaccine-diplomacy/>.

⁵⁰² Dussel Peters, "China's Evolving role in Latin America."

⁵⁰³ Quan Li and Min Ye, "China's Emerging Partnership Network: What, Who, Where, When, and Why," 68, 71.

⁵⁰⁴ digmandarin, "Confucius Institutes around the World – 2021."

universities offering undergraduate and graduate degrees.⁵⁰⁵ Despite fewer immigrants than found in several South American countries, Mexico nevertheless has witnessed notable Chinese immigration, and its Chinese colonies are well known for their commercial and cultural contributions.⁵⁰⁶ China and Mexico have established twenty-four sister cities. Like that found with its CIs, this figure is second only to Brazil.

Mexico is a member of the Latin American Integration Association, Latin American Parliament, and FEALAC. China is engaged with or is a member of these integration and cooperation organizations as well. Mexico is not a member of China's BRI, and consequently, it does not have a DSR MoU. Interestingly, however, China and Mexico do have significant technological engagement.

It has been noted that Mexico's relationship with the US can partially explain Mexico's reluctance to sign on to China's global infrastructure initiative. Despite China's lack of a formal DSR agreement with Mexico, its MNEs are nevertheless making headway in the development of critical internet protocol backbone infrastructure in Mexico. For example, China Telecom Americas (CTA) has begun a significant multiyear expansion of its network foundation in Mexico City. Importantly, this backbone will connect to CTA's global network infrastructure, directly linking Mexico to key Chinese controlled network systems.⁵⁰⁷ Sales of video surveillance systems, telecommunication systems, and 5G technology systems and support are other areas in which the two countries are increasingly connecting.⁵⁰⁸

Mexico has a Freedom on the Net score of 61 as of 2022, which is only slightly above the LAC region average of 56 and is deemed "Party Free."⁵⁰⁹ As was speculated with the example of Cuba, China's significant level of technological engagement

⁵⁰⁵ Myers, "China/Chinese Studies in Latin America."

⁵⁰⁶ Biblioteca del Congreso Nacional de Chile, "The Chinese Community in Latin America."

⁵⁰⁷ Natalie Bannerman, "China Telecom Americas to Expand Latin America Footprint in 2021," capacity, April 21, 2021, <https://www.capacitymedia.com/articles/3828370/china-telecom-americas-to-expand-latin-american-footprint-in-2021>. CTA is a subsidiary of China Telecom, which is in turn owned by China Telecommunications Corporation, a Chinese SOE.

⁵⁰⁸ Evan Ellis, "Chinese Surveillance Complex Advancing in Latin America"; Myers and Montenegro, "Latin America and 5G: Five Things to Know"; Dua, "The Rise of Chinese Technology in Latin America"; Perryer, "Surveillance Cameras Have Become One of China's Most Valuable Exports—Here's Why"; and Cortese, "Chinese Technology's Growing Influence in Latin America."

⁵⁰⁹ Freedom House, "Freedom on the Net Research Methodology."

associated with controlling Internet infrastructure could arguably be related to Mexico's rating.

Public opinion polling is valuable for assessing if a state is successful at the portrayal of its particular narrative. China's efforts are apparently paying dividends in the ongoing quest for shaping LAC attitudes that its ideas and culture are beneficial for the region. In opinion polling conducted by Pew Research, the Mexican public exhibits a net favorable opinion of China over that of its immediate northern neighbor, the United States.⁵¹⁰

Contrasting with China's growing engagement with Mexico, its presence in Central America in areas identified as aligning with Strange's knowledge structure is generally modest. After Honduras's switch to the PRC, only two Central American countries remain diplomatically aligned with Taiwan, and inevitably this is a part of the calculus in examining China's presence in the Isthmus. For instance, it has been noted that Nicaragua's diplomatic recognition has changed multiple times. As of 2021, Nicaragua once again aligns with the PRC. Despite this flip-flopping in diplomatic allegiance, China's interest remains strong, possibly due to its interest in the planning for a possible Nicaraguan Canal. With Honduras's recent realignment, Costa Rica's, Panama's, and Nicaragua's recognition of the PRC has moved China closer to a consensus in Central America. Benefits gained by these two countries, seemingly as a direct consequence of its recognition, have been noted both in this project and elsewhere.⁵¹¹

High-level visits foster additional cooperation and the establishment of personal relationships among leaders. Chinese high-level diplomatic visits since 2000 include two calls to Costa Rica and one to Panama. Costa Rica has had a Strategic Partnership with China since 2015 and remains the only Central American country to have this level of formal agreement.⁵¹²

⁵¹⁰ "Global Indicators Database," Pew Research Center, May 25, 2021, <https://www.pewresearch.org/global/database/>.

⁵¹¹ Sophie Wintgens, "China's New Relations with Panama and Costa Rica Are Another Step towards a Beijing Consensus in Central America," London School of Economics and Political Science, November 8, 2017, <https://blogs.lse.ac.uk/latamcaribbean/2017/11/08/chinas-new-relations-with-panama-and-costa-rica-are-another-step-towards-a-beijing-consensus-in-central-america/>.

⁵¹² Quan Li and Min Ye, "China's Emerging Partnership Network: What, Who, Where, When, and Why," 68, 71.

Costa Rica, El Salvador, and Panama each have one Confucius Institute. However, no Confucius Classrooms or HSK Chinese language testing centers are located in Central America. Chinese diaspora to Central America is not significant. Although all countries in the subregion have had limited immigration from the Chinese mainland, Panama has traditionally seen the most, with Guatemala next. Interestingly, Costa Rica has a more developed Chinese community overall.⁵¹³ Additionally, six sister cities have been established between Costa Rica and China.

While Belize generally eschews membership in the regional organizations identified as metrics for consideration in this structure, Central American country participation in organizations and forums with which China has established important relationships is relatively strong. Panama is a member of the Latin American Integration Association, Latin American Parliament, and FEALAC, while the other six Central American countries are all members of the Latin American Parliament and FEALAC. Although Costa Rica, El Salvador, and Panama are members of China's BRI, no Digital Silk Road MoUs have been discovered for these countries.

Although still limited in scope, China is making headway in its technology engagement with Central America. For example, both Huawei and ZTE are major suppliers of cellular infrastructure in Central America, as they are with the broader LAC region. China has sold video surveillance systems integrated with facial recognition software to Panama, and Huawei has made the Canal Zone a regional distribution hub for its electronic systems. Although Huawei refers to the hub as a "distribution" center, it was disclosed that it will be used as a testing center to deliver 5G cellular capabilities, which will then be integrated into China's global network infrastructure. This technology has been described as an "Orwellian surveillance system," which has raised concerns about the "abuse of technology" in countries where it has been implemented.⁵¹⁴

Only two Central American countries have been ranked on Internet freedom. Costa Rica, at 88 has the highest Freedom on the Net score in the subregion and in LAC and is

⁵¹³ Biblioteca del Congreso Nacional de Chile, "The Chinese Community in Latin America," and "Global Bilateral Migration," World Bank DataBank, accessed July 9, 2023, <https://databank.worldbank.org/source/global-bilateral-migration>.

⁵¹⁴ Committee on Foreign Affairs, "China Regional Snapshot: Mexico and Central America," and Evan Ellis, "The Strategic Dimension of Chinese Engagement with Latin America," 49.

considered as “Free.” Nicaragua’s much lower score of 45 is not unexpected, and it is judged as only “Partly Free” by the index.⁵¹⁵

Lastly, citizens in El Salvador and Nicaragua were polled on their opinions of China. In both countries, attitudes of those polled showed a net negative opinion of China over that of the US.⁵¹⁶ However, opinions are obviously fluid, and when the research is conducted is critical. In these cases, both countries were diplomatically aligned with Taiwan, so these results are not necessarily that surprising.⁵¹⁷

South America

China’s engagement with South America across Strange’s security, production, and financial structures has been shown to be markedly greater than found with its presence in the Caribbean Basin and Central America. This pattern continues with China’s activities relating to fostering structural power capabilities in the knowledge dimension.

With six of the seven countries in the LAC region still recognizing the ROC located in the Caribbean and Central America, those subregions have nevertheless been fertile ground for Chinese efforts to change the existing diplomatic state of affairs more to its liking and advantage. A balancing act by China has weighed its own political, economic, and security concerns with the physical nearness of the Caribbean and Central America to the US. This calculus has caused China to proceed with some restraint in those subregions. On the other hand, resources, markets, and its distance from the US have resulted in less caution from China in its engagement with South America.

Contrasting with those two subregions, there is near unanimity in diplomatic recognition of the PRC in South America. Paraguay, the sole holdout, has since 1957 recognized Taiwan. This position continues despite a recently failed 2020 Paraguayan Senate vote to alter the status quo. Recent research has suggested that Paraguay has paid an economic price for its continued official ties to Taiwan. Increased domestic pro-

⁵¹⁵ Freedom House, “Freedom on the Net Research Methodology.”

⁵¹⁶ Pew Research Center, “Global Indicators Database.”

⁵¹⁷ After switching their diplomatic alignment, citizens in both countries have had mixed attitudes toward China compared to the US.

Chinese pressure has threatened to fracture once cohesive political coalitions, which have historically favored continued relations with the ROC.⁵¹⁸

The countries of South America have clearly attracted the interest of China's political leaders. Chinese presidents and premiers have visited South America twenty-one times since 2000, twice that of the other subregions combined. Topping the list are Brazil, with six high-level visits, and Argentina and Chile, with four trips apiece. Other South American countries receiving high-level calls from Chinese diplomats include Colombia, Peru, Uruguay, and Venezuela.⁵¹⁹ In the last six years alone, President Xi Jinping has visited Argentina, Chile, Ecuador, and Peru.⁵²⁰ These visits have facilitated relationships and cooperation, leading to formal agreements between China and many South American countries. A particularly relevant example is the unique China-Brazil High-Level Coordination and Cooperation Committee (COSBAN) established in 2004, which brings together a variety of subcommittees to advance continuing broad-based dialogue between China and Brazil.⁵²¹

China has signed no fewer than nine Strategic Partnerships with the twelve countries of South America. The only countries in the region that do not have such formal agreements with China are Columbia, Guyana, and of course, Paraguay. China has upgraded six of those nine South American countries to Comprehensive Strategic Partnerships. And, in the case of Argentina (which, it will be recalled, has a DCA with China), an Internal Strategic Alliance has been formed between the two countries.⁵²²

The diffusion of Chinese culture and belief systems continues through various academic outreach programs. Two-thirds of China's Confucius Institutes in the LAC

⁵¹⁸ Tom Long and Francisco Urdinez, "Taiwan's Last Stand in South America," *Americas Quarterly*, May 7, 2020, <https://www.americasquarterly.org/article/taiwans-last-stand-in-south-america/#:~:text=Paraguay%E2%80%99s%20formal%20recognition%20of%20Taiwan%20supports%20its%20claim,in%20addition%20to%20concrete%20%28if%20niche%29%20material%20benefits>. See also Tom Long and Francisco Urdinez, "Status at the Margins: Why Paraguay Recognizes Taiwan and Shuns China," *Foreign Policy Analysis* 17, no. 1 (January 2021).

⁵¹⁹ Dussel Peters, "China's Evolving Role in Latin America."

⁵²⁰ "China Regional Snapshot: South America," Committee on Foreign Affairs, accessed December 6, 2021, <https://gop-foreignaffairs.house.gov/china-regional-snapshot-south-america/>.

⁵²¹ "Sixth Meeting of the Sino-Brazilian High Level Commission for Consultation and Cooperation (COSBAN) - May 23, 2022," Ministério das Relações Exteriores, accessed July 27, 2023, <https://www.gov.br/mre/en/contact-us/press-area/press-releases/sixth-meeting-of-the-sino-brazilian-high-level-commission-for-consultation-and-cooperation-cosban-may-23-2022>.

⁵²² Quan Li and Min Ye, "China's Emerging Partnership Network: What, Who, Where, When, and Why," 68, 71.

region are in South America. China currently has a total of thirty CIs located in each of the South American countries except Paraguay. Brazil, with eleven, has by far the most Confucius Institutes in South America. In addition, there are five Confucius Classrooms and seven Chinese HSK language testing centers located throughout South America.⁵²³

China's efforts in Argentina to build cultural ties and spread its belief systems through its CIs are particularly illustrative of how it leverages its knowledge structure engagement in the region. A Confucius Institute at the National University of La Plata (UNLP), about thirty-five miles outside Buenos Aires, is typical of its global network. UNLP has recently started a graduate program in Chinese Studies, and administrators note how the institute plays a key role in "helping advance China's economic interests."⁵²⁴ China and South American universities have founded fourteen China-Asia academic programs. This constitutes the near entirety of such programs in the LAC region.⁵²⁵

Chinese diaspora to Latin America has been significant, outnumbering migration to Europe, Oceania, and Africa combined. The so-called "Triple Frontier" shared between Argentina, Brazil, and Paraguay stands out with the largest Chinese community concentration found in South America. In 2008, Paraguay had an estimated 40,000 ethnic Chinese living within its borders. Peru is home to more than 60,000 Chinese, Venezuela 50,000, and Brazil over 200,000. Bolivia, Chile, Colombia, and Ecuador have notable Chinese clusters as well.⁵²⁶

Seventy-five percent of China-LAC region sister cities are in South America, and all countries on the continent except Venezuela and Paraguay have at least one. Once again, Sino-Brazilian engagement leads the list with forty-two sister cities as of 2020.⁵²⁷ Chile has thirteen sister cities, and Ecuador has five.

China uses its relationships gained through regional bilateral and multilateral institutions and organizations to further develop cooperation in LAC. Engagement with these institutions gives China a view into LAC region government policy making. With the

⁵²³ digmandarin, "Confucius Institutes around the World –2021."

⁵²⁴ Lucía Wei He, "How China Is Closing the Soft Power Gap in Latin America," *Americas Quarterly*, April 12, 2019, <https://www.americasquarterly.org/article/how-china-is-closing-the-soft-power-gap-in-latin-america/>.

⁵²⁵ Myers, "China/Chinese Studies in Latin America."

⁵²⁶ Biblioteca del Congreso Nacional de Chile, "The Chinese Community in Latin America."

⁵²⁷ Sister Cities of the World, "Sister Cities in China."

curious exception of Guyana, with its general lack of membership in regional forums, and Suriname, in avoiding membership in the Latin American Integration Association, all other South American countries are members of the three forums considered important for establishing government-to-government and people-to-people exchange of ideas and knowledge.

Technological innovation to control information and ideas is also a central component of China's presence in South America. Although still in its initial stages of rollout compared to its broader BRI membership, China currently has DSR MoUs with Ecuador, Peru, and Venezuela.⁵²⁸ China is increasingly involved with South American countries to provide the ability to surveil its citizens through domestic telecommunication infrastructure. Advanced Chinese developed technology will significantly expand the capability of LAC countries, and therefore China, to monitor and control activity. For example, under the Chinese led "Safe Cities" initiative, surveillance techniques are being adopted in several South American countries. This initiative, a domestic program used by China to monitor its own citizens, is being exported to allegedly provide a method to monitor crime. However, these systems clearly permit much more intrusive capabilities.⁵²⁹

China's use of leading-edge technologies in South America to control the flow of information is increasingly becoming a priority. As mentioned in the Security chapter, these capabilities may have military- or other defense-related applications. For instance, China has sold, leased, or given as outright "aid," video hardware and support, including artificial intelligence software and telecommunication equipment incorporating 5G technology to Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, and Venezuela.⁵³⁰ Somewhat ominously, half a dozen South American countries are actively engaged with China in the space domain. This includes launching satellites and satellite tracking support services in Argentina, Bolivia, Brazil, Chile, Ecuador, and Venezuela.

⁵²⁸ Council on Foreign Relations, "Assessing China's Digital Silk Road Initiative."

⁵²⁹ Dua, "The Rise of Chinese Technology in Latin America," and Perryer, "Surveillance Cameras Have Become One of China's Most Valuable Exports—Here's Why."

⁵³⁰ Evan Ellis, "Chinese Surveillance Complex Advancing in Latin America"; Myers and Montenegro, "Latin America and 5G: Five Things to Know"; and Cortese, "Chinese Technology's Growing Influence in Latin America."

China also maintains permanent space-related facilities in Argentina and Chile.⁵³¹ China's engagement with Argentina in areas of space cooperation is particularly noteworthy. In the Patagonian region of Argentina, China has built a PLA-operated satellite tracking station that operates independently from the Argentinian government. Due to the lack of transparency in initial construction negotiations conducted during a particularly cash-strapped period for Argentina, and its potential for intelligence gathering in the Western Hemisphere, the facility has earned particular notoriety.⁵³²

These technological capabilities closely align with Strange's ideas for examining when changes in her knowledge structure might have consequences at the structural level. At the emergence domain, China is attempting to control information and its transmission channels. With the increased surveillance capacity these systems provide, changes in fundamental value judgments and its belief systems ensue. Through this, political and economic decisions and policies are changed, consequently altering the human condition. This satisfies the three changes that Strange recommended looking for when examining her knowledge structure.

The argument that those LAC region countries with which China is more technologically engaged have correspondingly lower Freedom on the Net scores is better supported in South America. Although Brazil, Columbia, and Ecuador have slightly above average Freedom on the Net scores, all three are rated as only "Party Free" by the index. Venezuela, with a score of only 30 is considered "Not Free."⁵³³

Finally, as discussed above, public opinion polling is useful as a gauge of how successful China is at spreading a positive image and narrative of its culture and ideas in the LAC region. Polling data in South America is more extensive than in the other subregions of LAC and the overall impression of South Americans' attitudes toward China is rather mixed.

⁵³¹ China maintains satellite tracking facilities at the tracking center in Santiago, Chile. See "Santiago Satellite Station, Chile," Santiago Satellite Station—Chinese Space Facilities-GlobalSecurity.org, accessed December 4, 2021, <https://www.globalsecurity.org/space/world/china/santiago.htm>.

⁵³² Helena Legarda, "China Global Security Tracker, No. 5," IISS, 2019, <https://www.iiss.org/blogs/research-paper/2019/08/china-security-tracker-jan-to-june>, and Ernesto Londoño, "From a Space Station in Argentina, China Expands its Reach in Latin America," *The New York Times*, July 28, 2018, <https://www.nytimes.com/2018/07/28/world/americas/china-latin-america.html>.

⁵³³ Freedom House, "Freedom on the Net Research Methodology."

Of the seven South American countries surveyed, five had a net favorable opinion of China over the US. Brazil and Columbia were the only countries on the continent that had a more favorable opinion of the United States. However, in all cases, the margins were not that significant. These findings were also supported when surveying “unfavorable” attitudes of China and the US. More South American countries had a net unfavorable opinion of the US than China. Overall, over half of South American citizens have a favorable opinion of China, while roughly only one-quarter have an unfavorable opinion.⁵³⁴

Summary

Each of Strange’s dimensions of structural power has presented challenges in its evaluation. It was found that China does not have a significant amount of engagement with the countries of the LAC region in matters of security and defense cooperation. This situation by itself results in less information to explore. Although China undoubtedly moves large sums of capital into the LAC region, obtaining detailed and transparent data on those flows poses difficulties in assessing the financial dimension of structural power. The production structure presented fewer problems in its analysis, particularly with regard to how China’s engagement in this dimension builds nascent structural power capacity in the LAC region. After all, bilateral trade is not a new concept. Nevertheless, changes in the production structure, which have rendered some conceptions of trade and its related activities less relevant or even obsolete, still pose obstacles. As Strange and others note, globalization and other transformative changes, even seemingly less consequential changes in logistics and supply chain structures, pose difficulties in understanding how those rapid shifts affect the broader production structure now and the long-term implications of those changes.

⁵³⁴ Pew Research Center, “Global Indicators Database.” With that said, there are early signs of increasing unfavorable opinions of China. For example, see Laura Silver, Christine Huang, and Laura Clancy, “How Global Public Opinion of China Has Shifted in the Xi Era,” Pew Research Center, September 28, 2022, <https://www.pewresearch.org/global/2022/09/28/how-global-public-opinion-of-china-has-shifted-in-the-xi-era/>. It could be argued that this provides tentative evidence of a failure of China’s soft power strategy to persuade and attract through its global engagement. To the extent that public opinion polling might be a canary in the coal mine, which might foretell a faulty strategy, is an opportunity for future research.

The conceptualization of Strange's knowledge structure not unexpectedly poses its own unique complications, and this has an adverse downstream effect in ascertaining how to quantify something problematic to classify in the first place. The task of its measurement is amplified when its creator notes: "Power derived from the knowledge structure is also unquantifiable."⁵³⁵ William Winecoff as well points out how knowledge flows "cannot be precisely measured."⁵³⁶ The knowledge structure is less defined—it is less certain in its conceptualization, and establishing the economic-political influence effects generated through the diffusion of information and ideas presents challenges in its quantification. An under-conceptualized dimension combined with limited readily available metrics useful for evaluating China's capacity to spread its belief systems and ideology required a more creative approach than used with Strange's other dimensions of structural power.

Similar to what has been observed previously, China's engagement in this dimension of structural power is seemingly associated with diplomatic alignment. In South America, China is conspicuous for its limited overall engagement with Paraguay. This is also observed in matters related to the diffusion of its culture and the use of technology to permit or limit information within the only country in the subregion to remain in the ROC faction of states.

It was theoretically demonstrated that the transmission of culture, belief systems, and ideas through migration generates influence and is viewed here as an effective method to evaluate China's engagement in the LAC region. Worldwide migration to the LAC region at the start of the new century has been mainly limited to a handful of countries in the region (see Figure 22).

⁵³⁵ Strange, *States and Markets*, 132.

⁵³⁶ Winecoff, "The Persistent Myth of Lost Hegemony,' Revisited," 238.

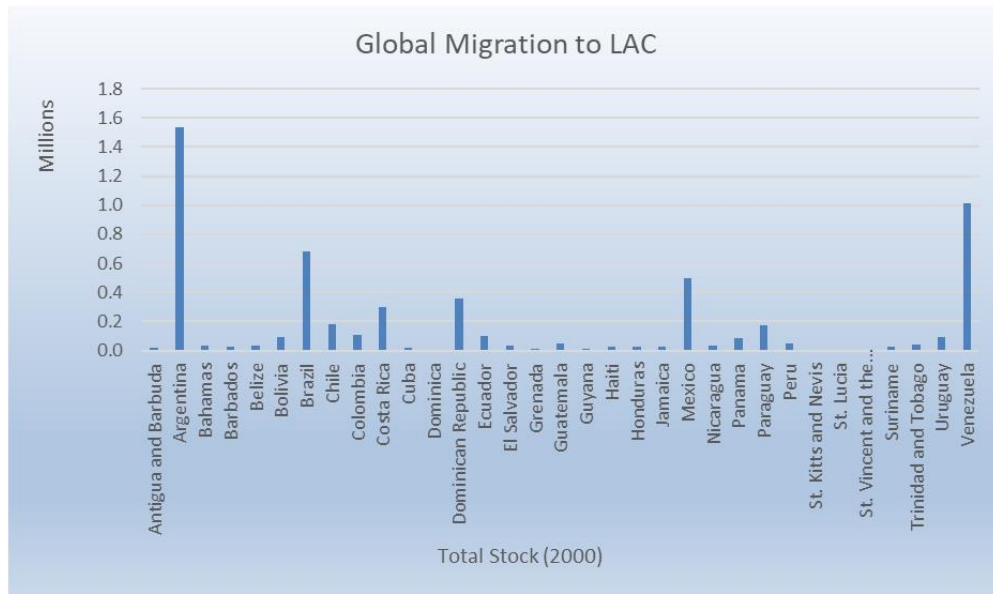


Figure 22: Global Diaspora to LAC in 2000. Source: World Bank, “Global Bilateral Migration.”

Table 7 below shows the top origin countries for migrants entering the thirty-three countries of the LAC region by total and percentage of total. China is ranked twentieth globally as a source of migrants to the LAC region. Naturally, intraregional migration within LAC is significant, with thirteen LAC countries in the top twenty. When LAC countries are excluded as a source, China ranks seventh as a country of origin for migrants to the LAC region. Nevertheless, China accounts for only one percent of inbound migrant stocks in LAC. Notably, the United States ranks first as a source to the LAC region when excluding intraregional migration.

Country Origin	Stock as of 2000	Percent of Total
Colombia	727,174	12.82%
United States	501,244	8.84%
Paraguay	368,204	6.49%
Italy	366,731	6.47%
Spain	346,409	6.11%
Chile	280,853	4.95%
Portugal	279,506	4.93%
Bolivia	278,357	4.91%
Nicaragua	255,724	4.51%
Haiti	248,775	4.39%
Argentina	220,629	3.89%
Peru	207,030	3.65%
Brazil	175,466	3.09%
Uruguay	159,955	2.82%
Japan	90,087	1.59%
Venezuela	78,474	1.38%
Germany	65,056	1.15%
Ecuador	60,972	1.08%
Guatemala	55,063	0.97%
China	53,313	0.94%

Table 7: Migrant Origin Countries to LAC. Source: World Bank, “Global Bilateral Migration.”

Figure 23 below displays total stocks of Chinese migration to the LAC region over five decades. Of the LAC countries where Chinese migration has been noticeable, net increases or decreases over the period evaluated indicate some notable trends. For example, Chinese migration to Argentina peaked during the 1980s as part of a second wave of immigration from the mainland. Cuba has witnessed a net decrease in Chinese immigration, while Panama has seen a dramatic increase more recently. In the case of Panama, this is arguably associated with China’s increasing interest in the Central American country, especially since its diplomatic realignment.

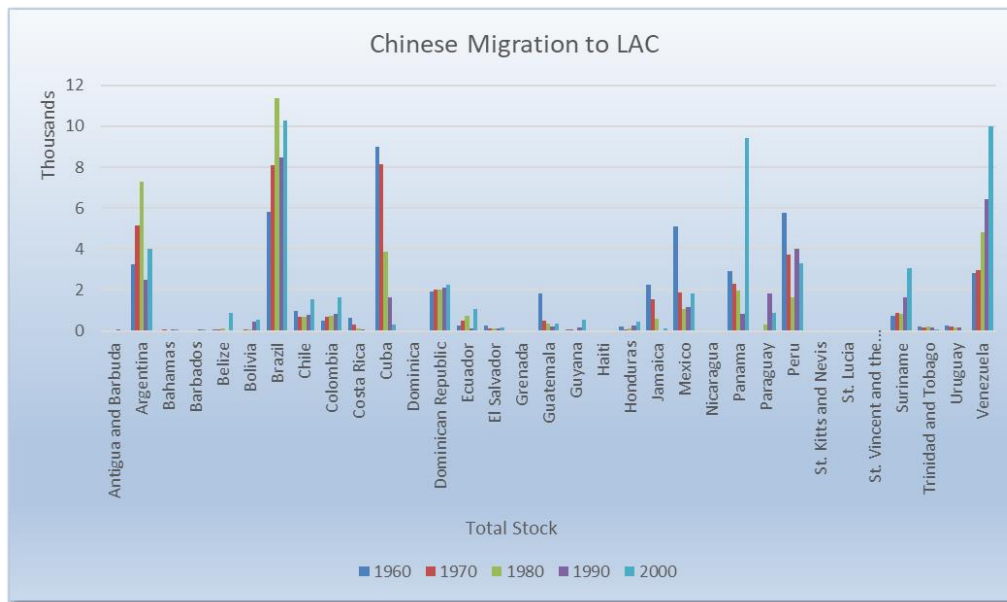


Figure 23: China's Diaspora to LAC. Source: World Bank, "Global Bilateral Migration."

Sister cities are used to explore how organizations can be effective in spreading ideas and information to other regions. As argued earlier, sister cities additionally capture technological aspects of the knowledge dimension. Table 8 below displays sister cities established between China and LAC and the US and LAC as a percentage of total sister cities for the upper quartile of LAC countries.

Country	Total Sister Cities	China Percent of Total	US Percent of Total
Mexico	587	3.75%	45.83%
Brazil	432	9.72%	6.71%
Argentina	189	4.23%	4.76%
Nicaragua	153	<1%	22.22%
Cuba	139	<1%	10.79%
Chile	113	11.50%	10.62%
Peru	95	3.16%	13.68%
Colombia	83	2.41%	18.07%
Uruguay	64	4.69%	3.13%

Table 8: Establishment of Sister Cities. Source: Sister Cities of the World, "Sister Cities in China."

The findings with sister cities are somewhat vaguer than those found with migration. China leads the US in the establishment of sister cities in Brazil, Chile, and Uruguay as a percentage of total. However, interestingly, the US leads China in Cuba.

Finally, China’s Confucius Institutes also diffuse its culture and belief systems worldwide and is another way to gauge its engagement in the LAC region. Other countries have similar methods of cultural, language, and educational understanding and cooperation. The US Peace Corps, the British Council, and the French Alliance Française are included for comparison (see Figure 24).

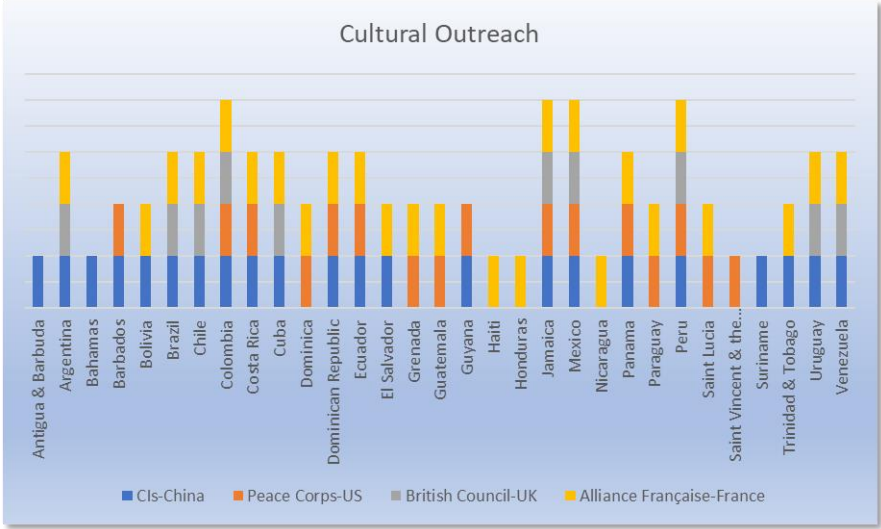


Figure 24: Cultural Diffusion Through CIs, Peace Corps, British Council, and Alliance Française. Source: digmandarin, “Confucius Institutes around the World –2021”, Peace Corps, “Countries,” British Council, “About Us,” and Alliance Française de France, “Discover Alliance Française.”

All LAC region countries are represented by these outreach programs except for Belize and Saint Kitts & Nevis. Interestingly, with 25 countries served, France operates in more LAC countries than second-placed China, with 22.

The knowledge dimension of power includes what Strange and others believe to be an essential technological component. An innovative method was employed to evaluate China’s efforts within this structure. The Freedom on the Net index evaluates the apparent effectiveness of a state to permit or limit the transmission of information through digital means, such as the Internet (see Table 9).

Country	Freedom on the Net Scores 2022	Rating
Argentina	71	Free
Brazil	65	Partly Free
Colombia	64	Partly Free
Costa Rica	88	Free
Cuba	20	Not Free
Ecuador	64	Partly Free
Mexico	61	Partly Free
Nicaragua	45	Partly Free
Venezuela	30	Not Free
China	10	Not Free
United States	76	Free

Table 9: Freedom on the Net Scores 2022. Source: Freedom House, “Freedom on the Net Research Methodology.”

The picture that emerges here is that where China is more heavily engaged in using technology to conduct surveillance and control or limit information, such as in Ecuador, Mexico, and Venezuela, those countries’ ratings are noted as only “Partly Free” or “Not free.” Of course, with a sample size of only nine LAC countries, any inferences drawn should be eyed with due caution.

As was done with the security and production structures, the Formal Bilateral Influence Capacity index is used to compare against the descriptive narrative presented earlier. The FBIC index includes a political component that captures similar influence producing elements that are evaluated in the knowledge structure. The political component assesses levels of representation, such as diplomatic relationships and intergovernmental membership participation. The authors of the FBIC note that these forms of state-on-state interaction facilitate policy diffusion and create “ally networks,” that “instills common norms and values in participating states...”⁵³⁷ Table 10 below lists the upper quartile of the China-LAC FBIC political components dyads for 2020.

⁵³⁷ Jonathan D. Moyer et al., “Appendix to Interdependence and Power in a Globalized World,” December 1, 2017, <https://korbel.du.edu/pardee/resources/appendix-interdependence-and-power-globalized-world>, 17.

Country	FBIC Political Dyads 2020
Venezuela	0.230
Peru	0.167
Bolivia	0.166
Trinidad & Tobago	0.142
Chile	0.133
Brazil	0.089
Panama	0.088
Ecuador	0.082
Costa Rica	0.081

Table 10: China-LAC FBIC Political Dyads 2020. Source: FBIC, “FBIC Interactive Data Viz.”

The focus of the political component of the FBIC index centers on formal state relationships. On the other hand, the indicators chosen to assess China’s engagement in the knowledge structure provide a considerably broader viewpoint. Still, it is evident that the FBIC political component dyads closely align with what was discovered from the narrative above.

South America figures prominently in the upper quartile of LAC countries, and those countries listed were documented for China’s sizable levels of engagement within the knowledge dimension of power. China’s considerable presence in the Central American countries of Costa Rica and Panama was noted as well. Finally, it was pointed out that China has a noticeable (and growing) interest in the Caribbean island of Trinidad & Tobago. The overall impression obtained from the political component of the FBIC is that it accurately represents China’s engagement within the knowledge dimension of structural power in the LAC region.

Finally, Figure 25 below displays the China-LAC FBIC political component dyads from 1990 to 2020. As was found in the earlier assessments of Strange’s dimensions of structural power, here, too, China has been steadily expanding its capacity in the LAC region.

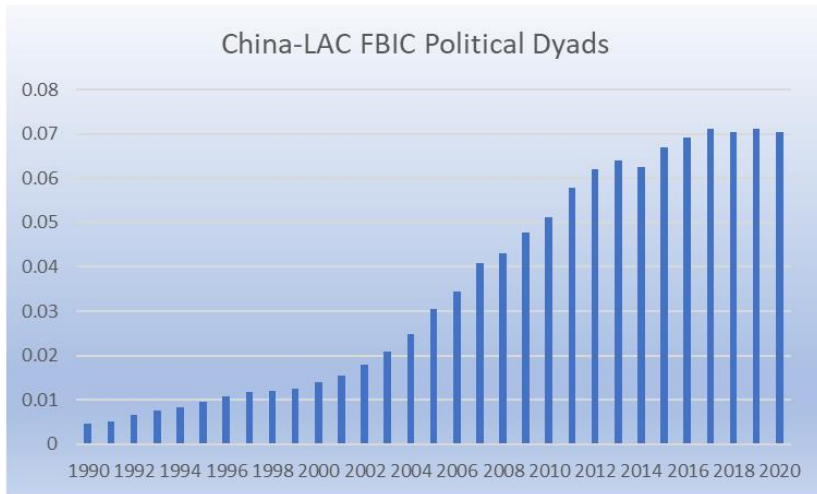


Figure 25: China-LAC FBIC Political Dyads. Source: FBIC, “FBIC Interactive Data Viz.”

Strange wrote that the ability of a state to control information and ideas can lead to structural power. The assessment of China’s engagement within the knowledge dimension of power concentrates on the diffusion of its culture, ideas, and belief systems in the LAC region.

Migration to the LAC region contributes to the spread of China’s unique ideas and cultural values and can lead to the formation of networks, which can facilitate engagement and cooperation in other areas vital to its interests. University educational and research programs and language and cultural exchange through its Confucius Institutes assist in shaping positive perceptions of China in the LAC region. Organizations, such as Sister Cities International, foster the exchange of business-to-business knowledge, including leveraging China’s technological expertise in LAC. State-to-state interaction and membership in relevant institutional forums permit the sharing of information and knowledge between governments and reinforce common interests through the creation of partnership networks.

Very similar to the capabilities developed through its engagement in Strange’s other dimensions of structural power, China’s activities in this dimension increase its regional integration and creates dependencies, which can influence the behavior of LAC countries. Shaping regional decision-making processes to align with its interests improves China’s economic-political standing in LAC, translating into broader systemwide capacity.

The knowledge structure is viewed here as the most interesting of Strange's four dimensions of structural power. Whereas defense and security cooperation based largely on hard power resources and influence derived from bilateral trade might be viewed as conventional structural power notions, the knowledge dimension of structural power is unorthodox, both in concept and especially in its application. Strange and others have noted that the knowledge structure is hard to define. Power emanating from the control of this dimension is latent, diffused, and even ambiguous.

At the same time, the knowledge structure is also arguably the most significant of Strange's four dimensions of power because it transcends its own unique identity to affect and interrelate with the other three dimensions of structural power. Strange recognized that her knowledge structure was both consequential and complex. These characteristics also unquestionably make the knowledge dimension problematic.

The knowledge structure yields power, but identifying suitable metrics to assess this dynamic is challenging. As was followed in the security, production, and financial structures of power, emphasis was placed on tangible elements—the emergence domain components of building structural power capability.

Important information is contained within the milieu of culture, language, values, and belief systems, and its control is increasingly overseen through technological channels, such as the Internet. A state's ability to permit the acquisition and dissemination of this information (or to limit its availability) forms the basis for conceptualizing the knowledge structure.

This concludes the assessment of China's engagement in Latin America and the Caribbean using Strange's structural power framework lens. A review of what has been learned in the project will be presented in the final chapter.

Chapter 9

Findings and Conclusion

This project has examined the origins of structural power. Susan Strange's analytical framework of structural power supplied the theoretical anchor for the examination. China's engagement with Latin America and the Caribbean offered a timely empirical illustration. A mixed methods approach was chosen for the project because this research design blends the best elements of a qualitative case study while integrating quantitative rigor into the analysis. The project addressed acknowledged gaps in existing IR/IPE research by exploring concepts such as indirect, less visible, and noncoercive power and their nexus to rising powers like China.

China's rise stands as among the most spectacular achievements of economic and political ascents in modern history. Regional engagement fuels China's rise, and it has been argued here that this produces structural capabilities.

It has been noted that China's objectives in the LAC region may be resource or profit motivated or an ad-hoc, less strategically aligned arrangement. While these and the policies driving them are not unimportant, they become less critical when using a structural power lens for the investigation. The influence and power attained by China's engagement in LAC do not *necessarily* need to be purposively sought. As Strange observed, power can ensue by mere presence—power by being there.

Strange's framework is particularly suitable for the project because it offers a window into the processes and mechanisms at work in the development of structural power. However, her framework has been called incomplete, and several decades after she wrote *States and Markets*, some aspects of it need review. For instance, it has been noted that the financial structure has witnessed enormous change since the latter decades of the twentieth century, with both state- and privately-owned multinational corporations leveraging expanded global markets worldwide. These changes have replaced the once dominant cross-border flows of goods with today's worldwide movement of enormous sums of capital that produce new forms of influence and power. Additionally, while Strange delivers a useful blueprint for organizing her concepts of

structural power, she does not offer a mechanism for a further systematic investigation of those dimensions.

To address these shortcomings, and to respond to those who have called for more innovative approaches to the study of power more generally, an innovative approach for assessing structural power was introduced. The *emergence domain of structural power* concept unveils structural power in its early stages and is the logic that binds regional engagement with potential agenda-setting power found in the international arena. The approach used in the present study explored the origination point of structural power, which, it has been argued, provides additional insight into this form of power, increasing its knowledgebase and usefulness.

The study of structural power is not typically undertaken at the subsystem level. The conventional method is to investigate an already structurally powerful state and its impact on the international order. The archetype for a state that has achieved this level of structural power across the entire spectrum of security and defense, trade, financial markets, and control of information is the United States. In fact, Strange's *States and Markets* was largely predicated on the argument that the US was not in a state of terminal decline in the waning decades of the twentieth century and that it was the only country with concurrent structural power across all four of her dimensions—the very definition of agenda-setting power.

Although Strange's image of a state possessing structural power was more recent, an intriguing historical connection was presented. The idea of "informal empire" was briefly considered, and it was noted that England's experience in Latin America in the nineteenth century had interesting parallels with this study. There is an argument to be made that the British Empire was structurally powerful across more than one of Strange's dimensions of power, and its less imperialistic, indirect, and informal practices (of power) have similarities to China's engagement with the LAC region. The common threads uncovered between the British Empire and China's rise are valuable for understanding the broader dynamics of structural power.

The goal of structural power as a paradigm is the same as other theories in IR and IPE: the analysis of state interaction. It has been pointed out that the concept of structural power is under-conceptualized, although there has been a recent resurgence of interest

in its ideas and usefulness for contemporary problems. The foundations of the concept are found in Waltz and structural realism. Structures can be institutions, but also resources or capabilities, which can generate positional advantage for a state. Bachrach and Baratz's, and Lukes' "faces" of power are also present in the conceptualization of structural power. Ultimately, however, and similar to other theories, structural power is concerned with influence.

The influence-power nexus is central to the project, and these two keywords were established as conceptually equivalent. This equality enabled an intermediate concept—the emergence domain of structural power, which builds on Strange's framework that the control of key elements located within her four interrelated dimensions yields structural power. This study is interested in how, by engaging at the subsystem level rather than directly interacting with the international order, a rising China operationalizes influence in the LAC region to produce structural power capabilities.

Undoubtedly different in scale and scope, comparisons may nevertheless be drawn between the United States' success at achieving structural power and China's regional engagement, which develops its own capacities. Table 11 below summarizes this engagement across the four dimensions of Strange's structural power for the US and China.

BUILDING STRUCTURAL POWER CAPACITY		
Structure/Country	United States	China in LAC
Security	Monroe Doctrine/Roosevelt Corollary, UN, NATO, arms sales, global reach military.	Arms sales, DCAs, military engagement.
Production	GATT, WTO, FTAs, size & influence of US markets and worldwide trade.	Bilateral trade, FTAs & other trade alliances, infrastructure projects & partnerships.
Financial	Bretton Woods, IMF, World Bank, Global financial and monetary capacity. Significant worldwide humanitarian engagement.	FDI, BITs, sovereign lending, monetary engagement (e.g., currency swaps) and regional financial institution membership. Foreign aid.
Knowledge	Global technological leadership, ideational, and cultural engagement, original control of the Internet (now via significant US influence in ICANN ⁵³⁸).	CIs, sister cities, and migration enable cultural, B2B, and academic exchange. Partnerships & membership in common areas of interest.

Table 11: US and China's Path to Structural Power Compared.

⁵³⁸ Headquartered in California, USA, the Internet Corporation for Assigned Names and Numbers (ICANN) coordinates and maintains critical top-level domain infrastructure relating to the Internet/World Wide Web. See "ICANN, One World, One Internet," ICANN, accessed December 3, 2021, <https://www.icann.org>.

The metrics in the righthand column above that were used in the project to assess China's development of structural power were demonstrated to produce influence. This influence may be primarily economic or political in nature or (more likely) a combination of the two. It will be recalled that in the context of IR and IPE, Strange saw these as essentially indistinguishable in any case. Crucially, these indicators derive directly from Strange and other scholars who have examined structural power concepts. For Strange, those states that can provide threat protection, create wealth, allocate credit through financial markets and monetary systems, and finally, control information were endowed with structural power. Other researchers have been much more specific.

Winecoff wrote that the control of trade and the international system of finance and credit were essential for the development of structural power. Armijo and Katada cited equity transactions (including FDI), foreign aid, capital accumulation, and the promotion of domestic currencies as architects of structural power. Gill and Law referred to credit in the financial markets as well. Lastly, Guzzini, May, and Dian, when referring to the knowledge dimension, saw that the diffusion of culture and its belief systems, know-how, and advanced technologies were gateways to structural power.

Importantly, irrespective of a master plan, ad hoc scheme, or other objectives, China is building structural power capacity by *indirectly* shaping the broader structures—this notion echo's Strange's work when referring to power and authority. It is not only direct power but the *indirect* effects of authority that were important to Strange.⁵³⁹

From a historical perspective, China's rise is more of a rise, a decline, and a re-emergence. The origin of China's most recent rise has its roots firmly set in the aftershocks of Mao Zedong's Great Leap Forward and Cultural Revolution, which severely damaged its economy and culture and left millions of Chinese dead, many from starvation. Following these disastrous policies, China's economic reform and opening led by Deng Xiaoping in the 1970s set into motion a series of events culminating in where China finds itself today. This latest rise has been the subject of intense curiosity and trepidation.

Spirited yet largely unresolved debates by scholars and government officials over the meaning and consequences of China's global emergence frequently encompass

⁵³⁹ Strange, *States and Markets*, 25.

three broad but related themes. First is the matter of what type of power China presently is or will become in the future. The China as a status-quo or revisionist power debate has been extensively covered by scholars, yet consensus moving toward a resolution of this question remains elusive. Second is the question of whether China's global rise will be a peaceful event, or rather, be marked by confrontation. Again, an extensive volume of research and literature has addressed this question. Because there will unlikely be a clear demarcation between a "rising China" and a "risen China," the answer to that problem will also continue to be fluid, at least near-term. Finally, there is the matter of whether a grand strategy motivates China's rise. Scholars disagree on this question as well. Even though there are traces of a strategic vision in many of China's domestic and foreign policy decisions, some researchers doubt the presence of a definite Chinese grand strategy.

These debates concerning an emergent China will persist, of course. However, it has been a core premise of this project that notwithstanding the importance of these issues, academically as well as for practical purposes, for this study, they are unproductive to pursue as a new inquiry. Critically though, this view does not detract from the significance of China's rise, which has been momentous.

While there is disagreement as to the meaning and implications of China's global emergence, there is widespread agreement that China's rise is consequential and cannot be ignored. Mearsheimer and Ikenberry exemplify this belief as well as most:

China's rise is likely to be the most important event of the twenty-first century.⁵⁴⁰

The rise of China will undoubtedly be one of the great dramas of the twenty-first century.⁵⁴¹

However, this agreement regarding its significance contrasts with their differing conclusions about what will become of China's rise. While Ikenberry was more hopeful that China's rise would not trigger a cataclysmic transition in the existing power structure, Mearsheimer was less inclined to envisage a peaceful outcome.

⁵⁴⁰ Mearsheimer, *The Tragedy of Great Power Politics*, xiii.

⁵⁴¹ Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?," 23.

It has been argued that China's rise is mostly an economic phenomenon. This is reflected in its steady integration into the international economic order. China's assimilation into the global financial system has been accelerated by membership and relationships established with influential organizations such as the World Bank, ADB, WTO, and the G-20. Often overlooked in its significance, the Chinese yuan's position as one of only five currencies with IMF SDR reserve currency status dramatically increases its gravitas in international financial markets and is viewed as a crowning achievement in China's global financial integration. China has built on these existing associations and partnerships with its own multilateral institutions, such as the AIIB, NDB, and the BRI and its regional subcomponents.

China's export-based economy requires importing vast quantities of raw materials and agricultural products to feed its production lines and workforce. China's SOEs and privately owned yet heavily state-influenced MNEs are an essential part of China's economy and are used to enable its overseas ventures, which are responsible for the acquisition of resources and the development of commercial (profit) seeking opportunities. China's domestic growth has been fed by foreign direct investment.

Since 2018, China has been ranked second only to the US in inward directed FDI. However, since the 1990s and significantly increasing at the turn of the new century, China has become an important source of capital for developing countries. China's outbound FDI has strengthened its South-South relationships and cooperation, creating diplomatic-political synergies and leverage. China's sovereign lending activities have also added significantly to its economic influence.

China is now the largest source of development finance in the world. China's state-owned banks lend more than any single multilateral institution or other bilateral lenders, including the US. China Development Bank has total assets which exceed those of the World Bank, the European Investment Bank, and all four major regional development banks combined. China's central bank has also signed substantial currency swap agreements with at least thirty-two countries.⁵⁴² These arrangements increase the

⁵⁴² Paola Subacchi, "China is Changing the Way Money is Lent to Countries in Need," Nikkei Asia, May 24, 2021, <https://asia.nikkei.com/Opinion/China-is-changing-the-way-money-is-lent-to-countries-in-need>. The four regional development banks are the African Development Bank, the Asian Development Bank, European Bank for Reconstruction and Development, and the Inter-American Development Bank.

worldwide deployment and utilization of its currency and provide liquidity to countries that are otherwise unable to access global capital markets, increasing China's opportunities for leverage. Additionally, China's positive trade balances generate considerable foreign exchange reserves, which are a source of funding for its worldwide OFDI. Foreign exchange reserves also fund its massive global SWFs. Yet, a lack of reporting standards can obfuscate where those funds are invested and how they might also be used for leverage.

In a curious economic turn of events, China has seemingly benefited from the recent global health crisis. The 2020 pandemic has had a significant but unequal impact on the world's major economies. For example, the United States posted a negative 3.5 percent annual GDP growth rate in 2020. The United Kingdom was worse, at negative 9.8 percent. On the other hand, China's economy has displayed a remarkable degree of resiliency. At 13 percent of the world's total GDP, China has maintained its share of the global economy. China's GDP grew 2.3 percent in 2020 and was the only major economy to see (positive) growth rates in the first full year of the pandemic. China's economy is presently at pre-pandemic growth levels, and its nominal GDP in 2020 exceeded 100 trillion yuan (US\$14.7 billion) for the first time.⁵⁴³

A significant driver of the strength of China's economy is its global trade. China's application to GATT and its subsequent ascension into the WTO is largely credited with it moving from the periphery of world trade to its epicenter. In 2020, China's share of global exports was roughly 15 percent, placing it first among developed or developing countries. This figure is almost twice the share of global exports held by the US or Germany and four times that of Japan. In the first quarter of 2021, China's exports surged 50 percent year-over-year to nearly US\$710 billion. Notably, this is still 27 percent higher than pre-pandemic 2019 levels.⁵⁴⁴

This economic phenomenon supports other dimensions of power and influence. China's traditional inward-looking posture is changing as it vigorously seeks to engage

⁵⁴³ "China's GDP Grew 2.3 Percent in 2020, the Only Major Economy to See Positive Growth," CGTN, February 28, 2021, <https://news.cgtn.com/news/2021-02-28/China-s-GDP-grew-2-3-percent-in-2020-Yf4le5dS12/index.html>, and "China GDP," Trading Economics, accessed December 6, 2021, <https://tradingeconomics.com/china/gdp>.

⁵⁴⁴ Alessandro Nicita and Carlos Razo, "China: The Rise of a Trade Titan," UNCTAD, April 27, 2021, <https://unctad.org/news/china-rise-trade-titan>.

beyond its borders. China is increasing its global military reach by developing a blue-water navy and has expanded its permanent PLA presence around the world. A widely publicized example of China's newfound assertive stance is seen with its (arguably illegal) maritime claims in the South China Sea that flaunt international convention.⁵⁴⁵ China leverages its SOEs and private MNEs to deploy technological resources and expertise worldwide, giving it the ability to control the movement of information. The diffusion of its culture and political ideology is an integral component of China's efforts at building global structural capacity. The establishment of hundreds of Confucius Institutes directly supports these efforts, and Chinese nationals studying abroad indirectly assist China in the spread of its ideology. An export-oriented economy coupled with inadequate domestic resources to support that system calls for regional engagement. China's presence in Latin America and the Caribbean demonstrates such an approach.

Just as the broader dialog involving how to define China as a power and the implications of those dynamics are considered here as less interesting for further examination, so too are questions encompassing China's objectives in the LAC region believed to be less useful for understanding the implications of its engagement. China's resource-seeking and other commercial goals, even its diplomatic-political objectives, while clearly important for similar reasons described above, are less relevant for this project. China's engagement in the LAC region builds structural capacity across multiple dimensions of power and is thus indirectly shaping higher-level structures. What is more interesting and arguably of greater value as a pursuit for new exploration are the mechanisms and processes that underlie its engagement.

China has had an interest in Latin America and the Caribbean since it became the People's Republic of China in 1949. The initial appeal for China began with political goals aligning with countries as fellow travelers in the region, but soon developed beyond those common ideological foundations. China's Latin American and Caribbean activities generally mirror its global engagement and are similarly considerable.

⁵⁴⁵ "Territorial Disputes in the South China Sea," Council on Foreign Relations, December 3, 2021, <https://www.cfr.org/global-conflict-tracker/conflict/territorial-disputes-south-china-sea>, and "United Nations Convention on the Law of the Sea," United Nations, accessed December 6, 2021, https://www.un.org/Depts/los/convention_agreements/texts/unclos/unclos_e.pdf.

China's total capital stock in the LAC region ranges between a quarter-trillion USD on the low side but could easily surpass a half-trillion dollars. Exact amounts are impossible to determine with precision and for the purposes of this study are not that critical. While this project has considered China's OFDI, sovereign lending, and ODA to the LAC region as capital flows, other capital flows include considerable Chinese FDI transferred through its offshore channels, SWFs targeting the LAC region and other LAC regional specific investment funds, and China's State Administration of Foreign Exchange (SAFE) external portfolio and offshore channels funds. These other categories are largely unverifiable and are not used in the analysis.⁵⁴⁶ Contrasting with the movement of capital, easily accessible trade data is available.

In 2019, bilateral trade between China and the LAC region amounted to nearly US\$308 billion. Natural resources and food products from the LAC region make up the bulk of exports to China. In 2019, 80 percent of exports were raw materials, consisting principally of minerals, fossil fuel products, and agricultural commodities. Manufactured capital goods, including consumer products, machinery, and electrical products, make up most of the imports to the LAC region from China. Typical of China's economic model, value-added products support a positive trade balance with the region. In matters of security and defense-military cooperation, it was found that China's engagement with the LAC region is less meaningful.

Unlike in Africa, China does not presently maintain permanent military installations in the LAC region. However, the PLA is actively involved in operating satellite launch and tracking facilities in several LAC countries. In addition, senior-level personnel exchanges, bilateral and multilateral military exercises, port calls, arms sales, and technology transfers have increased, particularly since the turn of the century. Not surprisingly, China's engagement in security cooperation closely aligns with diplomatic recognition of the PRC by LAC countries. Just over a dozen countries worldwide maintain official diplomatic relations with the ROC. Curiously, seven of these are in the LAC region.

Closely associated with China's security and defense cooperation in the LAC region is its use of technology, which can be leveraged to impact other dimensions of power. China's SOEs and private telecom MNEs, including Huawei and ZTE, have a

⁵⁴⁶ In some instances, it was impossible to identify specific recipient LAC countries for these flows.

considerable presence in the LAC region. Like its vertical integration in the extractive sectors, China's MNEs provide services ranging from cellular voice, video, and data transmission to storage solutions for numerous LAC countries. These capabilities permit surveillance and manipulation and can potentially restrict the exchange of information on a wide scale. China has also successfully spread its culture and ideological values in the LAC region.

Immigration from the Chinese mainland has a century-old tradition in Latin America and the Caribbean. Most LAC region countries have Chinese communities, and some have sizable enclaves of immigrants. The diffusion of China's culture and ideology in the LAC region has been facilitated by the establishment of Asia studies programs at major LAC region universities, Confucius Institutes, and sister cities. Similarly, interest in the LAC region has flourished in China with Spanish language courses, Latin American studies programs, and LAC region academic think tanks located at several Chinese universities.

It was observed that relationships with regional institutions, the establishment of formal and informal partnerships, and other cooperative arrangements form a significant component of China's engagement with the LAC region. Membership in key multilateral institutions such as the OAS, ECLAC/CEPAL, and CARICOM are important channels for China to have a voice in the region. Relationships with financial institutions such as the IDB and the Caribbean Development Bank create opportunities for cooperation. And the creation of new institutions, such as the AIIB assists China in promoting the LAC region extension to its global BRI. China's affiliations with existing influential organizations and the formation of new institutions that directly impact LAC region countries increase its economic and political influence.

As speculated above, China's global rise is largely a product of economic factors. Importantly, however, economic influences can enable additional capacity, and China's engagement with the LAC region noticeably intersects with these dynamics. This aspect, combined with the relative physical, political, and residual historical isolation of Latin America and the Caribbean, makes the region a good choice as the empirical subject for study. Yet, a conventional examination of China's engagement with the LAC region does not alone sufficiently provide insight to reconcile the research puzzle for this study, nor

does it aid in expanding the understanding of broader concepts of power. A fundamental weakness of descriptive only accounts of China's regional engagement originates from a lack of a methodical approach for comparing its extensive activities across various dimensions of influence and power. An examination of how China builds embryonic structural capacity vis-à-vis individual countries permits those disparate elements of China's engagement to be better assessed and offers a greater depth of analysis. The key to this assessment is the theoretically grounded influence vectors that are informed by Strange's framework of structural power.

Lastly, it is acknowledged that China's engagement with the LAC region, while clearly asymmetric, is not unilateral—bilateral relationships are assessed, which demonstrate the associations between the four structures. China is not alone in realizing benefits from its engagement. Clearly, LAC countries see an advantage in engaging with the Chinese.

Findings

In the US media, the popular press narrative is that China's engagement and consequent influence in Latin America and the Caribbean directly challenges the dominance of the United States in the Western Hemisphere. While the implications of China's engagement with the LAC region are not a core focus of the project, the findings indicate that this account is likely exaggerated. Where sufficient data was available for direct comparisons to be made, it was discovered that despite narratives to the contrary, the US remains in a dominant position in the LAC region, and China is well behind in the development of structural power capacity within the security dimension.

Conceptually and from a real-world perspective, power in Strange's security structure resides in a state's ability to provide protection from threats. If a state can successfully offer security from violence, it can exercise control over others. In the security structure, functional indicators naturally align with the military and defense establishment. Criteria evaluated in this dimension include the influence effects of military cooperation, weapons purchases, and security-based agreements. Theoretically, Strange's security structure focuses on the state as a unitary actor. However, as with all

four dimensions of power, mutual participation is central to the evaluation, rather than monadic elements such as population or wealth utilized to alter its security position.

The descriptive account of China's security and defense cooperation engagement with the LAC region revealed an overall lower level of activity than that found with Strange's other dimensions of structural power. This is not remarkable considering the region's proximity to the US and the generally provocative nature of this dimension.

China has an expanding worldwide military presence, and it is increasingly using its capabilities to participate in multilateral combat and combat support operations. The majority of China's military diplomacy efforts are directed toward Asia. However, China's military related activities in the LAC region are on par with Africa and slightly exceed its engagement in the Middle East.

The United States leads the world in the sales of weapons systems and far outpaces the next several arms exporting countries combined. However, China is becoming a significant weapons systems exporter itself. According to the SIPRI Arms Transfer Database, China was ranked fourth in global arms exports in 2022.

It was found that China's engagement in security and defense cooperation areas displayed higher activity levels in South American countries than found in the other subregions. This was judged as not necessarily surprising considering the continent's importance to China. Overall, China's security and defense cooperation with Venezuela was conspicuous, and this was expected. Other South American countries where China has notably higher levels of military engagement include Chile, Brazil, Ecuador, and Argentina. Argentina, in particular, stands out with the only DCA signed with China. Guyana is another example in South America, where China is evidently taking a greater interest in its military diplomacy.

Mexico has had noticeably few military exercises with China, and this would seemingly be related to its proximity to the US. On the other hand, China and Mexico have had numerous senior-level meetings, and it clear that it is encouraging a closer relationship in defense related areas.

Not surprisingly, China's and Cuba's mutual security relationships are noticeable, not only for the Caribbean but even compared to other LAC subregions. Conversely, except for that close ally, China has a lower level of overall defense and security related

cooperation with the rest of the Caribbean Basin. If the premise is accepted that the Caribbean is referred to as “America’s third border,” thereby triggering a lower presence by China, this provides tentative support. Central America generally compares with the Caribbean Basin with similar relatively unremarkable levels of security related cooperation engagement with China.

It was found that the FBIC security component dyads largely aligned with the descriptive narrative, which was further buttressed by the specific indicators of influence selected for this dimension. This correlation was despite the fact that what was represented in the narrative, including the individual indicators and what was assessed by the FBIC security component do not perfectly correspond.

China clearly has a higher level of engagement within this dimension in LAC countries with which it is diplomatically aligned. This was not at all surprising and is observed throughout the project. Two additional conclusions can be drawn from the analysis of the security structure. First, China is building a security cooperation presence in the strongest economies within the LAC region. And second, China is increasing its security cooperation and defense capacity in the same LAC countries that have a greater degree of national power in the region.

Strange’s second dimension of power is the production structure. While the security structure is primarily concerned with protection from threats of violence, the production structure focuses on wealth creation. Strange posited that those who can control the means of the production of goods and services also have power over others. Traditional elements of the production structure can include land, labor, and raw materials.

Conceptually different from the mostly unitary actor security dimension, cooperation among countries in the production structure is a necessity, especially today. From a real-world perspective, the development of bilateral relationships that enable power and influence is an essential component for its examination. Trade is fundamental to the production structure, and the assessment was, therefore, trade metric oriented. With today’s integrated global supply chain system, it was argued that an examination prioritizing bilateral trade accurately represented the broader production cycle found in Strange’s structure.

The descriptive account of China's presence with the LAC region in matters connected with the production dimension of structural power showed that its engagement was significantly greater than observed in the security structure. The need to acquire resources to support its export-oriented economy primarily drives China's presence in this dimension.

The growth of China's worldwide trade activities has been particularly visible, especially since the early years of the new century. In 2020, China was the global leader in total trade, surpassing the United States, Germany, and Japan. China's trade with East Asia and countries of the Pacific Rim far exceeds that of its engagement with LAC; however, it is a major trading partner with many countries in the region. It is notable that China has been recognized as a prime contributor to LAC regional growth.

South America has enormous amounts of natural resources with by far the largest economies, and it is central to China's trade presence in the LAC region. Several countries in the subregion are important exporters of raw materials and typically run surplus trade balances with China. Brazil is China's largest trading partner in the region. Chile's and Peru's trade with China is an important contributor to their respective economies. Although Argentina exports significant quantities of agricultural products to China, the diversified nature of its worldwide trade relationships results in a smaller impact on its GDP.

Mexico is also an important trading partner with China. Although its exports to China are a relatively insignificant contributor to its overall economy, Mexico is the region's largest importer of Chinese products and has the biggest trade deficit in LAC.

Compared to the countries of resource abundant South America, the other LAC subregions are generally net importers of goods from China. Although Central America conducts more bilateral trade overall than does the Caribbean, both subregions import significant manufactured goods from China. On the other hand, the Caribbean has been a target of China's BRI infrastructure enterprise. Not surprisingly, many of China's projects in the region focus on facilitating maritime and air transportation networks. Chinese led infrastructure projects in Central America are also evident, with Costa Rica and Panama recipients of China's attention. Costa Rica is one of only three countries in the LAC region that has an FTA with China.

It was noted that diplomatic alignment seemingly plays a more significant role in China's engagement with the region. This has become even more dynamic with Honduras's recent change in official recognition of the PRC.

Because the economic component of the FBIC composite index is principally composed of trade related indicators, it largely aligns with the descriptive case study narrative. However, this confirms that the emergence domain approach to the examination of structural power is justified.

Although China's bilateral trade relations and associated infrastructure projects with the LAC region are clearly increasing (and they are becoming more important to those countries' economies), the region still generally looks northward. Overall, the US is by far the most important trading partner with the LAC region, with over twice the amount of goods traded by value compared to China.

Strange's security and production structures might be viewed as more traditional dimensions of power. On the other hand, the financial structure is more complex, particularly in its implementation through global markets. Strange argued that monetary structures are a source of power for those who, by various means, can create and distribute credit. In this study, Strange's narrow definition was broadened to describe power in the financial structure as generally emanating from the control of global financial markets. Today, this can involve the movement of capital throughout the world by more sophisticated methods consisting of debt financing through private and sovereign lending, central bank managed currency swaps, private- and state-managed equity transactions involving direct foreign investment, and official development assistance.

It was noted that foreign direct investment is among the most recognized of capital transactions worldwide and despite some variability due to global economic conditions, the trend over the past three decades was shown to have steadily increased. More significantly, China's worldwide outbound equity investments have outpaced global OFDI developments. China is now on par with countries like Japan, Germany, and the UK in equity financing and is ranked fifth overall in its worldwide investment portfolio. It is important to note that much of China's working capital for use in its OFDI activities come from its considerable foreign exchange reserves built up from its positive trade balances worldwide. Its foreign exchange reserves also fund China's substantial SWFs.

China's ranking as a source of capital for global investment is surpassed by its position as a destination for equity capital. In 2021, China accounted for one-half of all inbound FDI worldwide and was second only to the US.

China's SOEs and its private (but heavily state influenced) NMEs and policy banks are the primary conduits for its equity financing and sovereign lending activities worldwide. However, due to China's secretive disposition, accurate and transparent accounting of its global debt financing is a serious concern, and total amounts might be underreported by fifty percent.

More than with Strange's other dimensions of structural power, China's financial activities are the most cited examples by scholars and government officials when debating the effects of China's rise in the LAC region. Notwithstanding some unevenness, China's OFDI to LAC has rapidly increased over the past three decades, particularly since the early 2000s. Once again, South America receives most of China's attention in this dimension of structural power (and 90 percent of its total capital outlay).

To provide context, the significance of China's financial engagement with the economies of the LAC region countries was explored. Supporting established narratives, Brazil and Venezuela were found to be the largest recipients of capital from China. However, when considering the potential economic impacts of those flows, Venezuela is much more exposed, with capital from China exceeding its total GDP in 2022. Ecuador and Peru also have significant percentages of their GDPs covered by China's capital inflows. As a comparison, it was noted that Mexico is not so nearly leveraged in Chinese capital as a portion of its GDP.

External debt is another method to convey the implications of China's influence through capital flows to the region. A number of South American countries are heavily indebted, and percentages of their respective debt loads owed to China are alarmingly high. Several South American countries owe at least one-third of their total external debt to China. Although Argentina has significant debt, China's portion is relatively insignificant. This aligns with Argentina's diversified approach to its global relationships.

China's total capital flows into the Caribbean Basin are more extensive than its trade related activities in the subregion. Jamaica and Trinidad & Tobago were notable for China's equity investing as well as for its debt financing activities. As expected, Cuba tops

the list in China's engagement; however, this capital is mostly from its foreign assistance. It might seem somewhat ironic that China does not invest in the only Communist nation in the LAC region. Importantly, China moves a significant percentage of its investment in the Caribbean (and the broader LAC region as well) through offshore channels, and precise figures are impossible to determine.

China's interest in Central America insofar as moving capital into the region was found to be relatively minimal. What investments China is making is focused on infrastructure, and, once again, this attention is evidently associated with the diplomatic alignment of Central American countries.

It was determined that the FBIC composite index was not useful in comparing to the structural power approach used in the project. Although, a lack of accurate and transparent data prevented extensive cross-country analysis, it was noted that investment by the US in the LAC region greatly exceeds that of China's capital. China is obviously moving huge amounts of capital into LAC, but similar to previous accounts of it seriously degrading the dominant position of the US in the region, so too might the immediate implications of its capital transactions be overly hyped.

Strange's final dimension of structural power is the knowledge structure. Strange identified the knowledge structure as perhaps the most consequential of her four dimensions of structural power, yet it is also recognized by researchers as the least understood. This has led some to ask if this dimension of power can be assessed with any precision, or if at all. Although Strange recognized the importance of knowledge as power, at the time of writing *States and Markets*, she could not have fully appreciated the information revolution and the accompanying global apparatus that would soon play such a pivotal role in the control of that structure. In the case study, it was noted that China is leveraging technological elements, including internet infrastructure, to its advantage across the LAC region. Technology assisted mechanisms to control information is increasingly part of China's engagement in the knowledge dimension of power.

Strange argued that those who can acquire knowledge and permit or limit access to those ideas and information within that structure have power over others. Control over the knowledge structure of power can be accomplished by facilitating the diffusion of ideology and belief systems and creating partnerships that enable collaboration. Stefano

Guzzini's idea that culture is a key medium for the transmission of information in the knowledge structure is an essential part of the assessment and is used to uncover how China is engaging in the LAC region. However, this dimension of structural power is challenging to evaluate. Quantifying and assessing the acquisition and transmittal of knowledge is tricky, and it requires the selection of unique influence drivers to symbolize how China is employing this dimension of power to build capacity. Chinese migration to the LAC region, Confucius Institutes, the international Sister City network, senior-level visits, and formal and informal partnerships form the basis for understanding how China engages in the knowledge structure.

It has been demonstrated throughout the project that China's engagement with the countries of South America runs much higher than found in the other subregions, and this continued in the knowledge dimension of power. Several South American countries, including Argentina, Brazil, Chile, Ecuador, and Peru, were conspicuous with China's attention here. The majority of China's CIs, academic outreach programs, sister cities, and various levels of strategic partnerships are found in South America. Chinese diaspora to South America has been particularly noteworthy. Beyond cultural elements facilitating the flow of ideas and knowledge, China's efforts to leverage technology to control information is especially noticeable in Ecuador, Peru, and Venezuela. Additionally, China operates a satellite tracking station in Argentina, and this was cited for its potential to gather intelligence. It was noted that China's efforts in South America to broadcast a positive image of itself is paying off. Of the countries polled, most South American citizens had a net favorable opinion of China.

Although China's overall relationship with Mexico has been one of cautious strides, its engagement in matters related to the spread of its culture, belief systems, and ideology is above average for the LAC region as a whole. China's use of technology to control information was revealed in its accomplishments in connecting Mexico to its global cellular network. China's public image messaging is also apparently getting through to Mexico's citizens. Opinion polling indicates that Mexico is more favorably inclined toward China than it is the United States.

It has been mentioned throughout the project that four of the seven LAC region countries that are diplomatically aligned with the ROC are located in the Caribbean Basin,

and this presents opportunities for the PRC to increase its influence in the region while also degrading Taiwan's. Not surprisingly, China maintains significant contact with its longstanding ally Cuba but its increasing engagement with Trinidad and Tobago in the knowledge dimension (including in the use of technology) was especially apparent.

Overall, China's engagement with the countries of Central America in this dimension of structural power was found to be rather modest. Costa Rica stood out with the only Strategic Partnership in the region. China's use of technology to control the flow of information in Central American countries, while still limited, is expanding in Panama with increased connectivity to its global cellular network.

The political component of the FBIC composite index was found to be applicable for assessing China's engagement in Strange's knowledge dimension of structural power. As expected, South American countries were prominent, as were the Central American countries of Costa Rica and Panama. Once again, this provides validation for the approach taken in the study. Moreover, a richer level of detail not accessible in a quantitative only methodology is revealed.

The Significance of Structural Power

Structural power as a theoretical concept is relevant for examining China's engagement with Latin America and the Caribbean region. It enables a comprehensive examination of state power. Susan Strange understood structural power as encompassing a broad spectrum of security, production, financial, and knowledge elements. Her framework captures the dynamics of China's emergent influence and power in LAC beyond traditional military or resource-based notions. Structural power focuses on the long-term systemic effects of power. From a historical point of view, China's rise has been quick, but it has not been overnight. Structural power examines how China's engagement with the region's economic, political, and cultural systems shape regional and global structures over time. Structural power captures the indirect, unintended, and nonpurposive effects of power. This illuminates how China's engagement can subtly and indirectly alter the landscape of state interaction. Structural power uncovers asymmetries in the relationships of states. China's interactions with the countries of the LAC region are largely viewed through the lens of an asymmetric set of

boundaries that can produce leverage. Structural power highlights the role of institutions in shaping relations among states. China engages with existing institutions or creates new ones to advance its interests regionally and on the international stage. Lastly, structural power contextualizes China's rise. China's regional engagement is the visible application of influence, and this perspective situates this rise within the broader global system.

The interactions that organically develop from China's broad-based engagement in LAC change behaviors, shape decisions, and limit (or increase) options available to both it and the states in the region. These exchanges produce structural capabilities for China.

Access to resources such as fossil fuels, minerals, and agricultural products, which are developed via trade and investment in LAC, enhances China's energy security, reduces domestic supply exposure in metal ores, and secures food for its citizens. Resource access also facilitates China's influence in global supply chains and commodities markets. Access and control of raw materials directly translate into beneficial economic outcomes for China. And, as has been repeatedly discussed in this project, the economic and the political are essentially indistinguishable or are, at least, inseparable. Hence, these outcomes also translate into a broader political advantage and influence.

Dovetailing on this idea, developing new diplomatic alliances in the LAC region enhances China's influence regionally and globally while degrading Taiwan's. This reinforces the mantra of "China as the only China." Security and defense engagement and cooperation increases China's integration in the region, creates local dependencies, and communicates itself as a reliable partner in common interests while also expanding its global military force projection abilities and its gravitas as a worldwide supplier of weapons systems.

Finally, through initiatives such as CIs, sister cities, migration, and academic exchange, China transfers important elements of its culture, ideas, and values to the LAC region. This diffusion shapes perceptions of China and fosters an affinity toward its unique system of governance. Once again, this has international structural implications for China.

China's growing technological prowess provide it with tools to facilitate the diffusion of its knowledgebase and these capabilities are being leveraged in the LAC region through its engagement. Increased control of telecommunications infrastructure and

digital platforms and, critically, an improved ability to shape worldwide technology standard setting through relevant forums and institutions lets China amplify its message to reach a global audience while controlling access to these systems for other actors. China's increasing technological dominance strengthens its influence in what is becoming the new frontier of structural power.

Future Research

The emergence domain of structural power concept expounded herein has built upon conceptual gaps identified in Strange's framework and applied an innovative approach to assessing China's engagement with the LAC region. The framework has been demonstrated as a useful tool for reconciling the project's research puzzle while also establishing itself as valuable for the broader understanding of structural power concepts. There are nevertheless opportunities to improve and extend the research.

As a new concept to assess structural power it needs further refinement. Research to understand the dynamics of the processes involved in building structural power capacity for specific countries and regions under investigation will aid in selecting better influence indicators for use in the evaluation. All research ultimately depends on reliable information, and this has presented obstacles. Identifying new sources of data will facilitate additional cross-country analysis and enable intra- and inter-regional assessments. For example, the lack of comprehensive and transparent financial information covering FDI, SWFs, and other investment funds limited the analysis of the financial structure. Although this project relies on free sources of information, commercial databases offer more detailed and timely data. On the other hand, the availability of bilateral trade data is extensive. Yet, plowing through multiple databases across several different platforms is tedious.

Lastly, the knowledge structure needs additional conceptualization. Continued work on defining what a knowledge structure consists of will aid in identifying metrics considered essential for building capacity in this increasingly important dimension of power. How states today and will, in the future, leverage this dimension of power to their advantage will be critical.

Concluding Remarks

Strange's simple idea was that agenda-setting power results from the control of critical elements within the security, production, financial, and knowledge dimensions of structural power. A core premise of this project is that China is building structural capacity through its engagement with the LAC region. However, China does not necessarily have to be purposively developing this structural capacity. Strange argues that power can derive from mere presence. It might be that China's activities are motivated principally by the acquisition of resources for its domestic export-oriented economy and commercial or other profit-making opportunities. In other words, it could be that China's objectives are not specifically intended to build forms of structural power. While this may be accurate, the project argues that it is fundamentally the same thing, or at a minimum, they are indistinguishable from one another. China's engagement with the LAC region unavoidably generates *emergent* structural power. Importantly, the project does not assert that China's engagement produces strategic agency per se. Instead, it is the collective effects of either agency or ad hoc elements, i.e., the creation of underlying structural power, which could set the stage for (future) structural power.

Because structural power does not emerge from the ether, an intermediate concept of structural power was formulated. The emergence domain of structural power idea is the theoretical lynchpin or logic that facilitates the analysis and interpretations regarding China's engagement and its development of influence in the LAC region and relates it to agenda-setting structural power as envisaged by Susan Strange. But this methodology does not argue that such engagement is in fact *structural power*. Rather, as suggested above, the concept acts as a bridge between engagement and potential structural power. What is located in the emergent subsystem space are the precursors to structural power.

To support this concept, several assumptions were advanced. Influence and power are conceptually interchangeable. Structural power can be purposive, but not necessarily so—power may also be unintentional yet still produce measurable effects. Relational power can be converted into structural power, and this transformation engenders unique advantages to its possessor. Economic power and political power are inseparable, and one shapes the other. Finally, Strange's structures build on each other yielding additional

structural capabilities. These premises are supported in academic literature, including by Strange.

It has been observed here and by others that Strange's framework was incomplete because she did not provide a method for the systematic analysis of structural power. The approach used in this project builds on her seminal work by operationalizing her ideas to offer new insight into China's engagement with Latin America and the Caribbean while also improving the broader conceptualization of power.

However, this project does not offer a solution to the meaning and consequence of China's rise. Are China's strategies, whatever they may be, or if they exist at all, creating agenda-setting structural power? This study offered a unique approach to track China's long march forward, but an answer to that problem must also remain open—China's rise itself, after all, remains a work in progress.

Appendix

China's Total Direct Financial Impact in the LAC Region

China's financial impact in the LAC region is calculated by summing its direct investments, sovereign financing, SWFs (under management plus external portfolio), SAFE (non-SWF, offshore channels), regional funds, and ODA. The CGIT separates direct investment from other construction projects, and while arguably these amounts can be aggregated, it was decided that only actual direct investments would be used. CGIT also does not report offshore channels of direct investment. It is hard to conceive of a scenario where China would not use offshore financial centers to move capital into the LAC region. However, as noted in the methodology chapter, these figures proved to be elusive. ODA is calculated using the dataset's most narrow definition aligning with OECD standards. This prevents conflating development assistance with what might actually be OFDI or sovereign financing.

Due to a lack of transparent data, China's SWFs are not included as capital flows in the SPi_{fin} modeling assessment. Nevertheless, because China's three SWFs have a combined asset value of US\$1.6 trillion, it is important to estimate its investments in the LAC region contained within these vehicles. To approximate China's engagement in the LAC region via its SWFs, a simple model was developed using Norway's SWF as a baseline case. The following rationale was used for building a model to estimate China's investment in the LAC region through its SWFs.

- The sovereign wealth fund owned and managed by Norway is widely recognized as the most transparent of all SWFs. Therefore, the data is considered accurate and reliable.
- China's three SWFs have a combined asset value roughly equivalent to the total asset value of Norway's fund.
- Norway's SWF invests in the LAC region in countries where China has also made significant direct investments. These include Brazil, Chile, Columbia, Mexico, and Peru.

The model was developed by obtaining Norway’s investments in the LAC region in its equities and fixed-income accounts and then calculating the invested amount as a percent of its total asset value. Using the .0176 multiplier, this figure was applied to the combined asset value of China's three SWFs (see Table 12 below).

China SWF Model			
Sovereign Wealth Fund	Total Asset Value	Invested in LAC	Percent of Total Fund
Norway Oil Fund	\$1,186,000,000,000	\$20,829,392,209	1.76%
China CIC, SAFE, NSSF	\$1,683,440,000,000	\$29,565,794,284	1.76%

Table 12: Model of China's Three SWFs. Author's calculations. Source: "Holdings as at 31.12.2019," Norges Bank Investment Management.

To compute a figure for China’s SAFE (non-SWF) investments via its offshore channels, a .78 multiplier is used. As discussed, estimates of China’s outbound FDI entering the LAC region via offshore financial centers run as high as 78 percent of total investments.⁵⁴⁷ Finally, this figure does not include the impact of yearly bilateral trade between China and the LAC region (see Table 13 below).

China's Financial Impact in LAC	
Line Item	USD
Direct Investment (OFDI-no offshore channels)	131,130,000,000
Sovereign Financing	136,816,000,000
Sovereign Wealth Funds (per model)	29,565,794,284
SAFE (LAC external portfolio)	3,983,900,000
SAFE (non-SWF, offshore channels per model)	212,160,000,000
LAC Regional Funds	60,000,000,000
ODA (using OECD standards)	8,643,946,246
Total:	\$582,299,640,530

Table 13: China's Total Financial Impact in the LAC Region (as of 2019). Author's calculations. Note: In 2019, bilateral trade between China and the LAC region was US\$308 billion.

Capital Flows Databases

Foreign direct investment: The principal data source employed for analyzing China’s direct investments in the LAC region is the China Global Investment Tracker (CGIT).

⁵⁴⁷ Dussel Peters, “Characteristics of Chinese Overseas Foreign Direct Investment in Latin America (2000–2012)”, 105, 114–115, and Avendano, Melguizo, and Miner, “Chinese FDI in Latin America: New Trends with Global Implications,” 19.

CGIT is a publicly available dataset covering approximately 3,400 transactions in the energy, transportation, and other infrastructure sectors from 2005 to 2021. It is noted that direct investment stocks, although a figure that is accumulated over time may also decrease as entities divest themselves of assets. CGIT lists only initial direct investment, so total stocks are by their nature inaccurate for this reason. The dataset is a collaboration between Washington, D.C. based think tanks, The American Enterprise Institute, and The Heritage Foundation.⁵⁴⁸ Other sources of data used for confirmation include the IMF, World Bank, and UNCTAD.

Sovereign lending: The most comprehensive publicly available dataset of China’s direct lending to the LAC region comes from the China-Latin America Finance Database, a collaboration between The Inter-American Dialog, a think-tank located in Washington, D. C., and the Global China Initiative at Boston University’s Global Development Policy Center. The China-Latin America Finance Database includes loans from China’s policy banks, CDB, and China Ex-Im Bank covering 2005–2021.⁵⁴⁹

Official development assistance: The most complete publicly available resource for data on China’s foreign aid comes from AidData, a research lab at William & Mary Global Research Institute.⁵⁵⁰ The dataset tracks over 4,000 records of Chinese official finance covering the years 2000–2014. The data includes both aid and non-concessional official financing. AidData uses the following categories to describe Chinese official finance:

- Official Development Assistance (ODA)—includes aid in the strictest sense of the term. ODA aligns with the OECD Development Assistance Committee definition of assistance. The recipient nation must be ODA eligible as determined by OECD, and the project must be aimed primarily at development and have a concession level (e.g., grant) of at least 25 percent.

⁵⁴⁸ China Global Investment Tracker, “China Global Investment Tracker—AEI.” Early analysis of China’s direct investment to the LAC region relied on UNCTAD FDI statistics, which are based on MOFCOM data.

⁵⁴⁹ Gallagher and Myers, “China-Latin America Finance Databases.” The database has recently started tracking loans underwritten by China’s commercial banks; however, these are not included due to a lack of loan amounts.

⁵⁵⁰ AidData, “AidData’s Global Chinese Official Finance Dataset, 2000-2014, Version 1.0.”

- Other Official Flows (OOF)—official flows, but do not qualify as aid in the narrowest form. These include projects which are primarily commercial or representational or are not concessional enough (e.g., a grant element of less than 25 percent) to qualify as ODA.
- Vague Official Finance—officially financed projects but insufficient data to classify as ODA or OOF.

Currency swaps: Information on currency swaps was obtained from the Central Bank Currency Swaps Tracker at the Council on Foreign relations. The database is maintained by Benn Steil, Benjamin Rocca, and Dinah Walker.⁵⁵¹

⁵⁵¹ Steil, et al., “Central Bank Currency Swaps Tracker.”

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