Latin American and Caribbean Participation in China’s Belt and Road Initiative

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ABSTRACT

In March 2013, Chinese President Xi Jinping proposed the Belt and Road Initiative (BRI), a multinational infrastructure project in which China finances initiatives in partner countries targeted towards advancing five key cooperation priorities: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bond. In 2017, Panama became the first country in Latin America and the Caribbean (LAC) to join the BRI. Since then, 21 LAC countries have joined the initiative by signing a Memorandum of Understanding (MOU) with China. Despite the rising popularity of the program in the region, twelve countries remain non-participants. This paper aims to employ a qualitative approach to analyze the participatory variation within Latin America and the Caribbean, asking if countries with in-
creasing levels of trade interdependence with China are more likely to have signed a BRI MOU. It also considers potential diplomatic and political factors, such as a country’s recognition of Taiwan, that may preclude a country from joining the initiative. This paper is centered around a comparative case study of four countries with different levels of trade interdependence and BRI participation statuses: Chile, El Salvador, Colombia, and Guatemala. Within the scope of this case study, the results show that countries with upward trends across trade interdependence indices are more likely to participate in the BRI.

INTRODUCTION

Over the past decade, economic ties between China and Latin America and the Caribbean (LAC) have strengthened considerably. Since 2010, total trade flows between China and Latin America and the Caribbean have increased 121 percent from $194 billion to $428 billion.\(^5\) Similar trends are emerging in foreign direct investment (FDI), with the share of China’s total overseas investment in Latin America and the Caribbean nearly doubling between 2014 and 2017 despite remaining stable for the majority of the 2000s.\(^6\) The extension of the Belt and Road Initiative (BRI) to the region represents one part of this phenomenon.

In 2013, Chinese President Xi Jinping proposed the BRI as a global infrastructure initiative aimed at promoting connectivity between Asia, Europe, and Africa. While the central component of the initial proposal was China’s financing of physical infrastructure, the BRI action plan created by the National Development and Reform Commission outlines five broader cooperation priorities: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bond.\(^7\) Thus, China hopes the BRI will promote diplomatic coordina-

\(^7\) NDRC, “Action plan.”
tion alongside economic integration.

Through signing a bilateral Memorandum of Understanding (MOU) with China—any country is eligible to join the BRI. To date, 146 countries have signed a BRI MOU. An MOU is a non-legally binding mutual agreement to establish BRI cooperation. While bilateral MOU agreements are not identical, they follow a uniform structure in which both countries reach an understanding on the five essential cooperation priorities outlined in the action plan. Some countries, specifically those in Sub-Saharan Africa, have chosen to sign cooperation agreements rather than MOUs, offering diplomatic support for the initiative and promising to collaborate with China to promote the BRI. While these countries are still considered to be participants in the BRI, they have not signed agreements about specific provisions or projects.

Although the Chinese government initially focused the BRI on South-east Asia, Eastern Europe, and some parts of Africa, it has expanded its scope. The preliminary implementation of the BRI did not include any LAC countries; nevertheless, Panama became the first in 2017, five months after establishing diplomatic relations with China. A press release by the Chinese Minister of Foreign Affairs regarding a 2017 meeting between former Panamanian president Juan Carlos Varela and President Xi Jinping outlined Panama’s position on BRI participation:

“Panama actively supports the great ‘Belt and Road’ initiative... and is willing to take an active part in the construction of the Maritime Silk Road by exploiting its own unique geographical advantages, and strengthen cooperation with China in areas such as ports, maritime affairs, shipping, railways and logistics so as to jointly contribute to extending the ‘Belt and Road’ cooperation to Latin America and promot-

[8] Nedopil, “Countries of the BRI.”
[10] Ibid.
ing world connectivity.”

At the 2018 China-Community of Latin American and Caribbean States (CELAC) Forum, Chinese officials invited all 33 LAC countries to join the initiative. Currently, 21 of the 33 countries in Latin America and the Caribbean have signed BRI MOUs, including Antigua and Barbuda, Argentina, Barbados, Bolivia, Chile, Costa Rica, Cuba, Dominican Republic, Dominica, Ecuador, El Salvador, Grenada, Guyana, Jamaica, Nicaragua, Panama, Peru, Suriname, Trinidad and Tobago, Uruguay, and Venezuela. Participation has expanded in 2022, with Argentina and Nicaragua having signed on. Despite this, some outlier countries have yet to sign onto the BRI, the twelve non-participants being Belize, Brazil, Bahamas, Colombia, Guatemala, Haiti, Honduras, Mexico, Paraguay, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

This paper seeks to explain this variation in BRI participation within Latin America & the Caribbean. I focus on Latin America and the Caribbean because of its intra-regional variation in participation and recency in joining the initiative. Latin America and the Caribbean is at the forefront of BRI expansion and offers insight into current trends surrounding the initiative and is useful for understanding why countries may or may not decide to participate in recent years. Furthermore, China’s increased trade with LAC countries counters the large economic presence of the United States in Latin America and the Caribbean. Over the past ten years, the China-LAC trade share has trended up while trade share between the United States and LAC countries has decreased. Therefore, analysis of LAC BRI participation will similarly offer insight into emerging regional economic and diplomatic trends, primarily with the

[14] Ibid.
evolving pendulum of American to Chinese hegemony in Latin America and the Caribbean. This paper considers a possible explanation: the regional variation in BRI participation is related to trends in trade interdependence between LAC countries and China.

In addition to considering the role of trade interdependence, this paper also recognizes that diplomatic and political factors may impact a country’s likelihood of BRI participation. Specifically, it focuses on the diplomatic recognition of China in the framework of the “One China” policy. The “One China” policy is based on China’s “One China” Principle, which states that the PRC is the sole legitimate governing body for both China and Taiwan.\textsuperscript{16} Today, countries adhere to the “One China” policy by giving the PRC full diplomatic recognition as the sole legitimate government of China. The formal “One China” policy originated with the United States, which established formal diplomatic relations with China and severed ties with Taiwan in 1979 under President Jimmy Carter.\textsuperscript{17} US willingness to establish relations with China dates back to the Nixon administration, when Secretary of State Henry Kissinger held secret talks with PRC Premier Zhou Enlai in July 1971.\textsuperscript{18} Since the 1970s, numerous countries have adopted this “One China” policy and rescinded formal diplomatic recognition of Taiwan.

To date, Taiwan only has 14 formal diplomatic allies due to the increased adoption of the “One China” policy. Eight of Taiwan’s diplomatic partners are in Latin America and the Caribbean: Belize, Guatemala, Haiti, Honduras, Paraguay, Saint Kitts and Nevis, Saint Lucia, and Saint Vin-


cent and the Grenadines. Analysis of diplomatic relations with Taiwan is relevant to this research as it precludes a country from joining the BRI. Therefore, all eight countries listed above are among the 12 non-participants in the BRI. However, this is not a permanent barrier to entry. Several LAC countries have adopted the “One China” policy in recent years, shortly before joining the BRI. In December 2021, Nicaragua became the most recent country to break diplomatic relations with Taiwan before joining the BRI in January 2022.

**HYPOTHESIS**

This research seeks to explain why some LAC countries have signed BRI MOUs, and others remain reluctant to participate. Specifically, it analyzes the relationship between a given country’s Sino trade interdependence and its likelihood of joining the BRI. The hypothesis for this paper is based on the idea that increased economic interdependence creates incentives for stronger formal diplomatic cooperation through mechanisms such as the BRI. I look at two specific factors: a country’s overall trade interdependence and its recent trends in trade interdependence. In regards to the former, this paper hypothesizes that countries with a high level of trade interdependence with China are more likely to participate in the BRI. A possible explanation for this is that these countries may fear that BRI non-participation may cause them to lose out on trade or investment deals to participants. I then analyze trends in bilateral trade intensity, trade share, and export and import value since the BRI expansion to Latin America and the Caribbean, hypothesizing that BRI MOU signatories with lower overall levels of trade interdependence with China demonstrate upward trends in multiple trade measures before signing an MOU.

Furthermore, this paper seeks to explain how the relationship between trade interdependence and BRI participation may also relate to bilateral diplomatic relations. Specifically, I consider a country’s diplomatic recognition of Taiwan as a potential confounding variable. Given the recent shift away from Taiwan in Latin America and the Caribbean, I hypothesize that countries with increasing levels of trade interdependence may have an economic incentive to establish diplomatic relations with China by recognizing the “One China” Policy, thus cutting ties with Taiwan. This newfound diplomatic relationship may translate into BRI participation.

**LITERATURE REVIEW**

As a result of the recency of BRI expansion in Latin America and the Caribbean, there is not a large focus on the region throughout the overall body of literature on the region. However, since 2017 there is a growing number of studies on the role of the initiative in the region. The vast majority of research on LAC participation in the BRI focuses on the effects of the initiative, specifically investigating how the BRI has redefined interregional economic cooperation and LAC progress on the Sustainable Development Goals (SDGs). Fewer studies have attempted to explore the impetus of regional variation in MOU signatories and primarily focus on diplomatic and political explanations for participation. This paper strives to contribute to the existing literature by considering economic forces behind the regional variation in participation.

Often, the BRI is portrayed as a driver for economic development in lower income regions such as Latin America and the Caribbean, specifically through its ability to drive infrastructure investment. Regional leaders have echoed this sentiment, with the Bolivian and Peruvian ambassadors to China publicly characterizing the initiative as important to their countries’ development. Yuanbo Li and Xufeng Zhu focus on the

[22] Margaret Myers, “China's Belt and Road Initiative: What Role for Latin Ameri-
BRI’s role in promoting economic development in Latin America and the Caribbean, considering how the BRI may strengthen cooperation on SDGs. The 2019 paper concludes that Chinese policy-making in regards to the expansion of the BRI into Latin America and the Caribbean should consider the United Nations’ 2030 Agenda for Sustainable Development, which outlines the seventeen SDGs and creates a blueprint for international cooperation on development by 2030.\textsuperscript{23} Li and Zhu first analyze China’s political, economic, financial, and trade relations within Latin America and the Caribbean.\textsuperscript{24} They subsequently analyze national policies of LAC countries and employ an index of SDGs between China and LAC BRI partner states to investigate how China’s policies toward the region align with the 17 SDGs in the 2030 Agenda.\textsuperscript{25} Specifically, they argue that the BRI helps achieve SDG17, which stresses the importance of partnerships to achieve their common goals, and can aid progress on SDG9 in LAC, which focuses on developing infrastructure, industry and innovation.\textsuperscript{26} By identifying the channels through which the BRI can aid the achievement of the SDGs in Latin America and the Caribbean, Li and Zhu contribute to arguments by scholars and government officials that the BRI is an important tool for development. However, they do not show the measured impact of the initiative on achieving these goals and their analysis is isolated to collaboration on SDGs between China and BRI participants.

In contrast to Li and Zhu, economist Rhys Jenkins concluded that the BRI has not produced a substantive change in China-LAC relations.\textsuperscript{27} Jenkins uses quantitative and qualitative methods to analyze progress

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[26] Ibid, 12.

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on the BRI action plan’s five cooperation priorities; he analyzes three economic indicators, including stocks and flows of Chinese FDI to Latin America and the Caribbean, outstanding LAC debt to China, and the annual value of trade contracts fulfilled between China and LAC countries. Jenkins then applies a difference-in-difference technique to compare how these indicators changed between BRI participants and non-participants. His research finds there has been an insignificant change in China-LAC economic relations for BRI participants. Specifically, an MOU signature did not guarantee that trade with China would increase relative to non-participants.\footnote{Jenkins, “What has Changed?” 30-33.} Furthermore, there was an insignificant increase in Chinese FDI, infrastructure projects, and lending for BRI participants. Overall, Jenkins finds that there is no evidence that the BRI has had substantive economic impact in Latin America and the Caribbean and concludes that further analysis into the reasons behind BRI participation requires further research.\footnote{Jenkins, “What has Changed?” 34.}

Although the majority of studies about the BRI in Latin America and the Caribbean focus on the outcome of the initiative, some authors have considered the reasons behind BRI expansion into the region. Many authors discuss the BRI as a vehicle for China to expand its economic and geopolitical interests, specifically highlighting the BRI as a strategy for China to bolster its image abroad by creating win-win relationships and fostering economic cooperation.\footnote{Fabricio A. Fonseca, “The Chinese Initiative for a Twenty-first Century Maritime Silk Road: Opportunities and Challenges for Latin America,” \textit{Crossroads} \textbf{16}, (October 2017): 227.} Myers (2018) explains that leaders in Latin America, namely Bolivia, Peru, and Ecuador, sought inclusion in the initiative well before its expansion to the region, citing the BRI as an important tool for economic development in their respective countries.\footnote{Margaret Myers, “China’s Belt and Road Initiative: What Role for Latin America?” 240} This perspective positions the BRI expansion as an outcome of intersecting interests between China and LAC countries, rather than the result of China’s overarching geopolitical strategy. While the debate
about the nature of BRI expansion is useful for understanding the balance between Chinese interest and local agency in Latin America and the Caribbean, discussions about the reasons behind participation and non-participation have only emerged recently. Political scientists J. E. Serrano Moreno, Diego Telias, and Francisco Urdínez point to diplomatic and political factors as a potential explanation for BRI non-participation. Specifically, the authors consider proximity to the United States and the political agendas of leading parties in non-participating LAC countries, concluding that neither of these variables alone are sufficient to explain non-participation. While they propose economic dependence on China as a potential explanation for LAC participation in the BRI, the authors do not carry out in-depth analysis of this variable and state that it needs further empirical testing. Given the recent deepening of China-LAC economic relations, specifically through trade, this research hopes to expand upon this hypothesis by considering pre-BRI trends trade interdependence as an explanation for BRI participation.

THEORETICAL PERSPECTIVE

This research uses a liberal institutionalist theoretical perspective which places economic interdependence as a key feature of world politics, arguing that economic motives are central to state decision-making. Liberal theorists believe that mutual interests, such as economic participation, increase over time. Thus, cooperation through channels such as cohesive foreign policy enables states to act on these interests, maximizing collective gains in the international sphere. This framework is useful for understanding how increased economic interdependence between LAC countries and China may lead to diplomatic cooperation given that interaction through trade and investment creates mutual economic

[33] Ibid, 343.
[34] Ibid, 342.
[36] Ibid, 10.
interests. A liberal institutionalist perspective considers how this interdependence may lead states to sign formal agreements such as the BRI.

When considering how diplomatic and political factors affect BRI participation, constructivists emphasize the role of shared norms in state decision-making. These shared norms include common beliefs, rules, and organizations. The second dimension of the case study employs constructivist theory to consider how a country’s diplomatic relations with China may explain its participation in the BRI. Alongside analysis of cooperation through formal diplomatic mechanisms, this paper discusses each country’s adherence to the “One China” policy and diplomatic relations, or lack thereof, with Taiwan. A constructivist lens is useful in this approach because the diplomatic recognition of Taiwan has large implications on bilateral relations between China and LAC countries.

RESEARCH DESIGN

This research uses both quantitative and qualitative methods, with the timeline spanning from 2013, when China announced the BRI, to 2022, the year with the most recent available data. Although no LAC countries joined the initiative until 2017, the inclusion of these years highlights pre-BRI economic trends. Rather than conducting an entire regional analysis, this paper presents a comparative case study of four LAC countries with different levels of trade interdependence with China (the independent variable) and different BRI participation statuses (the dependent variable). As opposed to a cross-country regression analysis, this approach allows for more specific and in-depth insight into how bilateral-trade trends with China changed within each country prior to their MOU signature. Furthermore, focusing on four case countries allows for more detailed analysis into the role of bilateral diplomatic relations. To identify the countries in the case study, I first conducted a regional inventory, categorizing all LAC countries by their levels of Sino trade interdependence and their BRI participation status. To operationalize the independent variable, I created the Bilateral Trade Interdependence Index (BTII) to measure each country’s trade interdependence with Chi-
The index methodology is explained later in this section. Similarly, I have conducted a content analysis of BRI MOUs to determine which countries have joined the initiative and when they signed the MOU. The table below outlines the results of this regional inventory using the case selection matrix:

<table>
<thead>
<tr>
<th>High trade interdependence</th>
<th>BRI participant</th>
<th>BRI non-participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile, Perú, Costa Rica, Uruguay, Argentina</td>
<td>Colombia, Brazil</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low trade interdependence</th>
<th>BRI participant</th>
<th>BRI non-participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua**, El Salvador**, Antigua and Barbuda, Grenada</td>
<td>Guatemala*, St. Lucia*, Bahamas</td>
<td></td>
</tr>
</tbody>
</table>

*Maintain diplomatic relations with Taiwan
**Halted diplomatic relations with Taiwan some time after 2017

In this matrix, the independent variable of trade interdependence, as determined by the BTII, is on the left, and the dependent variable of BRI participation is on the top. To better identify trends related to trade interdependence and BRI participation, the nine countries classified as having a moderate level of trade interdependence are not considered for case selection. Furthermore, ten countries were excluded from the BTII due to insufficient data and are therefore also not included in this inventory matrix.

The four countries chosen for the comparative case study are Chile, Colombia, El Salvador, and Guatemala. Chile was selected for its high level of trade interdependence with China and BRI participation since 2018. The Chile-China relationship is one of the strongest in the region; Chile has the highest level of trade interdependence with China among LAC countries and was the first South American country to establish diplomatic ties.\(^{37}\) El Salvador was chosen due to its low level of trade interdependence with China and its status as a BRI participant. The

Central American country maintained diplomatic relations with Taiwan until it recognized the “One China” policy in 2018, driving a shift in the diplomatic factors surrounding BRI participation.\[38\] Colombia was selected for its high trade interdependence and BRI non-participation because it has a more similar regional economic standing (in terms of GDP) to Chile and El Salvador than the alternative of Brazil.\[39\] Finally, Guatemala was chosen for its low trade interdependence with China and its status as a BRI non-participant. Furthermore, Guatemala’s continued diplomatic relations with Taiwan provide a notable contrast to El Salvador, allowing for further analysis into how trade trends relate to differing diplomatic choices and BRI participation. I also chose these four countries because they are all Hispanic American countries, offering some control for colonial trade linkages. Many Anglo-American and Franco-American countries, specifically Commonwealth Caribbean nations such as Jamaica, Barbados, and Trinidad and Tobago, have strong trade relations with Europe.\[40\] Empirical studies explain that these modern trade linkages are a result of preferential trade relationships between the UK and France and their former colonies.\[41\] Excluding these countries from the case selection allows me to focus on countries that were colonized by the Spanish, offering more consistency in historical trade relations among case countries.

Initially, I considered selecting Nicaragua instead of El Salvador due to the relevancy of its MOU signature in January 2022. The Nicaraguan case offered potential insight into future BRI trends in Latin America and the Caribbean. However, there was insufficient data for a complete analysis, largely because of the recency of its MOU signature. Nicaraguan government officials, including President Daniel Ortega, have made few public statements regarding the BRI.

Furthermore, Nicaragua joined the BRI after the onset of the Covid-19 pandemic in 2020. Because the pandemic was a large shock to the international economy and trade patterns, Nicaragua’s trade trends prior to their BRI signature may capture Covid-19 effects and therefore not represent the general relationship between trade interdependence and BRI participation in the region. The final case selection matrix for Chile, El Salvador, Colombia, and Guatemala is outlined below.

<table>
<thead>
<tr>
<th>BRI participant</th>
<th>BRI non-participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>High trade interdependence</td>
<td>Chile</td>
</tr>
<tr>
<td>Low trade interdependence</td>
<td>El Salvador</td>
</tr>
</tbody>
</table>

It should be noted that Mexico and Brazil, the region’s two largest economies and non-participants in the BRI, are not included in the case study due to their unique political and economic relationships with China and the United States. Although China is Mexico’s fourth largest export market and second-largest import partner, the United States remains Mexico’s largest trading partner, indicating its strong political and economic influence in the region.\(^4^2\) Furthermore, Mexico’s membership in NAFTA and its alternative, the United States–Mexico–Canada Agreement (USMCA), highlights a commitment to prioritizing trade with the United States and Canada over that with China.\(^4^3\) Specifically, the USMCA may hinder the China-Mexico trade relationship through clause 32.10, which imposes restrictions on the ability of a member country to sign a free trade agreement (FTA) with a non-market economy, such as China.\(^4^4\) Mexico’s unique relationship with the United States compared to the rest of Latin America and the Caribbean makes it a less useful benchmark for comparison in this research.


\(^{44}\) Ibid.
Unlike Mexico, Brazil has a high level of trade interdependence with China. As the largest LAC economy in terms of GDP, research about Brazil’s non-participation can potentially give insight into the geopolitical implications of the initiative. However, Brazil differs from other LAC countries in three regards: BRICS membership, regional economic standing, and colonial history. As two of the five emerging BRICS economies, China and Brazil may prioritize other cooperation mechanisms over the BRI. Prior to the expansion of the BRI to Latin America and the Caribbean, the BRICS countries signed multiple MOUs designed to improve cooperation. These included agreements related to competition law,\textsuperscript{45} innovation,\textsuperscript{46} and the establishment of the New Development Bank.\textsuperscript{47} The strength of these existing cooperation mechanisms may help to explain why Brazil has yet to join the BRI. Furthermore, Brazil is a major trading partner with several LAC states, which places it in competition with China for regional trade share. Brazil’s participation in the BRI would further substantiate China’s increasing role in the region, creating potential implications for Brazil’s economic standing in the region relative to China. Finally, as a former colony of Portugal, Brazil differs from its regional partners in terms of its historical economic posture, which like the Anglo-American states, may have implications for its current trade patterns. Due to these unique circumstances, Brazil offers a less accurate representation of overall regional trends regarding BRI participation.

\textsuperscript{45} Memorandum of Understanding Between the Competition Authorities of the Federative Republic of Brazil, the Russian Federation, the Republic of India, the People’s Republic of China and the Republic of South Africa on the Cooperation in the Field of Competition Law and Policy, Conselho Administrativo de Defesa Econômica do Brasil, May 16, 2016.

\textsuperscript{46} Memorandum of Understanding on Cooperation Between the Governments of the Federative Republic of Brazil, the Russian Federation, the Republic of India, the People’s Republic of China and the Republic of South Africa, Competition Commission of India, May 19, 2016.

This comparative case study encompasses data from UN Comtrade and the World Bank's World Integrated Trade Solution (WITS), specifically quantitative data on the value of trade flows between China and the case countries. Similarly, data on the volume of specific export commodities, such as raw materials and agricultural goods is included. This commodity-level data is acquired from the Observatory of Economic Complexity (OEC), a data visualization platform that compiles data from BACI, a bilateral trade flow database that uses UN Comtrade data. In addition, this paper includes data from Reuters news reports regarding Chinese Covid-19 assistance to LAC countries and conducts a discourse summary of statements by government officials using English translations from government press releases. Specifically, I analyze statements from government officials during state visits and public comments by heads of state. This analysis gives insight into specific positions toward China and the BRI and allows me to compare the difference in attitudes between MOU signatories and non-signatories. One disadvantage of employing discourse analysis is that interpretation may vary between researchers. Furthermore, while this paper is careful to use official English translations from government websites, it is important to acknowledge that the use of translations opens up the possibility of inaccuracy or misconstruction of statements by government officials. However, using quantitative data alongside qualitative methods will help balance potential subjectivity.

In addition to analyzing bilateral economic interdependence, the case study also considers diplomatic and political factors that may explain BRI participation. I include data from government press releases about state meetings between LAC heads of state and China since 2013, then conduct a content analysis of each country’s diplomatic relations with Taiwan, using information from official government agency websites. This is important to include because diplomatic recognition of Taiwan precludes a country from joining the BRI. In recent years, some LAC

[48] “UN Comtrade Database.”
countries have cut ties with Taiwan and established diplomatic relations with China, thus, becoming eligible to join the BRI. By examining bilateral diplomatic relationships with Taiwan, I identify if this is an explanation for non-participation. I also consider if either of the two BRI participants in my case study cut diplomatic ties with Taiwan before joining the initiative. Finally, I conduct a discourse analysis of speeches by heads of state regarding relations with China and Taiwan to offer insight into national attitudes toward the bilateral diplomatic relationship.

**Bilateral Trade Interdependence Index**

To quantify a country’s level of trade interdependence with China, I created a Bilateral Trade Interdependence Index (Figure 1) that measures four trade variables: (1) trade intensity with China, (2) trade share with China, (3) the existence of a free trade agreement (FTA) or negotiations for an FTA, and (4) trade disputes with China. Figure 1 also includes data on each country’s BRI participation status. A (+) next to the country name in the first column indicates that a country has signed a BRI MOU, while a (-) indicates that the country remains a non-participant. To ensure that changes in bilateral trade flows that occurred post-MOU signing are not included, I am limiting my index timeline from 2013 to 2017. Although some countries did not join the initiative until well after 2017, the exclusion of recent years ensures that the index only captures a country’s trade interdependence with China pre-BRI. Furthermore, I excluded ten countries from the index due to a lack of available trade data: Barbados, Cuba, Dominica, Guyana, Haiti, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Venezuela. Of these ten excluded countries, three are non-participants in the BRI.

The first two variables in the index include data about trade volume (represented in USD). The first column uses the trade intensity index developed by the World Bank’s World Integrated Trade Solution.\(^50\) This index is calculated by dividing a country’s share of exports to China by

\[\text{Trade Intensity} = \frac{\text{Country's Exports to China}}{\text{Total World Exports to China}}\]

The index captures the relative importance of China in a country’s export market. The second variable, trade share, measures the proportion of a country’s total exports that go to China. The index also includes information on the existence of an FTA with China or ongoing FTA negotiations, which can indicate a country’s commitment to trade liberalization and integration with China. Finally, the index tracks trade disputes with China, reflecting any conflicts or issues that may arise in the bilateral trade relationship.

\[\text{Index} = \sum (\text{Trade Intensity} + \text{Trade Share} + \text{FTA or Negotiations} + \text{Trade Disputes})\]

This comprehensive approach allows for a nuanced understanding of the dynamics of trade interdependence and helps to identify countries that may be more or less prone to joining the BRI based on their trade relationships with China.

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the share of world exports to China and is used to determine whether a country’s bilateral trade with China is greater or smaller than expected based on China’s importance in world trade. Thus, an increase in a country’s trade intensity index would indicate that their exports to China are increasing at a faster rate than global exports to China. Trade share is another indicator of integration and is represented as the percentage of a country’s trade with China compared to its total trade with the world. The values for trade intensity and trade share were recorded for each year from 2013 to 2017 and averaged. Then, I calculated the percentile of each country’s average for these variables over the sample period. This percentile was then multiplied by 3 to calculate how many points each country would receive for these two variables within the index. For example, the country with the median level of trade intensity would have a percent rank of 0.5 and thus receive (+1.5) in the index.

Some LAC countries have also entered bilateral FTAs with China, signaling a desire for institutionalized trade cooperation. Of the 33 LAC countries, Costa Rica, Peru, Chile, Colombia, and Panama have FTAs in place or under consideration/negotiation.\textsuperscript{51} To measure this variable, I used WTO data to record whether a country has an FTA in place, an FTA upgrade in place, an FTA or upgrade under negotiation, or an FTA under consideration. For consistency, the FTA column also uses a three-point scale. A country with an FTA and upgrade in place receives (+3), an FTA in place and upgrade under negotiation receives (+2.5), an FTA in place and no upgrade receives (+2), an FTA under negotiation receives (+1.5), and an FTA under consideration receives (+1). The index also includes WTO disputes. If a country was involved in a formal dispute with China as either a complainant or respondent, it receives (-1). Brazil is the only LAC country that filed a WTO dispute against China between 2013 and 2017, as reflected in the index.\textsuperscript{52}

To calculate each country’s level of trade interdependence with China,


I summed the point totals for the four variables in the index. All categories are weighted equally in the index to give equal importance to quantitative trade trends (such as trade share and trade intensity) and efforts to institutionalize trade relations through FTAs, which may signal future deepening of trade relations. Countries with more total points have a higher level of trade interdependence, and countries with fewer points have a lower level of trade interdependence. All of the countries within the index are ranked by their point totals and then classified based on their rank. The top seven countries are described as having high trade interdependence with China. The middle eleven are classified as having moderate trade interdependence with China. Finally, the bottom seven in the ranking are classified as having low trade interdependence with China. These groupings are the basis for the independent variable in my case selection. The regional inventory only includes countries from the high and low trade interdependence groups. The use of outlier countries gives more insight into the effect of trade interdependence on BRI participation.

Figure 1: Bilateral Trade Interdependence Index (BTII) of 23 LAC Countries 2013-2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade Intensity Index (with China)</th>
<th>Trade share with China (percent of total trade)</th>
<th>Free Trade Agreement with China</th>
<th>WTO trade dispute with China</th>
<th>Total</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile (+)</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>0.00</td>
<td>9.00</td>
<td>1</td>
</tr>
<tr>
<td>Paraguay (+)</td>
<td>2.97</td>
<td>2.89</td>
<td>2.50</td>
<td>0.00</td>
<td>8.36</td>
<td>2</td>
</tr>
<tr>
<td>Colombia (+)</td>
<td>2.32</td>
<td>2.18</td>
<td>1.00</td>
<td>0.00</td>
<td>5.50</td>
<td>3</td>
</tr>
<tr>
<td>Uruguay (+)</td>
<td>2.59</td>
<td>2.59</td>
<td>-0.00</td>
<td>0.00</td>
<td>5.18</td>
<td>4</td>
</tr>
<tr>
<td>Costa Rica (+)</td>
<td>1.77</td>
<td>0.82</td>
<td>2.00</td>
<td>0.00</td>
<td>4.59</td>
<td>5</td>
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This index uses data from UN Comtrade, the World Integrated Trade Solution, the China FTA Network, and the WTO Dispute Settlement Database
CASE STUDY

Chile: High Trade Interdependence and BRI Participant

According to the BTII, Chile ranked first out of the 23 index countries for trade interdependence with China. It also ranked first in every category, having the highest average trade intensity index, trade share, a free trade agreement and upgrade with China and no trade dispute claims within the WTO. Chile’s trade intensity with China has been increasing since 2013, as displayed by the trendline in Figure 2. In 2020, the trade intensity index between Chile and China peaked at 323.17. Notably, the index increased sharply in 2018, the same year that Chile signed onto the BRI. This increase in the trade intensity index indicates that Chile’s exports to China are growing at a faster pace than global exports to China. The share of total trade between Chile and China has also been rising since 2013. Chile’s trade share with China peaked in 2020 at 33.92 percent of Chile’s total trade, making China its top trading partner. Trade share also increased significantly between 2017 and 2018, right before Chile’s MOU signature, and has been consistently trending upward since 2013. Comparatively, since 2013, Chile’s trade share with the United States has been relatively constant, at an average of 16.87 percent from 2013 to 2020.53

Figure 2: Chile-China Trade Intensity

Figure 3: Chile-China Trade Share

This figure displays data from the World Integrated Trade Solution’s Trade Intensity Index.

This figure uses data from UN Comtrade.

[53] “UN Comtrade Database.”
Chile also has an FTA and FTA upgrade in place with China. In 2005, Chinese President Hu Jintao and former Chilean President Ricardo Lagos witnessed the signing of the initial FTA, which entered into force in October 2006. The agreement established a free trade area between the two countries, extending to all goods and services over ten years. It also prevented the establishment of subsidies on any agricultural goods exported to the other party.\(^{54}\) In November 2017, the two countries agreed to an upgrade of the original FTA, formally called the Protocol to Amend the Free Trade Agreement and the Supplementary Agreement on Trade in Services of the Free Trade Agreement Between the Government of the People’s Republic of China and the Government of the Republic of Chile. This protocol was the second time China negotiated an FTA upgrade and significantly increased trade between China and Chile. The upgrade covered trade in goods and services, economic and technological cooperation, e-commerce, environment, competition, and government procurement. Furthermore, the upgrade also increased preferential market access for agricultural goods.\(^{55}\) The existence of both an FTA and FTA upgrade signals a significant desire between the two countries to cooperate on economic issues and bolsters the high level of bilateral trade interdependence. Chile also has an FTA with the United States, which entered into force on January 1, 2004.\(^{56}\) In 2004, the United States was Chile’s largest export market and second largest import partner, behind Argentina. However, since then Chile has shifted trade away from the United States.\(^{57}\)

In 2020, Chile’s main exports to China were copper ore ($13.1B), refined copper ($7.1B), and pitted fruits ($1.62B). Copper products are Chile’s

\(^{57}\) WITS, “Trade statistics by Country/Region.”
main global exports, with copper ore and refined copper representing 29.47 percent of Chile’s total exports in 2020. Chile’s main imports from China were broadcasting equipment ($1.26B), electric generating sets ($736M), and computers ($733M). Over the past five years, the value of Chile’s exports to China has increased by 76.2 percent and the value of its imports from China has risen by 12.1 percent. Notably, Chile has maintained a trade surplus with China since before it joined the BRI. In 2019, the most recent available year on WITS, China was Chile’s largest export market and import partner, with the United States coming second in both categories. The shift in trade from the United States to China during the study period aligns with the implementation of the 2005 China FTA and 2017 upgrade.

According to the Chilean Ministry of Foreign Affairs, on November 2, 2018, Chilean Minister of Foreign Affairs Roberto Ampuero met with the National Development and Reform Commission of China to sign a BRI MOU during the Third Meeting of the Chile-China Economic Coordination and Cooperation Dialogue Mechanism, which reviews bilateral policy collaboration. Ampuero articulated his belief that the initiative would allow China and Chile to enter a new phase of collaboration. He also stated that the BRI “this initiative will allow [Chile and China] to enter a new stage of collaboration... [and] will fundamentally allow [Chile] to explore many ways of cooperating and developing infrastructure for our country.” Here, Ampuero positions the BRI not only as a means for deepened diplomatic relations between Chile and China, but as a tool for Chile to modernize its roads, ports, bridges, and railways. Chile signed the MOU during a period of infrastructure prioritization; in 2018, Chile also established a state-owned company, Fondo de Infraestructura, to manage infrastructure capital and aims to foster new proj-

[58] OEC, “Country to country trade.”
[59] UN, “UN Comtrade Database.”
Therefore, Chile’s participation in the BRI represents bilateral alignment on Chile’s infrastructure goals, but more broadly highlights a continuation of pre-existing economic interdependence and policy coordination between Chile and China.

**El Salvador: Low trade Interdependence and BRI Participant**

El Salvador has the sixth-lowest level of trade interdependence with China, according to the BTII. Specifically, it has the fourth-lowest level of average trade intensity with China and the ninth-lowest average trade share. It also has not entered into any FTAs with China and does not have any trade agreements under consideration. While El Salvador does not have an FTA with China, it is part of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) with four other Central American countries, including Costa Rica, Guatemala, Honduras, and Nicaragua. Figure 4 depicts El Salvador’s trade intensity with China, which has been trending upward since 2013, peaking at 15.68 in 2018 when El Salvador signed its BRI MOU. El Salvador’s trade share with China has also been increasing steadily since 2013, as shown in Figure 5. Although the graph only shows data from 2013 to 2020, El Salvador’s trade share with China peaked in 2021, reaching 12.01 percent of its total trade. During the same period, El Salvador’s trade share with the United States has been steadily declining. In 2014, its US trade share peaked at 39.71 percent, but fell to its lowest level during the study period at 30.40 percent in 2020. This data shows that, although El Salvador has low overall trade interdependence with China, it demonstrates upward trends across multiple variables.


[63] “UN Comtrade Database.”
According to the OEC, El Salvador’s main exports to China in 2020 were electrical capacitors ($88.4M), raw sugar ($74.7M), and knit sweaters ($2.06M). These products are among El Salvador’s top exports, together representing 13.82 percent of its total exports. Notably, these products, specifically electrical capacitors and raw sugar, have seen drastic growth in Chinese export markets over the past five years. Although El Salvador’s global exports of raw sugar have fallen by 9.81 percent over the past five years, its exports of raw sugar to China have increased by 84.2 percent in the same period. Exports of electrical capacitors demonstrate a similar trend, falling by 24 percent globally and increasing by 41.2 percent in Chinese export markets. El Salvador’s main imports from China were broadcasting equipment ($123M), cloth articles ($57.6M), and computers ($48.8M). Over the past five years, the value of Salvadoran exports to China has increased by 204 percent, and its total import value has increased by 4.45 percent. China is El Salvador’s ninth-largest export market based on total export value. It is also El Salvador’s second-largest import partner, behind only the United States. This is a notable shift, as in 2013 China was not even in El Salvador’s top 30 largest exports markets. Over this period, Salvadoran trade, specifically exports, has been shifting from the United States to China.

[64] OEC, “Country to country trade.”
Although the exact date of the MOU signature is not public, the Chinese State Council published a press release indicating that El Salvador joined the BRI in 2018, shortly after it established diplomatic relations with China. During a meeting with Premier Li Keqiang on November 2, 2018, former Salvadoran President Sánchez Cerén committed to participate in Belt and Road construction and jointly promote the initiative. Although El Salvador has a low overall level of trade interdependence with China, its growth in trade intensity and trade share before 2018 are critical to consider when analyzing its decision to join the BRI. Unlike Chile, El Salvador’s BRI MOU signature is not an extension of strong, pre-existing bilateral relations. In this case, the BRI is part of a new phase of economic integration and policy coordination between El Salvador and China.

**Colombia: High Trade Interdependence and BRI Non-participant**

According to the BTII, Colombia has the third-highest level of trade interdependence with China out of the countries represented on the index. Colombia has the sixth-highest average trade intensity and reports the seventh-highest average trade share from 2013 to the present. Additionally, Colombia has an FTA under consideration with China and no trade disputes within the WTO. Figure 6 shows that although Colombia’s trade intensity with China has varied somewhat since 2013, the trendline remains generally constant. The trade intensity index between Colombia and China has peaked twice, reaching 125.91 in 2014 and 125.67 in 2019, two years after the expansion of the BRI into Latin America and the Caribbean. The flat trade intensity trendline indicates that, on average, Colombia’s exports to China are changing at the same rate as global exports to China. Although the trade intensity between China and Colombia does not demonstrate any significant upward trend, Colombia’s trade share has been increasing since 2013, as depicted in Figure 7. Notably, in 2020 Colombia recorded its highest trade share with Chi-

na during the study period, reaching 17.64 percent of Colombia’s total trade. During the same period, Colombia’s trade share with the United States decreased, falling from 29.71 percent in 2013 to 26.96 percent in 2020.67

*Figure 6: Colombia-China Trade Intensity*  
*Figure 7: Colombia-China Trade Share*

In 2012, Colombia and China began to consider implementing an FTA. The Chinese Minister of Commerce, Chen Deming, and the Colombian Minister of Trade and Industry Tourism, Sergio Díaz-Granados Guida, signed a cooperation agreement for a Joint Feasibility Study on Bilateral Free Trade Agreements between the two countries.68 However, this preliminary agreement to deepen economic and trade ties was unsuccessful in producing a formal bilateral FTA. While Colombia does not currently have an FTA with China, its bilateral FTA with the United States, the Colombian Trade Promotion Agreement, entered into force on May 15, 2012.69 Despite the lack of an FTA between Colombia and China, the two countries have maintained a close economic relationship. In 2020, Colombia’s main export to China was crude petroleum ($2.19B), rep-

[67] “UN Comtrade Database.”  
resenting 78.2 percent of its total exports to China. Colombia demonstrates a pattern in commodity trade similar to El Salvador. Although its global exports of crude petroleum, its primary export product, have fallen 40.3 percent over the past five years, its exports of crude petroleum to China have increased 21.7 percent in the same period. Over the past five years, Colombia’s total export value to China has increased by 23.3 percent, and the value of its total imports from China has increased by 4.5 percent.70 These increases are much lower than the increases in export and import value seen by Chile and El Salvador. Furthermore, the use of nominal trade values means that any increases in trade value may also reflect inflation trends. Currently, China is Colombia’s second-largest export market and import partner, behind the United States in both categories.71

While Colombia has strong economic relations with China, it remains a non-participant in the BRI. In 2019, Chinese President Xi held talks with former Colombian President Iván Duque, again extending an invitation for Colombia to participate in the BRI. While Chinese press releases state that Colombia stands ready to participate in the initiative, it has not formally joined the BRI by signing an MOU.72 In contrast to Chile and El Salvador, Colombia’s trade interdependence with China is stagnant across multiple measures, including trade share, trade intensity, and changes in export and import value. In this sense, Colombia does not face increasing economic pressures to deepen diplomatic collaboration with China, as demonstrated by its choice to not join a bilateral FTA and its non-participation in the BRI.

Guatemala: Low Trade Interdependence and BRI Non-participant

Guatemala has the seventh-lowest level of trade interdependence with China, according to the BTII. It has the tenth-lowest level of average

[70] OEC, “Country to Country Trade.”
trade intensity with China and the seventh-lowest average trade share since 2013. Furthermore, Guatemala has not signed an FTA with China and has not held talks to consider entering an FTA. Like El Salvador, Guatemala is part of CAFTA-DR with the United States.\textsuperscript{73} Figure 8 depicts Guatemala’s trade intensity with China, which has varied greatly since 2013. However, the trendline in trade intensity between Guatemala and China is largely constant. Guatemala’s trade intensity index peaked at 23.18 in 2015 before the index trended downward until 2018. However, it has increased dramatically since 2018, reaching 19.48 in 2020. Guatemala’s trade share with China has been more consistent, steadily increasing since 2013. In 2020, Guatemala recorded its highest trade share with China at 11.10 percent of its total trade. During the same period, Guatemala’s trade share with the United States had a downward trend. Its trade share with the US peaked at 38.77 percent in 2014 and fell to 32.49 percent in 2020.\textsuperscript{74}

\textbf{Figure 8: Guatemala-China Trade Intensity} \hspace{1cm} \textbf{Figure 9: Guatemala-China Trade Share}

In 2020, Guatemala’s main export to China was ferroalloys ($176M), representing 75.9 percent of its total exports to China. Notably, ferroalloys are not Guatemala’s main global export product, only making up 2.61 percent of its total exports. However, they are playing an increasing

\begin{itemize}
  \item \textsuperscript{73} OUSTR, “CAFTA-DR (Dominican Republic-Central America FTA).”
  \item \textsuperscript{74} “UN Comtrade Database.”
\end{itemize}
role in Guatemala’s export economy. Over the past five years, ferroalloy exports have increased by 121 percent globally, and ferroalloy exports to China have increased by 204 percent. Guatemala imports a wide variety of products from China, primarily broadcasting equipment ($95.8M), motorcycles ($92.8M), and other cloth articles ($86.7M). Over the past five years, Guatemala’s total export value to China has fallen 3.4 percent, and the value of its imports from China has increased 8.88 percent.\textsuperscript{75} This is a strong contrast to Chile and El Salvador, which experienced significant increases in both categories. China is Guatemala’s eleventh-largest export market and second-largest import partner, behind the United States, which ranks first in both categories.\textsuperscript{76} Overall, Guatemala has relatively weak economic relations with China, especially compared with other LAC countries such as Chile and Colombia. Rather, the United States has consistently remained Guatemala’s top trading partner, accounting for 32.49 percent of Guatemala’s total trade share.\textsuperscript{77}

While Guatemala is barred from signing a BRI MOU due to its long standing diplomatic recognition of Taiwan, these results show that it has little economic incentive to recognize the “One China Policy” and establish relations with China. Unlike El Salvador, which cut ties with Taiwan in 2018 before joining the BRI, Guatemala demonstrates no significant increases in trade interdependence as measured by trade intensity and trade share. Furthermore, Guatemalan exports to China have fallen in recent years and its increase in imports from China is negligible compared to Chile and El Salvador. In this case, Guatemala’s trade trends with China more closely resemble Colombia, despite the differences in their overall level of bilateral trade interdependence. In both cases, stagnant economic relations are correlated with non-participation in the BRI.

**DIPLOMATIC AND POLITICAL FACTORS**

While the main dimension of the comparative case study demonstrates

\[\textsuperscript{75} \text{OEC, “Country to country trade.”}\]
\[\textsuperscript{76} \text{WITS, “Trade statistics by Country/Region.”}\]
\[\textsuperscript{77} \text{“UN Comtrade Database.”}\]
that countries facing increases in bilateral trade interdependence are more likely to participate in the BRI, it is also important to consider political factors that may explain participation. This section of the paper explains each country’s diplomatic relations with China by including data about formal meetings, when each country established full diplomatic relations, and statements by government officials regarding China and the BRI.

**Chile**

Shortly following the 1970 presidential election of socialist Salvador Allende, Chile became the first South American country to establish diplomatic relations with China. Following the 1973 coup that ousted Allende, right-wing dictator General Augusto Pinochet strengthened bilateral relations with China through economic and commercial cooperation. Around this time, bilateral FDI exchanges in the mining industry had begun and by the end of the Pinochet regime in the 1990s, Chile started to prioritize relations with Asian and Pacific countries. Today, Chile strictly adheres to the “One China” policy as evidenced by their embassy in Beijing and consulates-general in Chengdu, Guangzhou, Hong Kong, and Shanghai. China also has an embassy in Santiago and a consulate-general in Iquique. In 2016, China and Chile elevated their relationship to a comprehensive strategic partnership: a diplomatic category that China reserves for countries with solid bilateral relations and development prospects, including six other LAC countries: Argentina, Brazil, Ecuador, Mexico, Peru, and Venezuela. During the same diplomatic meeting, the two countries established the Permanent Binational Commission and the Mechanism for Strategic Dialogue for Economic Cooperation and Coordination. The recognition of the “One China”

[78] Bilateral Relations,” *Ministerio de Relaciones Exteriores de Chile*.


policy and the continued bilateral progress on signing cooperation initiatives indicates that Chile and China maintain strong diplomatic relations.

Former Chilean President Sebastián Piñera, who served from 2010 to 2014 and again from 2018 to 2022, gave a series of public statements regarding the Chile-China diplomatic relationship. In April 2019, Piñera delivered a speech at Tsinghua University titled “Chile and China: Facing Together the Challenges and Opportunities of the Future,” which commended China’s progress on climate change and technological innovation. In this speech, Piñera also addressed the BRI, stating that “The Belt and Road Initiative (BRI) has not only further promoted exchanges between China and Chile but has also built a bridge connecting many countries in the world.”

In the same month, he spoke at a Chinese investment forum, stating his desire to “transform Chile into a business center for Chinese companies, so that [China] can, from Chile, reach out to all of Latin America.” These statements highlight Piñera’s desire to maintain strong diplomatic relations with China, along with broadening their influence across South America. On March 11, 2022, current Chilean President Gabriel Boric assumed office. Boric is a member of Apruebo Dignidad (Approve Dignity), a left-wing electoral coalition. Although he has not made any public speeches regarding Chile-China relations during his short term, he spoke out against the Chinese dictatorship in 2018.

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condemnation by Boric suggests that the strength of diplomatic relations between Chile and China will not likely change during his term. The need for stabilization and financial recovery, in the aftermath of the COVID-19 pandemic, provides an economic imperative for Boric to prioritize Chile-China relations.

**El Salvador**

In August 2018, El Salvador cut formal diplomatic ties with Taiwan and signed a joint communiqué on the establishment of diplomatic relations between China and El Salvador. This adoption of the “One China” policy marked a significant shift in Salvadoran foreign policy. El Salvador is one of the most recent LAC countries to cut diplomatic ties with China, preceded by Panama in 2017 and the Dominican Republic in 2018. Salvadoran Foreign Minister Carlos Castaneda spoke about the decision during a state visit to Beijing with Chinese Foreign Minister Wang Yi. During this meeting, Castaneda stated that establishing diplomatic relations with China was a strategic decision based on the mutual interests of the Chinese and Salvadoran peoples. Currently, El Salvador’s Ministry of Foreign Relations lists China as one of 19 development partners on its official website. In alignment with establishing diplomatic relations, El Salvador and China both opened embassies in their respective countries. Shortly after establishing relations, El Salvador signed a BRI MOU. As of 2021, China had not elevated the status of its relations with El Salvador beyond normal diplomatic relations.

Despite the recentness of their diplomatic relations, El Salvador and China have made progress since 2018. El Salvador established diplomatic relations with China under former President Salvador Sánchez Cerén. However, the election of populist President Nayib Bukele in 2019 marked a shift in national attitudes towards China. In March 2019, then-president-elect Bukele condemned China’s advances in the region,

stating that “China does not play by the rules; they do not respect the rules. They develop projects that are not feasible, leaving countries with huge debt that cannot be paid back and use that as financial leverage.”

Although not explicit, this statement indirectly criticizes the BRI.

Since assuming office in June 2019, Bukele has withheld public criticism of China, having his first official meeting with President Xi in December 2019 at the Great Hall of the People in Beijing. During this visit, Bukele signed several bilateral agreements in which China promised El Salvador $500 million in new development projects, including a sports stadium, national library, tourist pier, and improvements to water treatment facilities. El Salvador has also received significant aid from China during the COVID-19 pandemic, receiving 1.5 million Sinovac vaccines in 2021. Although El Salvador formally recognized China under former president Sánchez Cerén, the continuation of diplomatic progress under Bukele indicates that El Salvador-China relations will likely continue to deepen, in spite of Bukele’s previous criticism.

Colombia

In adhering to the “One China” policy, Colombia established diplomatic relations with China on February 7, 1980 by recognizing the PRC as the sole legitimate government of China. Then-President Ernesto Samper Pizano was the first Colombian head of state to visit China in October 1996. Since then, there have been several high-level diplomatic visits

between Colombia and China. Furthermore, the two countries have implemented several bilateral mechanisms to strengthen diplomatic relations. Colombia and China have held five vice ministry Political Advisory Mechanisms, seven Joint Commissions of Cooperation in Economy and Trade, three Joint Commissions of Scientific and Technical Cooperation, and several bilateral Work Plans for Education and Culture.90 Despite their history of cooperation on several issues, Colombia has not elevated its relations with China through BRI participation.

On July 31, 2019, former Colombian President Iván Duque held talks with President Xi for the first time in Beijing. During this meeting, Xi expressed his desire to intensify high-level bilateral exchanges and once again invited Colombia to join the BRI. President Duque stated that Colombia stands ready to participate in the BRI and hopes to integrate the two countries’ development strategies.91 Furthermore, China provided considerable COVID-19 vaccine assistance to Colombia. On March 21, 2021, the Ministry of Foreign Affairs of the People’s Republic of China stated it hopes “that the governments and peoples of the two countries will make joint efforts to strengthen friendly cooperation in various fields, including the anti-pandemic fight, so as to elevate China-Colombia friendly cooperation to a new level.”92 During a February 2021 phone call with Xi, Duque expressed a desire to deepen bilateral cooperation in several fields, such as “trade and economy, science and technology, and culture and sports.”93

Despite these public statements, Colombia’s non-participation in the BRI and China’s hesitancy to elevate Colombia to a strategic partner indicates that bilateral diplomatic relations have the potential for improve-

[91] FMPRC, “Xi Jinping Holds Talks with President Iván Duque.”
ment. Duque’s 2019 visit marked the height of discussions about China joining the BRI, which have since stalled. The background context of the US-China trade war is relevant when considering the lack of formal progress in Colombia-China relations since the 2019 meeting. Specifically, the meeting occurred right before trade talks between the United States and China stalled in August 2019. During this period, new retaliatory tariffs were announced by both countries, signaling to the rest of the world that trade tensions between the United States and China were likely to persist. Given this context, strengthening relations with China at this time may have been costly to Colombia given its close economic ties with the United States. The private sector may also offer a degree of explanation for the disconnect between statements by government officials and actual diplomatic coordination. For example, Sergio Clavijo, president of the National Association of Finance Institutions, has voiced concerns about conditions that require financing recipients to acquire Chinese goods and services. For Colombia, which maintains a trade deficit with China and has poor transportation logistics facing the Pacific, these requirements may be expensive and exacerbate the existing deficit. Therefore, it is possible that Colombia’s non-participation in the BRI may reflect private sector concerns about the initiative rather than a government reluctance to deepen diplomatic relations.

In August 2022, left-wing politician Gustavo Petro became president of Colombia, a shift from Duque’s center-right government. While Petro’s agenda does not focus on relations with China, analysts point to his political appointees as indicators that the relationship will continue, and possibly deepen. Specifically, Petro’s foreign minister, Álvaro Leyva, has supported left-wing ideologies that may align with deepening bilater-

However, the overall lack of discourse by the Petro administration regarding China indicates that the political shift is unlikely to produce substantive change in bilateral relations.

Guatemala

Currently, Guatemala has no formal diplomatic relations with China. Since 1960, Guatemala has maintained diplomatic relations with Taiwan and remains one of its fourteen global allies. Recent press releases and statements by government officials indicate that these diplomatic relations will likely remain strong in the coming years and that Guatemala will not join El Salvador, Panama, the Dominican Republic, and Nicaragua in recognizing the “One China” policy. In December 2021, Guatemalan President Alejandro Giammattei reaffirmed Guatemala’s commitment to Taiwan in a speech in Washington. In the speech, Giammattei stated that Guatemala maintains “diplomatic relations with Taiwan, not China. We’re the last ones left in the region.” This statement is partly false, as Honduras and Belize join Guatemala as Taiwanese supporters in Central America. In an interview with the Financial Times, Giammattei doubled down on its alliance with Taiwan, stating that “The Chinese are pressuring us a lot, they are offering us a lot ... they did offer [vaccines, but] we didn’t accept.” While other LAC countries, such as El Salvador and Colombia, accepted COVID-19 vaccines from China, Guatemala relied primarily on COVAX, a joint initiative between the Coalition for Epidemic Preparedness Innovations, the Global Alliance for Vac-

cines and Immunizations, and the World Health Organization.\textsuperscript{101} Giammattei’s refusal to accept aid from China even in a time of crisis signals his ongoing support for Taiwan. Based on these statements, Guatemala will likely continue to recognize Taiwan for the remainder of Giammattei’s term, set to end in 2024, despite China’s efforts to establish relations.

**FINDINGS**

This research finds that countries with actively deepening trade interdependence with China are more likely to participate in the BRI, and that overall levels of trade interdependence offer less insight into BRI participation. Specifically, the cases of Chile and El Salvador demonstrate the extent to which increasing levels of trade interdependence relate to BRI participation while Colombia and Guatemala show the relationship between insignificant trade trends and non-participation in the BRI.

Chile has maintained strong economic relations with China, with China consistently ranked as its top global trading partner. Furthermore, Chile’s trade intensity and trade share with China are both trending upwards, with a significant increase in both variables before its MOU signature in 2018. The increase in trade intensity indicates that the ratio of Chilean exports to China is increasing at a faster rate than the global ratio of exports to China. Additionally, Chile has strong diplomatic relations with China as the first South American country to establish diplomatic relations with China and through its strict adherence to the “One China” policy. Chile continues to make diplomatic progress with China, establishing multiple cooperation mechanisms, such as commissions for bilateral cooperation, and a comprehensive FTA.

Although BRI participant El Salvador is categorized as having low trade interdependence with China, trade intensity and trade share are both trending upwards. Both variables demonstrated a notable increase prior to El Salvador’s 2018 MOU signature, with trade share continuing to

trend up, peaking in 2021. Over the past five years, the value of Salvadoran exports to China has increased by 204 percent, demonstrating China’s growing role as a Salvadoran export market. El Salvador’s 2018 acknowledgement of the “One China” policy marks a significant shift in bilateral diplomatic relations and occurred alongside this deepening economic relationship. Since then, El Salvador has engaged with China through multiple state visits and China provided El Salvador millions of COVID-19 vaccine doses. In this case, El Salvador’s increasing trade interdependence correlates with strengthening diplomatic relations through state visits and BRI participation.

The case of Colombia offers insight into non-participation by countries with a high level of trade interdependence with China. According to the BTII, Colombia has the third-highest trade interdependence with China. However, unlike El Salvador and Chile, Colombia is not experiencing increasing trends across variables. Although total trade share has been steadily increasing since 2013, trade intensity does not demonstrate a significant upward trend. Rather, trade intensity has fluctuated over the past eleven years, falling again between 2019 and 2020. The constant trendline for trade intensity indicates that, unlike Chile and El Salvador, Colombia’s ratio of exports to China is changing at the same pace as the global ratio of exports to China. The value of imports and exports between Colombia and China has grown somewhat over the past five years. However, these increases are more dramatic than trends demonstrated by El Salvador and Chile. Furthermore, this data uses nominal prices, meaning that the perceived increases in export and import values may be in part due to inflation effects. Like Chile, Colombia is a long-standing diplomatic ally of China, recognizing the “One China” policy since 1980. However, it has not signed important bilateral agreements such as the BRI. In the case of Colombia, high trade interdependence is not paired with significant upward trends across indices, a contrast to Chile and El Salvador, which have seen a marked increase in BTII variables since 2013. This difference is critical to understanding Colombia’s non-participation, as the country does not have a growing economic imperative to increase diplomatic coordination through mechanisms such as the BRI.
Guatemala remains a non-participant in the BRI due to its diplomatic relations with Taiwan and nonadherence to the “One China” policy. Furthermore, Guatemala does not have a high level of trade interdependence with China. Similar to Colombia, Guatemala has a steady upward trend in trade share with China but has a fluctuating trade intensity index that demonstrates no significant upward trend. Although its import value from China has increased slightly over the past five years, its export value has fallen in the same period. This increase in imports is insignificant as it may reflect inflation effects. While its recognition of Taiwan precludes Guatemala from joining the BRI, regional trends highlight that this is not a permanent barrier. El Salvador, Panama, the Dominican Republic, and Nicaragua have all established diplomatic relations with China since 2017. However, unlike El Salvador, Guatemala is not experiencing deepening trade relations with China, and thus has less economic incentive to recognize the “One China” policy and join the BRI.

**CONCLUSION**

This research shows a strong relationship between trade trends and BRI participation. While there is not sufficient evidence to support the hypothesis that high overall trade interdependence with China increases the likelihood of BRI participation, this paper shows a strong relationship between increases in trade interdependence indices and BRI participation. The cases of Chile and El Salvador exemplify the relationship between upward trade trends and BRI participation. Although the two countries have different overall levels of trade interdependence with China, they both show an upward trajectory across multiple categories. Colombia and Guatemala demonstrate a less significant trend across these trade indices. While they are both experiencing a steady increase in trade share with China, neither country has an upward trend in trade intensity. This indicates that their ratio of exports to China is changing at the same rate as the ratio of global exports to China. Furthermore, Colombia and Guatemala have not experienced a significant increase in total export value or import value. Although Colombia adheres to the “One China” policy and thus has the option of signing a BRI MOU at
any time, Guatemala remains ineligible to participate in the initiative due to its recognition of Taiwan. However, unlike El Salvador, Guatemala is not experiencing a large enough increase in trade interdependence to incentivize further diplomatic cooperation through recognition of the “One China” policy. This finding offers support for the paper’s final conclusion that deepening trade interdependence may offer an explanation for the shift away from Taiwan by some LAC countries, however this hypothesis requires further empirical testing. This research shows that trade interdependence is one indicator of BRI participation. However, the overall level of trade interdependence is less significant than general trade trends when considering countries’ reasons for BRI participation.

This research helps to identify trends amongst some LAC BRI MOU signatories. Specifically, it contributes to literature indicating that economic interdependence is linked with bilateral diplomatic progress, finding that countries with upward trends in bilateral trade indices with China may increasingly join the BRI. This research is timely and relevant, as the increased number of BRI participants in Latin America and the Caribbean indicates that China will remain a strong presence in the region. Furthermore, the increased economic role of China in Latin America and the Caribbean is paired with a decrease in several countries’ trade with the United States. While all of the countries in this study are seeing an increase in trade share with China, as depicted by Figure 10, their trade share with the United States is trending down, shown in Figure 11. It is notable that US trade share is generally decreasing among the case countries despite the existence of multiple US-LAC FTAs. The deepening trade interdependence between Latin America and the Caribbean and China has manifested in the increase in BRI participation in the region, signaling that economic interdependence leads to the formalization of relations through bilateral agreements such as the BRI. Over the coming years, researchers may consider if this will also lead to the proliferation of more bilateral FTAs between China and LAC countries.
While this paper establishes a baseline for the relationship between trade interdependence and BRI participation, it offers a small glimpse into the complex and evolving relations between China and Latin America and the Caribbean. A more comprehensive regional case study may offer a more complete picture of the reasons behind LAC BRI participation. Future research may also benefit from the inclusion of investment data, such as levels of FDI. Additionally, a regional analysis of the political parties in power during each country’s MOU signature would provide more information about different political factors that may explain BRI participation. Finally, more in depth research is needed into how increased BRI participation and trade with China in Latin America and the Caribbean offset US influence in the region.

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