Losing Ground in Latin America and the Caribbean

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In December of last year, former President Biden embarked on a trip to South America, where his administration announced new investments in the region. The US and Peru agreed to a $6.2 million sale of retired trains from California, in addition to over $100 million in American investments in 2024. This included $65 million for counternarcotics, $8.5 million for port security, and $30 million for water infrastructure to boost trade and foreign direct investments, or FDIs (White House 2024). In contrast, Chinese leader Xi Jinping, who was in Lima for the annual meeting of the Asia-Pacific Economic Cooperation Forum (APEC), announced the inauguration of the Chancay deep-water port—a $1.3 billion project, led by People's Republic of China (PRC) state-owned COSCO Shipping, that is expected to generate $4.5 billion annually for Peru and create over 8,000 direct jobs in the region (MI News Network 2024; Cassinelli and Costello 2024).

The disparity between these investments may grab headlines, but it underscores a deeper issue: the US is steadily losing economic and political influence in Latin America and the Caribbean (LAC). China's Belt and Road Initiative (BRI), initially devised to connect East Asia to Europe through infrastructure projects, has expanded globally, including into LAC (McBride, Berman, and Chatzky 2023; Feingold 2023). The policy serves as a vehicle to advance China's soft power by driving state-subsidized regional growth and indirectly extending its military capabilities in the region. This poses a problem for the US, as waning influence in its own hemisphere threatens both economic stability and national security. LAC has long been central to US strategic interests, but its position in the region is no longer unrivaled (Barshefsky et al. 2008). Without renewed engagement, the US risks undermining both the region's autonomy and American security.

CHINA GAINS IN LAC

For the past two decades, China's BRI has expanded its focus from large-scale infrastructure projects to investment in strategic economic sectors that countries in LAC cannot afford to manage without outside help. Investment in renewable energy and mining precious metals like lithium is central to China's directive to expand its global dominance (Cooper 2024; Cardozo 2024).

China's decisive approach to the region is marked by the new megaport in Peru. The project has the potential to reshape trade and create new routes that entirely bypass North America. The port aims to reduce shipping times between Peru and China from 35 to 23 days, cutting logistics costs by at least 20 percent. The project will also spread benefits across the region, serving as a hub for goods from Brazil, Chile, Colombia, and Ecuador en route to Shanghai and other major Asian ports (Mandra 2024).

The Chancay Port represents a component of that policy, joining numerous projects in LAC such as railways in Bolivia and Argentina, industrial parks in Trinidad and Tobago, roads through the jungles of Costa Rica, and the Coca Codo Sinclair hydroelectric plant in Ecuador (Dahl 2024; Radomski 2024). As of this year, 22 LAC countries have signed on to the BRI, Colombia being the most recent signatory (Roy 2025; Torrado 2024). China has been South America's largest trading partner for over a decade; however, the Chancay project may very well propel South America-China trade to even higher levels (Seshasayee 2024). In Central America, the US remains the region's largest trade partner, but China continues to make significant inroads, with trade between the two expected to continue growing throughout the decade (Zhang and Prazeres 2021).

LAC states welcome foreign subsidies and trade routes due to various complex financial and structural realities these countries often face—many are not positioned to weigh the broader geopolitical implications of such investments. This is particularly true in the aftermath of the global coronavirus pandemic, which left regional economies decimated, markets destabilized, and recovery efforts heavily reliant on external support (Cottani 2020). Yet, LAC officials continue to stress that the US and China are both key partners. "Peru is open to do business with all countries," a senior Peruvian official told Reuters (Aquino and Baptista 2024). But officials also concede that China has focused more attention to the region compared to their American counterparts—reflecting a strategy to concentrate investments in regions that need it most, LAC being one of them (Aquino and Baptista 2024; Roy 2025).

While China cannot directly establish a military presence in the region without provoking a response from the US, it has instead turned to commercial engagement to gain strategic security advantages (Lazarus and Berg 2022).

Beijing is leveraging its growing industrial foothold in LAC to construct dual-use infrastructure and transport networks that serve both civilian and defense purposes (Pettus 2023). China administers approximately 40 port-building projects throughout the region, nearly all owned by state-owned enterprises. These ports are strategically positioned near important waterways, like the Panama Canal and the southern coast of Chile, allowing China to monitor US naval movements and maritime traffic, along with establishing a stronger presence near vital shipping routes (Desurmont 2024; Grady 2022). By controlling critical infrastructure in LAC, China is able to dictate trade terms, deepen dependencies, and sideline US influence in an effort to undermine American businesses and shift alliances toward Beijing. The Chancay Port is representative of this approach, combining commercial and strategic functions while providing Chinese freighters direct access to trans-Pacific maritime routes (Desurmont 2024).

These PRC-backed port projects challenge the US sphere of influence in LAC by creating key military and economic chokepoints meant to disrupt US security and commercial operations. Policymakers have been sounding the alarms of China's growing footprint in Latin America and the Western Hemisphere. The US needs to re-engage in the region (Katz 2022). The Trump administration's weaponization of trade policy to antagonize long-time allies, combined with its pledge to increase trade barriers in the region and reports of potential tariffs of up to 60 percent on goods passing through Peru's new Chancay port or other PRC-controlled ports, would complicate these efforts (Donnan, Wallbank, and Martin 2025; US Department of State 2025; Gerbaud 2024).

RESPONSE FROM THE US

The US cannot afford to lose ground in Latin America (Ellis et al. 2024). The national security concern is clear: an adversary gaining significant local influence poses a direct threat. Though the military use of civilian and commercial dual-use infrastructure remains unlikely, analysts caution against dismissing the possibility altogether (Kardon and Leutert 2022). The US must reassert itself in the region and reevaluate its policy approach of the last few decades. This cautious, half-hearted engagement with LAC—defined by a strategy rooted in free trade agreements, a persona-non-grata posture, and a lack of sustained commitment—has come back to undermine the US China, meanwhile, has pursued an aggressive expansion of its soft power in the region, using large-scale investments that double as not-so-subtle tools of security and economic leverage (Latin American Post Staff 2024). While these projects are tied to deceptive practices and debt diplomacy, they have successfully established economic dependencies and trade routes that all lead back to Beijing—the original policy objective to BRI (Hillman 2019; Kaleji 2024).

More concerning is how China's FDI in LAC has evolved over time (Lewkowicz 2024). After years of large-scale infrastructure and extractive projects, Chinese firms have moved into niche and high-growth sectors, like lithium mining. This evolution reflects a decades-long learning process and a familiarization from Chinese firms and LAC officials of conditions on the ground (Lewkowicz 2024). This mutual adaptation has allowed China to scale its efforts, moving into "innovative" sectors and imprinting its position on industries critical to future global supply chains (Laje 2024). The US needs to reverse this trend by taking advantage of its natural proximity to the region and the economic and political partnerships created in years past.

In this regard, recent comments by President Trump about purchasing or forcibly annexing the Panama Canal contradict that approach and threaten to alienate the US from countries in the region that need reliable partners (Doyle and Hillyard 2025). In truth, the president's suggestion confirms the importance of ensuring access to strategic assets and shoring up US security concerns. However, this "America First" movement, with shades of Theodore Roosevelt-esque new imperialism—whether intentional or not—is ultimately short-sighted (Sanger and Friedman 2024). The US would be better served rethinking how it conducts its soft power in LAC.

This means making changes to current commercial and development initiatives in an effort to reduce reliance on opaque Chinese financing. Ryan Berg, director of the Americas Program at the Center for Strategic and International Studies, suggests that targeted investments through Special Economic Zones (SEZs) and reforms to the Development Finance Corporation (DFC)—the government's primary agency for mobilizing private-sector development globally—are essential to rebalancing regional dynamics. SEZs, paired with public-private partnerships, can attract private industry to zones that support infrastructure development and commercial expansion. Berg also argues the DFC must be reformed to meet this challenge. While the region has over 500 SEZs, the agency has struggled to identify relevant sites due to governance gaps, regulatory uncertainty, and inadequate infrastructure (Berg 2022). Focusing on SEZs with strong governance, flexible regulations, and geographically strategic locations near ports and transit hubs would enable the DFC to better drive investments in critical infrastructure and high-growth industries (World Bank Group 2008).

Policymakers can also leverage SEZs to promote nearshoring by relocating or developing production and manufacturing in the region, thereby reducing supply dependencies, improving regional trade, and creating a buffer against global shocks (Larraín and Cifuentes 2024). Additionally, the US needs to capitalize in areas where it is ahead. The recent announcement of a trade agreement between the Southern Common Market (MERCOSUR), a South American trade bloc, and the European Union (EU) presents an area to exploit (European Union 2024). Engagement on EU import standards, including environmental, intellectual property rights, and worker protections—areas often undermined by PRC investments—offers a chance for the US and its allies to counter China's deceptive but appealing loans and projects (Financial Times 2024).

CONCLUSION

These tools will be critical to restoring US influence in LAC. Transparent and sustainable investments can narrow the PRC's advantage while setting the stage for long-term stability in the region. Unlike China's debt-heavy agreements, the US can position itself as a mutually beneficial partner, free from the baggage of economic dependency (Green 2019). Beyond driving growth, this approach can reverse harmful trends like democratic backsliding, regional insecurity, and migration pressures as a byproduct of meaningful development (Piazza 2024; Sen 2017; Simpson 2022). Policymakers should also avoid the appearance of intervention in LAC, a region with a long history of colonialism and forceful American involvement (D.M.P. 1970). Many Latin Americans will resent interference from what they see as a "colonial" power, and those perceptions risk driving states closer to China, which markets itself as a non-colonial alternative. Outcompeting China in Latin America and the Caribbean is a critical national security and economic priority (Choquette and Urbano 2022). The US must move beyond a reluctant and slow response to China's effective development aid strategy. A well-resourced and intentional approach to counter PRC infrastructure projects is essential to reestablishing the US as a mutually beneficial partner in the Western Hemisphere (Berg 2022).

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