Estranged Neighbors: The Decline of U.S. Influence in Latin America and the Caribbean

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In Latin America and the Caribbean (LAC), the United States retains residual influence through shared history, culture, language, and migration. But the region’s “muscle memory” has undergone rapid changes. Gone are the days when Washington was first on LAC’s speed dial; here are the days when many countries seek distance—often equal distance from both Washington and Beijing. Others wholeheartedly embrace Beijing’s presence to consolidate domestic political projects and pursue national development goals.¹

Since the early 2000s, U.S. influence in its shared neighborhood has declined noticeably, with the concomitant rise of China as either the top trading partner or second-largest trading partner of every country in the region. In part, waning U.S. influence is a direct result of U.S. policies that neglected the region and took its relative peace and stability for granted.² Yet, it also reflects a voracious Chinese appetite for LAC’s commodities—a partial economic complementarity that China discovered in the late 1990s and early 2000s and has leveraged to influence much of the region and pursue its strategic goals. One (albeit imperfect) example of China’s advance in LAC concerns the Belt and Road Initiative (BRI). In 2016, zero countries in the region had acceded to the BRI, but by 2022, 22 of the 35 Western Hemisphere countries had acceded.³ Assuming the United States and Canada will not join BRI any time soon, and considering LAC maintains seven countries that recognize Taiwan—the largest concentration of any region in the world—China has convinced 22 of 26 eligible countries to join BRI in a matter of five years. Arguably, some of the largest holdouts—Brazil, Mexico, and Colombia—do not matter as much, given China’s ability to project influence in these countries in other ways.⁴ BRI or not, Brazil was the top destination for Chinese foreign direct investment in 2021. In just one example of strategic investment in sensitive areas, Chinese companies control over 10 percent of the country’s power transmission capacity.⁵

In many ways, declining U.S. influence in LAC mirrors that across other parts of the so-called Global
South. But growing U.S. strategic insolvency in LAC is arguably much more concerning and impactful on U.S. national security and prosperity. Most of the region has pursued a foreign policy variably referred to as “neutrality,” “non-alignment,” or “active non-alignment.” Countries in LAC have focused principally on internal development, exiting the confines of the middle-income trap, and keeping their distance from global hot spots. Moral appeals and value-based approaches have failed to yield closer alignment with the United States. More and more, China’s transactional approach appeals to regional leaders because it is devoid of moralizing and replete with speedier shovels in the ground that align with LAC’s frequent democratic election cycles. Too often, the United States has been hamstrung trying to fight something with nothing.

The reality is that China is not going anywhere. Analysts who speak of extirpating Chinese influence in the region are unserious. Their plans, if followed, would do grave harm to the residual influence the United States still possesses in its shared neighborhood. Instead, the United States should pursue a three-pronged strategy to address burgeoning Chinese influence in LAC: insulate, curtail, and compete. The strategy is realistic in that it assumes current funding levels across the region remain constant for development, security assistance, and trade promotion initiatives. In fact, LAC is likely a region the U.S. government would shift funding away from in the face of a major contingency in the Indo-Pacific theater. In short, the United States must find a way to do more and be more strategic with the same without an influx of additional resources.

Fundamentally, the strategy of insulate, curtail, and compete seeks to fortify U.S. partners and allies in LAC to engage with China on less asymmetric terms. The strategy involves bolstering the region’s democratic institutions, building more robust party structures, enhancing cybersecurity, and ensuring better human rights practices. U.S. interest is not in blocking China’s engagement in LAC but rather in creating an environment in which LAC countries have a realistic chance of protecting their principal interests in remaining open societies instead of continuinglopsided relationships of dependency with Beijing. When the United States asks partners and allies in LAC to curtail cooperation with China, that request must be made with humility and recognition that democratically elected leaders incur a cost. Ideally, the request to curtail participation in Chinese initiatives and development projects goes hand in hand with competition—a U.S.- or U.S. partner-backed alternative offer that competes with proper environmental standards, anticorruption safeguards, transparent terms, and local consultation processes.

Policymakers often get distracted by flashy Chinese infrastructure projects in LAC—new ports, roads, airports, and satellite ground stations. Undoubtedly, these projects have allowed China to win hearts and minds in the shared neighborhood. However, lag times in construction, permitting, and financing mean these are often yesterday’s projects. Instead, U.S. policymakers should train their focus on what China calls “new economies”—technology-driven industries over whose dominance the preponderance of global economic power and the future of global economic governance will be determined. U.S. policymakers specializing in LAC have yet to engage in a forward-thinking discussion on where U.S. resources are best focused in LAC, but they would be wise to consider who builds the future of LAC’s information communications technology, cloud computing centers, artificial intelligence research labs, and semiconductor manufacturing capacity, among other cutting-edge industries of the future.

A strategy to compete with China in LAC necessitates a positive agenda that speaks to the hopes and aspirations of the United States’ closest neighbors. It also requires broadening the aperture through which the United States sees the region, too often dominated by the negative agenda of drugs, crime, and illegal immigration. Yet, given that great power rivalries have always had a way of involving the Western Hemisphere, the United States must act quickly to avoid strategic insolvency or face the steep bill.

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