CHAPTER 6

Infrastructure: The Belt and Road Initiative in Latin America

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Introduction

China's President Xi Jinping launched the Belt and Road Initiative (BRI) in 2013, calling for a new international cooperation model under the principles of peaceful coexistence of sovereign states. The BRI is usually framed as a massive global infrastructure project that would connect China with the rest of the world. This definition misunderstands the actual scope of the BRI, which considers five areas of cooperation and is a strategy to achieve a series of economic, geopolitical, and security objectives.

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Although Latin America was initially left out of the Belt and Road official map, Chinese interest in the region and its links with megaprojects were considered to declare it a significant "natural extension" of the Twenty-First Century Maritime Silk Road (Wang 2017: 1). The BRI could benefit Latin America by improving its infrastructure, expanding trade and product demand, promoting international cooperation in science, technology, and innovation, and connecting with Asia, Europe, and Africa (Li and Zhu 2019: 2297). However, scholars have raised awareness about challenges in implementing the BRI in the region. These concerns come from the lack of information and transparency, the asymmetrical relationship based on economic dependency, and the potential discoordination and competition among countries to get resources individually rather than exploring potential co-financed projects, as well as financial and environmental affairs.

This chapter explores to what extent the main features of the Latin American regional cooperation might influence the Chinese approach and the implementation of the BRI in the region. It also argues that complementing its execution through a combination of multilateral and bilateral strategies is more convenient for China and Latin America.

We begin by providing a general introduction to China's strategies to Latin America with an explanation of the main characteristics of regional integration. Our focus then turns to the Belt and Road Initiative, explaining why it represents a new model of international cooperation and why it is crucial for China. After that, we analyze the potential challenges for the BRI's implementation in Latin American, address those threats, and propose the strengthening of multilateral cooperation, taking the example of the Pacific Alliance.

China and Latin American's Modern Relations

Since the establishment of the People's Republic of China in 1949, Sino-Latin American relations have experienced diverse phases, moving from indifference and ideology (1949–1969) to engagement and economic interchange (1970–1997) (Mora 1997: 37). In the first stage, China had very restricted exchanges with Latin American countries, given that many of them had diplomatic relations with Taiwan. During the 1960s and 1970s, China-Latin American relations became normalized due to the Sino-Soviet Split and the diplomatic break with Taiwan (Chen 2021: 114).

In fact, the president of Cuba became the first Latin American head of state to pay an official visit to Beijing in 1960, and the Caribbean country was the first to recognize Communist China. In the 1970s, a stage of accelerated expansion of connections began. In those years, 11 Latin American nations established diplomatic ties with China: Chile, Peru, Mexico, Argentina, Guyana, Jamaica, Trinidad and Tobago, Venezuela, Brazil, Suriname, and Barbados, and the trade volume increased from 145.82 million dollars in 1970 to 1,261.18 million dollars in 1979 (Shicheng 2006: 104).

In the 1980s and 1990s, Deng Xiaoping's market-oriented reforms and the "Going Out" strategy influenced China's foreign policies. For Latin America, Beijing developed friendly and cooperative relations over ideological differences, it has prioritized ties with major countries such as Brazil, Mexico, Argentina, and Venezuela, and it gave greater importance to the expansion of economic and commercial relations. All of that allowed sustained growth in bilateral trade volume, driving from 1,363 million dollars in 1980 to 2,294 million dollars in 1990 and 8,278 million dollars in 1999 (Shicheng 2006: 107).

In order to understand the Chinese policies regarding the region during this century, it is necessary to remark on the main features of Latin American integration. First, there is extensive fragmentation and significant divergence among governments regarding economic and development policies, the concept and practice of democracy, and the role of the state and foreign policies, which impacts its openness to commit to regional cooperation (Birle 2018: 259). By extension, Latin America is a heterogeneous place where Brazil, the fifth largest country globally, coexists with islands like Saint Kitts and Nevis. It is also a space shared by countries such as Haiti and Chile, with a USD 2,925 GDP (PPP) and USD 25,067 per capita, respectively (World Bank 2021c). In addition, almost all adjacent countries in the region have had border disputes (Hui 2014: 63).

Second, features of the integration include internal dispersion and intersection. There exist more than 15 regional cooperation organizations among 33 countries. These instances vary in structural forms, functioning principles, objectives, and number of members, making it a large hassle for external organizations or countries like China to make agreements or choose the best institution to negotiate specific topics. In addition, since several countries are members of two or more organizations, participating in several integration processes at different degrees, there is an intersection between them (Hui 2014: 63).

Third, due to the aforementioned, there is a lack of supranational institutions, obstructing coordinated policies, long-term development goals, compliance with agreements, and delay in incorporating common laws (Ayuso and Villar 2014: 9). Joint projects depend mainly on the political ideology of the respective heads of state, which in many countries constantly changes.

In addition, the lack of infrastructure for the transport of goods and the shortage of investment and regional planning of multinational infrastructures reduces the deepening of integration (Ayuso and Villar 2014: 10). Indeed, in 2019 the Inter-American Development Bank estimated the infrastructure investment gap in Latin America and the Caribbean at approximately 2.5 percent of GDP or roughly $150 billion per year. The absence of infrastructure costs one percentage point of forgone GDP growth. If the gaps persist over ten years, the cost increases to 15 percentage points in forgone growth (Cavallo and Powell 2019: 1).

Therefore, as the notion of a Latin American community of interests is far from reality (Hui 2014: 68), China has been following a pragmatic path and has respected the logic of the market rather than ideology (Haibin 2017: 99). Its approach is outlined by a blend of bilateral and regional strategies, as well as an increasingly institutional network (Defelipe 2017: 123; Haibin 2017: 99).

In terms of commercial reasons, due to the rising demand for natural resources, China is the second-largest trade partner and the largest partner of several countries in this region. Bilateral trade grew seventeen times, from almost $18 billion in 2002 to nearly $316 billion in 2019 (Sullivan and Lum 2021: 1). Likewise, Chinese banks—the China Development Bank and the China Export–Import Bank, are the principal financing actors in Latin America, providing more than $141 billion in loan commitments. It surpassed the combined lending from the World Bank, the Inter-American Development Bank (IADB), and the Development Bank of Latin America (CAF) (Gonzalez Jauregui 2020: 3; Yuanbo and Xufeng 2019: 2297).

Related to political terms, Beijing has an increasing interest in Latin America, which was confirmed with the five visits of President Xi Jinping since 2013. Concerning the combination of bilateral and multilateral relations, China has managed to engage with various countries regardless of their size. In fact, it has established a comprehensive strategic partnership with Brazil, Panama, Peru, Mexico, Argentina, Venezuela, Ecuador, Chile, Bolivia, Costa Rica, Uruguay, and Jamaica (Yuanbo and Xufeng 2019: 2297). Multilaterally, China has strengthened its institutional network through links with almost all institutions in the region at different levels. It is a member of the IDB and the Caribbean Development Bank, an observer of the Latin American Integration Association, the Organization of American States and the Pacific Alliance, a founder of the China-CELAC Forum, and finally, a partner in the Common Market and Caribbean Community, the Andean Community of Nations and the Common Market of the South (De Sousa 2020: 137). In parallel, Latin America has been a strong supporter of Chinese initiatives. Indeed, Brazil is a founding member of BRICS and the New Development Bank (NDB), along with Russia, India, China, and South Africa; and seven Latin American countries have offered political support to the Asian Infrastructure Investment Bank (AIIB) (Gonzalez Jauregui 2020: 4).

In addition to these strategies, Beijing has built an institutional network to reinforce political ties with the region, which began with *China's policy paper on Latin America and the Caribbean* in 2008. Beijing expressed its interest to strengthen relations and its concern in working together under the umbrella of a strategic plan of cooperation based on win–win relationships (Gélvez Rubio and Gachúz Maya 2020: 2). Subsequently, during President Xi's visit in 2014, China signed 56 cooperation agreements and offered the *1 + 3 + 6 Cooperation Framework*. It consists of a projected five-year plan (2015–2019), three engines (trade, investment, and financing), and six priority sectors for cooperation: energy and natural resources, construction infrastructure, agriculture, manufacturing, scientific innovation, and information technologies. The framework was complemented by the *3 × 3 Model for Capacity Cooperation,* announced by Premier Li Keqiang in 2015. It refers to building capacity in three sectors (logistics, power generation, and information technology) and constructing more effective relationships between three actors (businesses, society, and government).

Consequently, as a sign of consolidation between the two sides, the China-CELAC Forum was established in 2015. The Forum aims to strengthen bilateral economic and political cooperation between both regions and promote multilateralism guided by the principles of respect, equality, cooperation, and openness (MFA China 2016). At the same time, China launched three regional funds during high-level visits to the region in 2014 and 2015: the China-LAC Cooperation Fund, the China-LAC Industrial Cooperation Investment Fund, and the Special Loan Program for China-LAC Infrastructure with a capital of $10-$15 billion, $20 billion, and $10 billion, respectively (Myers and Gallagher 2017: 4).

One year later, in 2016, Beijing released a second *China's policy paper on Latin America,* seeking to strengthen diplomatic, political, and security cooperation through its direct engagement with the regional block CELAC. The Chinese Government, extending its pragmatic approach and its mixture of bilateral and regional strategies, took a step forward with a formal invitation to the Belt and Road Initiative at the China-CELAC Forum in January 2018.

The Belt and Road Initiative: Beyond Infrastructure

China's Belt and Road Initiative is a novel, open, and inclusive international cooperation platform that seeks to promote economic development, political coordination, and cultural exchanges within the regions and countries along the routes. Under the principles of openness and cooperation, harmony and inclusiveness, market-based operation, and a mutually beneficial win–win for all countries, it aims to offer an alternative mechanism to the current dominant model of North-led cooperation by constructing two initiatives: *the Belt* and *the Road*.

The Silk Road Economic Belt *(the Belt)* is a land corridor that relies on major cities to create trade and economic zones through three routes: (1) China to Europe through Central Asia and Russia; (2) China to the Persian Gulf and the Mediterranean through Central Asia and West Asia; (3) China to the Indian Ocean through Southeast Asia and South Asia.

Six economic corridors connect these three routes: (1) the New Eurasian Land Bridge, (2) the China-Mongolia-Russia Economic Corridor, (3) the China-Central Asia-West Asia Economic Corridor, (4) the China-Indochina Peninsula Economic Corridor, (5) the China-Pakistan Economic Corridor, and (6) the Bangladesh-China-India-Myanmar Economic Corridor.

The Twenty-First Century Maritime Silk Road *(the Road)* is a sea corridor that relies on major ports to build unimpeded, safe, and efficient logistics routes through three ways: (1) the China-Indian Ocean Africa-Mediterranean Sea Blue Economic Passage runs from China's coastal ports through the South China Sea to the Indian Ocean, extending to Africa and Europe, (2) the Blue Economic Passage of China Oceania-South Pacific, traveling southward from the South China Sea into the Pacific Ocean, and (3) the Polar Silk Road that aims to connect China to Europe through the Arctic Ocean (Huang 2016: 318; Maçães 2020: 62).

The BRI is most notably defined as a global infrastructure program connecting China with the rest of the world (Dirmoser 2017: 28; Hurley et al. 2019: 139; Kroeber 2020: 309). However, this assessment misunderstands the scope of the BRI. The network of roads, railways, ports, airports, power plants, power grids, power lines, data transmission, and others is only the face of the Belt and Road Initiative. Its spirit goes beyond infrastructure. China also aims to promote five areas of cooperation, namely policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds.

Policy Coordination is supported through intergovernmental cooperation, multilevel and macro-policy exchange and communication mechanisms, which aims to expand shared interests, enhance mutual political trust, and reach a new cooperation consensus (China 2015). Furthermore, this area is implemented toward international cooperation with the 140 countries that have joined the BRI by signing a memorandum of understanding with China, deep collaboration with UN Agencies, and enhancing coordination between BRI and national, regional, and international initiatives (Lewis et al. 2021: 73; Nedopil 2021: 1).

A criticism of the current state of this goal is that it is primarily based on bilateral agreements between China and other countries. Shaping the Belt and Road as a truly multilateral initiative would require moving beyond those bilateral arrangements without China's necessary participation (World Bank Group 2019: 80). In this way, the *Belt and Road Forum for International Cooperation* (BRI Forum) role is crucial since it is a formal space that aspires to seek complementarities with other connectivity initiatives that provide new opportunities and impetus for international cooperation. Moreover, it helps to work for a globalization that is open, inclusive, and beneficial to all (MFA China 2017). Its first edition in 2017 had an attendance of more than 1,500 participants from over 30 countries and 70 international organizations, including 29 foreign heads of state or government. Other than the United Nations' meetings, it was the most extensive global summit held since the end of the Second World War (Dunford and Liu 2019: 165).

Another inspiring initiative is the *Belt and Road Green Investment Principles* and the *BRI International Green Development Coalition* (BRIGDC), launched during the Second BRI Forum. It is a voluntary international network and involves 134 partners. It aims to bring together the environmental expertise of all partners to ensure the long-term green and sustainable development of the BRI (UNEP, n.d.). Besides the BRIGDC, other initiatives could be an exciting example of multilateral cooperation without China's necessary participation: the Green Silk Road Envoys Program, the Belt and Road Green Lighting Initiative, the Belt and Road Green Cooling Initiative, and the Belt and Road Environmental Technology Exchange and Transfer Center, among others (Zhang 2019: 4).

The second area of cooperation is *Facilities Connectivity*, which is a priority area for implementing the BRI. Facilities refer not only to the construction of transport infrastructure but also to the development of conventional and renewable energy sources and cross-border and submarine optical cable networks. Likewise, alignment of technical and institutional standards and management operations are included here. More specifically, the BRI aims to address the infrastructure gap, which is a common component of growth, development, poverty reduction, and environmental sustainability (Yin 2019: 6991).

In particular, a study from the World Bank estimates that BRI infrastructure will benefit both countries participating in the initiative and non-BRI countries and regions. It will decrease travel times and increase trade and investment along the economic corridors. The study predicts that travel times will decline by up to 12 percent once completed. Travel times with the rest of the world are estimated to decrease by an average of 3 percent. If successfully implemented, BRI transport projects could also increase trade between 1.7 and 6.2 percent for the world, increasing global real income by 0.7 to 2.9 percent (World Bank Group 2019). An example of this is the Khorgos–Almaty Road along the New Eurasian Land Bridge Corridor, the primary road border crossing point between Kazakhstan and China. After its upgrade, transport costs declined from US$0.26 to US$0.24 per vehicle/kilometer, and travel times fell by 40 percent, from five hours to three. The reduced transport costs and travel times are foreseen to expand trade in the coming years (World Bank Group 2019).

In much the same way, the goal of *Unimpeded Trade* aims to improve investment and trade facilitation and remove investment and trade barriers. It also enhances customs cooperation such as information exchange, mutual recognition of regulations, mutual assistance in law enforcement, and the development of free trade economic zones, and cross-border e-commerce.

Trade facilitation could increase trade volumes, provide new impetus to the local economy, and create new jobs (Lewis et al. 2021: 73). Indeed, the World Bank estimates that the BRI will increase the world export volumes by 6.3 percent. BRI countries are expected to increase exports by almost 10 percent, while non-Belt and Road economy exports would total a third of this. Similarly, the BRI could also help lift 7.6 million people from extreme poverty, those earning less than $1.90 a day, and 32 million people from moderate poverty, those earning less than $3.20 a day (World Bank Group 2019).

Toward the fourth goal of *Financial Integration,* the BRI may also be an effective platform for mobilizing and integrating resources urgently needed worldwide. Considering the BRI costs hundreds of billions or trillions of dollars, no single country can solely afford to provide finance alone, so market operations will complement (Shang 2019b: 16). Therefore, through establishing financial institutions such as the AIIB, the NDB, or the Silk Road Fund, the initiative may help fill the investment gap and expand financing channels for infrastructure and trade (Lewis et al. 2021: 73).

Finally, *People-To-People Bonds* aims to provide public support for implementing the BRI through extensive cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges, and volunteer services.

It is relevant to highlight that these five areas complement each other, forming an integral body. While *policy coordination* focuses on high-level dialogues, *people-to-people bonds* focus on basic level exchanges. They are both prerequisites for cooperation in the three specific areas of *facilities connectivity*, *unimpeded trade*, and *financial connectivity* (Shang 2019b: 4).

An example of a misinterpretation of the Belt and Road cooperation purposes is the recent plan announced during the Group of Seven (G7) in 2021. President Biden and G7 partners agreed to launch the new global infrastructure initiative *Build Back Better World* (B3W) to address strategic competition with China and commit to concrete actions to help meet the infrastructure needs of low middle-income countries (The White House 2021). On the date of this writing, there are not much more details about the B3W, but *the 2021 G7 Leaders' communiqué* (Group of Seven 2021) and statements from The White House provide a few clues.

The B3W focuses only on infrastructure and capital with specific guiding principles and values-driven definition without any consultation. The new program neither considers policy coordination nor people-to-people exchanges, which would make it difficult to serve the vital interest of developing countries. On the contrary, the Belt and Road is much more than a global infrastructure program, but indeed a set of principles and objectives pointing to a new model of international cooperation. These aims achieve broad goals of the Chinese Government, which are examined as follows.

Unmasking the Belt and Road Initiative

In 2015, two years following the announcement of President Xi, the first official Chinese government document on the BRI was issued, entitled *Vision and Actions on Jointly Building the Silk Road Economic Belt and the Twenty-First Century Maritime Silk Road* (China 2015). The Chinese Government remarks that it is not an isolated initiative but an integral component of its institutional framework. Indeed, this is evidenced by the inclusion of the project in the 13th Five-Year Plan 2016–2020 toward a chapter titled "Move forward with the Belt and Road Initiative" (Central Committee CPC 2016), and with the incorporation in the Communist Party of China's Constitution in 2017. Moreover, the 14th Five-Year Plan 2021–2025 details the BRI with an entire chapter within the section "High-level opening, cooperation, and win–win" (Central Committee CPC 2021).

Although there is little doubt that the Belt and Road is the most crucial foreign policy under Xi Jinping's leadership, there remains doubt concerning its primary purpose. Why is the BRI so relevant for China? The BRI consists of a blend of economic, political, and strategic goals which operate differently in different countries and can be analyzed in two levels: global and domestic plans (Jones et al. 2019: 1).

At the international level, the BRI aims to increase China's influence in reshaping global governance through four critical approaches. First, it promotes an alternative development model to the neoliberal framework toward inclusive globalization. It posits a combination of market tools with state involvement in promoting international cooperation. Market rules remain as necessary as the purpose of economic integration, building a community of shared interests, responsibility, and mutual political trust. Moreover, the BRI, as an open initiative, respects national sovereignty, embraces social models' diversity, and promotes cultural inclusiveness to secure win–win outcomes (Liu et al. 2018: 1212). Consequently, the Belt and Road encourages a different mechanism from the traditional international cooperation characterized only by economy and trade (Shang 2019b: 20).

Second, China proposes an alternative economic architecture to finance the BRI toward new multilateral arrangements such as the AIIB, the NDB, and the Development Bank of Shanghai Cooperation Organization. The AIIB is an intergovernmental financial development institution that operates with the model and principles of multilateral development banks (Shang 2019a: 9). Its mission is to build sustainable infrastructure that promotes regional connectivity. The initial capital subscribed is USD 100 billion and consists of 103 approved members worldwide, including the UK, Canada, Germany, France (AIIB 2020).

On the other hand, the NDB was launched in 2015 by the BRICS block countries to finance infrastructure and sustainable development projects in emerging and developing economies, complementing multilateral, and regional development banks. The initial authorized capital of the NDB is USD 100 billion, of which USD 50 billion has been subscribed equally by the five founding members. Unlike the unbalanced governance structure of the International Monetary Fund (IMF) or the World Bank, each NDB member has an equal shareholding with no veto power over any matter (New Development Bank 2021).

Similarly, the Belt and Road aspires to support the internationalization of the Renminbi (RMB) by creating opportunities to gradually increase its use as a primary currency in international trade, financial transactions, investment, and international reserve currency. Examining more closely, the initiative encourages increased usage in international transactions (particularly concerning transactions related to investment in infrastructure and currency swaps), promotes Chinese companies to use RMB for cross-border trade and cash management, and forms Alliances with other countries to hinder the US dollar's global supremacy. For example, it encourages payment for imported crude oil in RMB (Maçães 2020: 23).

The establishment of multilateral institutions was a response to the unwillingness of Americans and Europeans to concede a more prominent role to emerging economies resembling the size of their economies (Dunford and Liu 2019: 149). The Belt and Road strengthens the purpose of emerging countries to play an even more prominent role, with greater representation in international governance and financial institutions.

Third, in response to the demand of the international community to adopt larger obligations in the global economic system, China's BRI fills the vacuum left by international organizations, multinational corporations, and large countries that nowadays do not provide resources for infrastructure in many regions (Huang 2016: 315). Indeed, the Global Infrastructure Hub, a G20 think tank, estimates a $15 trillion gap between projected investment and the amount needed to provide adequate global infrastructure between 2016 and 2040 (2017). The Belt and Road has had assets exceeding US$575 billion, including projects already executed, in the implementation phase and planned, and it is expected to deliver up to US$ 1 trillion (Bandiera and Tsiropoulos 2020: 2).

Finally, due to the previous features, it is hoped that China's BRI embraces a multipolar order. The BRI is open, inclusive, and beneficial to all members, primarily developing and emerging countries which can cooperate economically and culturally, contributing individual strengths (Shang 2019a: 33).

Paradoxically, in an apparent double moral standard, Western scholars critique this strategy as a threat. In a testimony before *the US-China Economic and Security Review Commission*, the scholar Nadège Rolland states that China expects to "expand its circle of friends and its influence in a vast area where democratic practices are weak, authoritarian regimes mostly prevail, and where the US influence is rather limited" (NBR 2019). Beijing has done nothing contradictory, but something that the West has benefited from: deeper links of investment, infrastructure, and trade can leverage relations with other countries in their favor (Maçães 2020: 30). The above testimony demonstrates anti-Chinese narratives and undervalues the participation of more than 100 countries, listing them as political or social systems unsuited to Western standards. The Western countries do not own the defense of multilateralism, for emerging countries also contribute to its promotion, and they are doing so effectively with the BRI.

At the domestic level, the Belt and Road serves various overlapped goals, which can be examined by economic, security and geostrategic drivers. First, China aims to sustain its economic growth. The Asian country has been among the world's fastest-growing economies, with real GDP growing by an annual average of 9.5% through 2018, and its GDP per capita climbed from US$ 194 in 1980 to US$ 10,500 in 2020 (World Bank 2021a, b). China is also the world's second-largest economy, the world's largest trading nation, exporter, manufacturer, energy consumer, auto market, the user of steel, cement and copper, and the world's largest applicant for patents (Chen 2018: 3).

However, China's real GDP growth has shrunk significantly, from 14.2% in 2007 to 5.95% in 2018 (World Bank 2021a). The IMF projects will decrease over the next six years, falling to 5.5% in 2024 (IMF 2019). Xi Jinping has pointed to the new scenario as "the economic model of new normality," where it is no longer feasible to maintain fixed investment and exports as a primary source of growth. Innovation is argued to be the new economic engine, emphasizing quality over quantity, upgrading industry, and increasing private consumption and services, reflected in the plan "Made in China 2025."

In this way, the Belt and Road is a complement to that strategy since it seeks to open new markets and secure new routes for its exports, as well as building hard and soft infrastructure, which requires the development of technology and services. An example of that is the relevance given by Beijing to the Digital Silk Road. As part of the BRI, there lies a vision to catalyze global digitalization, comprising four comprehensive categories of interrelated technology-focused initiatives: (i) physical infrastructure in the digital sphere, which includes 5G technology; (ii) developing advanced technologies, considering satellite navigation systems, artificial intelligence, and quantum computing; (iii) digital commerce; and (iv) international norms in cyberspace and advanced technologies (Cheney 2019).

In addition, Beijing needs to face imbalances within the economy. The Belt and Road could address industrial overcapacity such as steel, glass, cement, and aluminum by building infrastructures abroad (Enderwick 2018: 448; Shang 2019b: 9). It also provides an opportunity to address regional development imbalance by promoting economic growth in China's less-advanced regions, such as Xinjiang, Qinghai, Gansu and Yunnan. The BRI plans to develop Western regions to enhance connectivity to the economic corridors, improve welfare, and integrate into global trade (Cai 2017: 6; Enderwick 2018: 448; Flint and Zhu 2019: 98).

Along with economic motivations, the development and increase of living standards of those regions also meet security drivers. At the local level, Xinjiang has become the primary source of terrorism within China. One of the central policies to address the issue involves large investments to reduce social unrest and political instability. For example, the China–Pakistan Economic Corridor which links Kashgar in Xinjiang with the Port of Gwadar, costs $46 billion, and aims to integrate the region into the global economy, as well as control religious radicalization, fundamentalism, and terrorist recruitment (Cai 2017: 15; Maçães 2020: 30; Rolland 2019). At the regional level, the initiative would improve Eurasian integration and contribute to more stable security conditions by building mutual trust, especially in countries and regions bordering southern and western China (Shang 2019b: 13; Wuthnow 2017: 26). For instance, the territorial conflicts with India in the Himalayas and some Southeast Asian nations in the South China Sea would be mitigated by managing inside the BRI framework.

In parallel, geopolitical strategy is an essential driver of the Belt and Road. China is highly reliant on other nations for oil, gas, and mineral resources, which are mainly shipped by sea (Shang 2019b: 10). For example, in 2016, 80 percent of imported oil passed through the Malacca Strait and the Indian Ocean (Maçães 2020: 21), making China highly vulnerable in case of disputes with other countries. This "Malacca Dilemma" forces Beijing to secure energy supplies by diversifying oil and natural gas sources and transport routes, and the Belt and Road is an answer to address this. It designs new routes toward the construction of new ports in Gwadar (Pakistan) and Colombo (Sri Lanka) and through overland pipeline construction between the Chinese city of Kashgar and Gwadar, as well as a planned oil pipeline linking the Bay of Bengal and Yunnan via Myanmar (Wuthnow 2017: 11).

Within the blend of economic, political, and strategic goals at global and domestic levels, China officially invited 33 Latin American countries in 2018 to join the Belt and Road Initiative at the China-CELAC Forum.

To BRI or not to *BRI*: The Initiative in Latin America

The inclusion of Latin America could result in considerable improvements in terms of financial instruments for ports, roads, energy, and infrastructures, improvements of intra-regional trade, access to new markets, open businesses opportunities for the private sector, and increased cultural exchanges, among other benefits (Valderrey et al. 2019: 42).

However, by January 2021, only 19 countries had signed a memorandum of understanding for the BRI (Nedopil 2021: 1), with some distinguished exceptions, such as Brazil, Colombia, and Mexico. Many countries have raised concerns regarding challenges in implementing the Latin American Belt and Road: specifically, the lack of information and transparency, economic dependency on China resulting in a deeper asymmetric relationship, and discoordination and competition among Latin American countries to get resources individually rather than exploring collaborative projects, as well as financial and environmental concerns.

The first critique refers to the lack of definition of what it means or what are the particular benefits of being a member of the platform, which raised misunderstandings, skepticism, and ambiguity concerning the primary purpose of the BRI. The Chinese Government has kept an open-door policy to those governments willing to join the group, resulting from the absence of procedures and measuring the contribution of member countries to the initiative (Valderrey et al. 2019: 42).

In addition, it is indeed ambiguous why a country should join the BRI if they still receive investments. In fact, Brazil, which is not part of the BRI, is among the top three countries of Foreign Direct Investment from China during the period 2005–2020 (Chirkin 2021: 11; Velásquez 2017: 14). Similarly, Mexico, which did not sign a BRI agreement, is the second country with more Chinese announcements of investment projects during the same time (ECLAC 2021). Those countries that are not official members also have agreements with China related to energy, science, and finance, and they have sent delegates to the BRI Forum.

As well as this lack of information, it is possible to observe a multiplicity of actors working under the umbrella of the BRI and a potential discoordination between them: the China-CELAC Forum, the AIIB, the China Development Bank, the Export–Import Bank of China, Chinese state-owned enterprises such as Sinopec, Sinohydro, China National Petroleum Corporation, State Grid Corporation of China, and China

State Construction Engineering, along with Chinese and Latin American government agencies (Serrano Moreno et al. 2020: 2).

Examined more closely, the absence of procedures to join the BRI could be argued as a positive feature because the BRI is defined as an open, inclusive, and win–win mechanism without a single or shared understanding (Gu et al. 2019: 14). Moreover, its less institutionally focused and not treaty-based feature brings flexibility and concrete actions, which are more relevant than rules, agreements, or specific procedures that may produce fruitless results (Wang 2018: 3). The BRI was also announced without factual content, which leaves it a very vague and broad policy slogan subject to open interpretation (Zeng 2019: 210).

Besides, the apparent ambiguity is a source of opportunity, since working within a framework as vague and ductile as the BRI means that different policies can actually be pursued simultaneously (Gu et al. 2019: 14; Maçães 2020: 20). On the same line, the multiplicity of actors represents a strength due to the chance for Latin American members to receive support and assistance from a wide range of institutions.

A second challenge is that the BRI could increase a more asymmetrical relationship between China and Latin America, consolidating the current economic dependency. This asymmetry is stimulated by the primary interest of China to gain access to natural resources to reduce its energy vulnerability and secure its demand in food consumption. On the one hand, in terms of trade, Latin America stands out as a supplier of raw material products, mineral resources (petroleum, iron ore, copper, soy, and other metals) with low technological intensity. On the other hand, Chinese exports to the region focus on high value-added manufacturing products with high technology components (De Sousa 2020: 142).

The BRI can be seen as a sort of hub-and-spoke network, with China as the hub and the other BRI states as the spokes (Wang 2018: 6). The region's inclusion was not born as a joint project but as unilateral strategic objectives and part of China's aim to sustain growth, redirection of its excess domestic capacity and capital, and assert more significant international influence (Laufer 2020: 15). The investment in infrastructure could be deemed as a strategy to facilitate the trade of natural resources and export Chinese products in Latin America, but not as a way to help countries develop or tackle their needs.

As a result, the BRI could extend the reprimarization of Latin American exports and the decline of national production, as well as an increase in the trade deficit (Laufer 2020: 14; Lum et al. 2009: 13). Moreover, the trade asymmetry increased concerns related to infrastructure projects' feasibility and sustainability, the negotiation of the terms, and the possibility of loan repayment. Additionally, the BRI would incentivize competition among Latin American countries to acquire resources individually rather than exploring potential collaborative projects (Serrano Moreno et al. 2020: 9). This challenge is a consequence of features related to regional cooperation commented above: the lack of shared development goals, internal dispersion, and the overlap among regional institutions.

From China's perspective, its companies face challenges to engage with various jurisdictions due to the lack of experience in local regulations, local culture and society, engagement with communities, and environmental issues (Toro-Fernandez and Tijmes-Ihl 2020: 8; Yuanbo and Xufeng 2019: 2297). Moreover, the sociopolitical context of Latin America tends to ground this issue, given the short-term policies and constant changes in power that outline governments of the region. In this regard, some studies compare the railroad projects in Brazil, Argentina, Venezuela, and Mexico, and concluded that China's infrastructure projects involve a slow and complicated learning process, increasing the costs of the Latin American Belt and Road (Leiva 2020: 3; Serrano Moreno et al. 2020: 8).

Box 1: The Bi-Oceanic Railway

The Bi-Oceanic railway is a vast project seeking to connect both the Atlantic and the Pacific oceans. It has been discussed for many years in South America, and various alternatives were proposed. The more robust project connects the Brazilian port of Açu with Peru's Pacific Coast. The original design contains 5,300 km-long railroads. It was estimated to cost $12 billion and was projected to carry 23 million tons, forecast to increase to 53 million tons in twenty-five years (Hiratuka 2018: 135).

After Chinese President Xi Jinping's support during his visit to Latin America in July 2014, studies were conducted and revealed that the costs were five times higher than the original plans (at least $60 billion). It also exposes environmental and social impacts since the route across the Amazon could affect its ecology, biodiversity, and several indigenous communities (Leiva 2020: 5). Besides, given the lack of information about

China's assistance, it raises concern about the terms of the loans and the genuine interest of the Asian country.

In parallel, other Bi-Oceanic projects were under study in a clear sign of discoordination and lack of common goals in the region. In 2015, the Government of Bolivia presented preliminary studies to create a central route covering Brazil, Bolivia, and Peru. This shorter alternative (around 3,750 km) would require significantly fewer construction expenses (Hiratuka 2018:137). To make it even more puzzling, given the strong partnership between Chile and Brazil and, on the contrary, the complex relationship between Brazil and Bolivia, the Chilean President proposed in 2020 to create a southern route, excluding Peru and Bolivia. This road is even shorter (around 3,500 km) and includes Argentina and Paraguay (Reuters 2020).

The Bi-Oceanic railway perfectly summarizes the BRI challenges in Latin America: lack of information about Chinese support, concerns about the loans, competition and lack of coordination between Latin American countries. However, these issues cannot be ignored and could be seen as an opportunity to implement the Initiative effectively.

The Latin American BRI could be a positive game-changer, providing financial resources, filling the gap in infrastructure, and helping in high-level dialogues to improve collaboration between countries, among other benefits (Zhang 2019: 1). Nevertheless, as discussed previously, to achieve the BRI's goal of policy coordination and to have a positive impact on the whole region requires to move beyond bilateral agreements. Thus, the critical issue is how it is possible to implement a multilateral strategy in a region characterized by its dispersion, extensive fragmentation, and significant divergences among the governments regarding economic and development policies.

A Multilateral Approach to Implement the Belt and Road Initiative in Latin America. An Opportunity for the Pacific Alliance

A multilateral approach is required from the Latin American perspective since the region's inclusion in the BRI was not born as a joint project but as unilateral strategic objectives and part of China's needs (Laufer 2020: 34). No state in the region can negotiate alone with China in equal terms due to the disparity represented by the resources and strategic influence of the world's second-largest economy. However, suppose Latin American countries can present a coherent strategy and observe the challenges when designing and enforcing projects. In that case, they might be able to secure critical infrastructure and avoid some of the risks of dependency, excessive debt, or repayment of the loans (Gonzalez Jauregui 2020: 8).

In addition, since the region needs to improve regional connectivity and infrastructure, it would require a coordinated effort between China and national and local governments to minimize potential environmental and social impacts. For instance, the project Capricornio Corridor intends to connect the Argentine railway system with the one in Bolivia, and in the long term, to the Bi-Oceanic railway (Brazil, Peru, and Chile). Thus, improving logistic routes or building railways does not depend on one country but many of them.

China has been implementing the BRI toward a combination of bilateral and multilateral strategies. For the latter, the Chinese Government has chosen the Community of Latin American and Caribbean States called CELAC, which is a regional bloc of 33 sovereign countries with a total of about 600 million people, land area 6 times bigger than India with a GDP of US$ 3 trillion (MEA GOV IN). Although CELAC is recognized as the first experience that congregates different political views, and China aims to make it a vital element of an institutional framework of aid, cooperation, trade, and investment with LAC countries, we think CELAC is suitable for leading policy coordination among countries. However, it is not the best regional counterpart for China or Latin America to conduct the implementation of BRI's projects.

CELAC lacks an institutional framework, a decision-making process, and the absence of legal mechanisms affects coordination within countries and other international organizations. It also has limited follow-up and effective monitoring of the commitments assumed by member states. Moreover, while CELAC emphasizes short-term goals directed to immediate domestic needs (Segovia 2013: 101), the Belt and Road aims for long-term objectives and global needs.

In terms of *Policy Coordination*, the China-CELAC Forum could reinforce positive outcomes, clarify some misunderstandings and address the challenges of the BRI in two modes. Firstly, it can help make an assertive narrative about the BRI's vision that pursues cooperation and development by constructing a community with shared interests, mutual political trust, economic integration, and cultural inclusiveness (China 2015). Nevertheless, the shortage of information produces doubts about China's fundamental objectives, raises confusion, and creates skepticism about the project's primary purpose.

Secondly, the Belt and Road should be present as a new international cooperation platform, providing resources that nowadays international organizations, multinational corporations, and large countries are not providing for development in many regions. Thus, the Initiative offers many benefits and aims to fill that gap (Valderrey et al. 2019: 42). In fact, within a short period, the BRI has proven its significant potential to accelerate progress in some regions.

CELAC has acted as a political consultation institution rather than an international body able to implement and coordinate projects such as the BRI. Therefore, it is suggested that an organization with a more technical and economic role could complement the political role of the China-CELAC Forum. The Pacific Alliance is one of the best suited in the region to be a counterpart of China due to its economic integration purpose, and its aim to build a common market to increase trade with the Asia Pacific region and gain entry into global value chains (Chaves García, 2017: 35; Toro-Fernandez and Tijmes-Ihl 2020: 8).

The Alliance also has a robust institutional setting with a Framework Agreement and Guidelines Applicable to the associate states. The former requires applicants to have a free trade agreement with every member, which is the case within Chile, Colombia, Mexico, and Peru, and the latter sets formal procedures for new countries (Toro-Fernandez and Tijmes-Ihl 2020: 5). Both legal procedures may create regional normative and institutions to help China's companies improve capacity limitations and prevent costs from dealing with various jurisdictions. In addition, the Alliance is not only supported by Latin American Presidents but also legislators' aims for international economic integration despite their ideological positions. As discussed in the first section, that is an advantage, considering that the disparities in ideologies depend mainly on the respective heads of state, which influences regional cooperation.

Even though the Pacific Alliance has only four members, it is worth remarking that it holds 14 observer states from the Americas. Among them, seven countries are part of the Belt and Road (Costa Rica, the Dominican Republic, Ecuador, El Salvador, Panama, Trinidad and Tobago, and Uruguay). Therefore, more than half of the BRI partner states are either member or observer states of the Pacific Alliance, which can assist to use its institutional arrangements as a framework to pursue a successful execution of the Initiative.

The aforementioned reinforces the argument that it is more suitable for both China and Latin America to implement the BRI through multilateral institutions to overcome the potential challenges explained above. Thus, CELAC could keep its role as a political consultant body, while the Pacific Alliance is a suitable regional instance to be an implementer of the Latin American Belt and Road Initiative.

Conclusion

The Belt and Road has aroused the interest of governments in Latin America, given the need for investments to improve the region's connectivity through modern transport and logistics infrastructure. It would also provide access to strategic resources that can present win–win opportunities for both China and Latin America. However, scholars have raised awareness about some challenges on implementing the BRI in Latin America related mainly to the lack of information, dependency on China, and a feasible discoordination and competition among LAC countries to get resources individually.

This chapter has addressed all those challenges through literature review and content analysis of official documents, showing that the BRI has the potential to be a positive regional game-changer. Consequently, it is recommended to develop the following policies.

First, China should use the Belt and Road Initiative as a platform to unify the different policies and instruments such as the 1 + 3 + 6 Cooperation Framework, the 3 × 3 Model for Capacity Cooperation, the China-LAC Cooperation Fund, the China-LAC Industrial Cooperation Investment Fund and the Special Loan Program for China-LAC Infrastructure. The BRI should help both China and Latin America to have a coherent and harmonious strategy.

Second, the China-CELAC Forum, in its political role, should develop an assertive narrative about the meaning of being a member of the Belt and Road, which could help address the distinguished absence of countries such as Brazil, Colombia, or Mexico. It should reinforce the platform's purpose as a set of principles aiming for a new model of international cooperation with broad consultation, joint contribution, and shared benefits. It is important to remark that the BRI goes beyond infrastructure, promoting five areas of cooperation, called policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds.

Third, promoting policy coordination toward high-level dialogue and exchange mechanisms provided by the BRI could help to improve discoordination in the region to create joint projects. For instance, in the Bi-Oceanic railway project, *the Belt and Road Forum for International Cooperation* can provide a space to facilitate dialogue and find a solution to have one robust route that could benefit all countries.

Fourth, a regional organization with a more technical and economic role that is able to implement the initiative, like the Pacific Alliance, could complement the political role of the China-CELAC Forum. It would help present the Belt and Road as a platform for mobilizing and blending resources needed for Latin American development. To be concrete, the variety of financial actors involved can expand financing channels and fill part of the $150 billion per year gap in the region's infrastructure. Moreover, it is crucial to increase transparency and better risk assessment in project selection in order to decrease the misconception and skepticism about assistance provided by China (Dunford and Liu 2019: 157).

Fifth, concerns about sustainability, pollution, or environmental degradation should be addressed with the novel instance of the BRI International Green Development Coalition. In the example analyzed above, the actors involved in the Bi-Oceanic railway could join the network and follow the BRI Green Investment Principles.

Sixth, the Belt and Road should prioritize developing the goal of people-to-people bonds through cultural and academic exchanges, tourism, joint scientific and technological research, and health and emergency aid. All of these will provide public support and will overcome the misunderstandings for implementing the BRI. For example, China and other BRI countries have performed diverse forms of cultural relations, establishing various initiatives such as The Silk Road International League of Theaters, Silk Road International Museum Alliance, and Silk Road International Library Alliance. In education, China has signed agreements with 24 BRI countries on the mutual recognition of higher education degrees, and the Chinese Government Scholarship - Silk Road Program has been set up (MFA China 2019).

Latin America should not repeat the same mistakes in the past. It should strengthen multilateral cooperation to have a new opportunity to change its history, promote economic integration, and achieve its long-awaited development.

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