**Beware Warnings of a Chinese “Debt-Trap” in Latin America**

Despite harsh rhetoric from the Trump administration on China’s growing influence in Latin America, China’s financial presence in the region is far from a “debt-trap,” according to economic data.

Overall debt held by Latin America stands at $1.9 trillion. While it is hard to assess the current amount of loans owed to the Chinese government by Latin America, the amount lent stands at $123 billion since 2010, 6 percent of the region’s current sovereign debt.

Furthermore, 47 percent of total Chinese loans since 2010 have been extended to Venezuela, a major Chinese client in the region.

Nonetheless, China invited Latin America to join the Belt and Road Initiative, it's global economic integration project, in January 2018. The Trump administration responded with antagonistic rhetoric on Chinese involvement in Latin America, a region the U.S. swore total control over since the Monroe Doctrine of 1823.

Mike Pompeo rebuked China’s role during a tour of the region in Oct. 2018, directly citing Chinese loans for development projects.

“When China comes calling it’s not always to the good of your citizens,” Pompeo [said](https://www.aljazeera.com/news/2018/10/chinese-media-blast-pompeo-malicious-latin-america-comments-181022052910702.html).

Yet the question of China’s role in the region is complicated, not just compared with other debt held by Latin America, but even in comparison to the other areas of the world where China has cemented its foothold.

The notion of “debt-trap diplomacy,” which China has engaged in with nations like Sri Lanka, is “less evident in the Latin American context,” according to Margaret Myers, the Asia & Latin America program director at the Inter-American dialogue.

“I don’t think we see any examples of China purposefully lending to a country, lending knowing there will be a default in order to secure access to a particularly valuable, from a strategic perspective, asset,” Myers said.

Loans to Latin America are extended by two Chinese policy banks, the Chinese Export-Import Bank and the Chinese Development Banks. While many of these loans deal with energy projects ranging from hydroelectric dams to oil, China has diversified its portfolio in the region, jumpstarting infrastructure projects, from high-speed rail in Argentina to highways in Costa Rica.

After its peak in the early 2010s, China’s financial clout in the region has dwindled due to factors both in Latin America and China.

Many newly-elected conservative governments in the region are wary of China’s influence, and are tilting back towards the United States, such as in Brazil, Chile and Ecuador.

“Even pro-business people, pro-business politicians who tend to prioritize influx of money, they are a bit more careful about Chinese loans today than they were before,” said Francisco Gonzalez, a professor of international political economy at Johns Hopkins School of Advanced International Studies.

“They may prefer China to come inject capital in the form of FDI [foreign direct investment], rather than debt and or foreign aid,” Gonzalez said.

Pending Chinese infrastructure projects also ran up against well-organized labor, environmental and indigenous activists in the region they had not encountered elsewhere in the world.

“What they found was a region that was not like the Middle East, not like Central Asia, with despots dictating,” Gonzalez said. “They found a vibrant civil society, a civil society that was organized, and people that were willing to protest against some of the projects.”

In China, the ambitious financial and structural reforms proposed by Chinese President Xi Jinping like the Belt and Road Initiative have caused the People’s Republic to shift resources away from Latin America.

Country by country, the debt situation in Latin America vary.

Brazil’s external debt is $664 billion, having borrowed $21 billion from China since 2010, some of which has been paid back in full, according to Myers.

Mexico’s external debt stands at $446 billion, but only accepted a $1 billion loan from China for offshore oil drilling equipment five years ago.

Argentina, the most dire economy in South America next to Venezuela, holds $278 billion in external debt, 58 percent of its GDP. Yet the country with the third largest economy in the region has taken on $16.6 billion in loans from China.

China’s involvement in Argentina remains marred by criticism. A previous development loan project to build two hydroelectric dams has faced criticism for corruption by the former government of President Cristina Fernandez de Kirchner and the need for the dams themselves.

Other Chinese investments in Argentina include multiple railways projects, including $1.1 billion for the San Martin railway accepted in November 2018. Not only does the loan allow Chinese construction to get the contract for the bid, but prioritize imports from China for the steel used in the project, a commodity Argentina produces plenty of domestically.

“There are very few political or policy-related conditionalities,” on the loans, Myers said. “But they do tend, if not explicitly so, suggest strongly the use of Chinese companies and or equipment.”

Yet Argentina’s economic crisis, including its debt, goes far beyond China.

Amid a currency and debt crisis, Argentina signed a record-breaking $40 billion deal with the International Monetary Fund last year, further indebting Argentina to an institution with a problematic history throughout Latin America.

In Argentina, the IMF is widely blamed for exacerbating poverty and precipitating the country’s economic collapse in 2001. In the IMF’s own [report](https://www.imf.org/en/Publications/Independent-Evaluation-Office-Reports/Issues/2016/12/31/The-IMF-and-Argentina-1991-2001-17590) on it's actions in Argentina, it acknowledges that the IMF dismissed “dissenting views” so as to “preserve the catalytic effect of the IMF’s seal of approval.”

“Supporting a weak program while maintaining influence was thought better than insisting on a strong program that was unlikely to be implemented, leading to suspension of support and an eventual loss of influence,” the report states.

The IMF’s prompted many Latin American governments to fully repay loans and reject further ones, causing a near-non existent presence for the IMF in the region for over a decade.

However, the IMF has begun to extend more loans to Latin America as conservative governments facing economic crises come seeking financial relief. Aside from Argentina’s deal last year, Ecuador sealed a $3 billion deal with the IMF, and Brazil’s new Brazilian president Jair Bolsonaro has flirted with negotiating his own deal.

Aside from the IMF, other historically pro-Western lending institutions, like the World Bank and Inter-American Development Bank, have come to terms with China’s influence in Latin America.

“They’re not going, ‘Oh, we’re losing the region to China. Now they’re in China’s pocket,’” Gonzalez said.

Instead, Latin America’s continued need for infrastructure has led the World Bank and Inter-American Development Bank to view China’s lending role as “complimentary.”

“There’s so much space to play for that it’s not either or,” Gonzalez said. “It can be you and I. We still need a bit more of these projects, for energy, for mining, for building cities, for creating better social conditions.”