Market Commentary
June 2025

English Version

A game of urgency versus patience between the United States and China in Latin America

Get guidance on investments, and the major structural factors behind your clients' portfolios.

insigneo

Mauricio Viaud
Senior Investment Strategist and PM

Melissa Ochoa Cárdenas
Investment Strategist

A game of urgency versus patience between the United States and China in Latin America

The United States has long relied on the Monroe Doctrine to assert its influence in Latin America, mainly through foreign aid and Foreign Direct Investment. In FY 2024 alone, it provided nearly USD 2.5bn in assistance, with growing emphasis on migration and security.

However, China is rapidly expanding its footprint in the region via the Belt and Road Initiative, credit lines, and infrastructure investments, targeting critical resources and deepening trade ties with various countries, which now surpass USD 500bn annually.

Shifting political dynamics in key countries such as Argentina, Chile, and Colombia will determine how influence tilts between the U.S. and China in the region.

As the geopolitical rivalry intensifies, Latin America stands to benefit from competing capital flows, reinforcing the strategic case for continued investment exposure in this region.

The Monroe Doctrine could be seen as the United States' most prominent attempt to intervene in Latin America and exclude European colonial powers from interfering in Washington's own perceived sphere of influence – the Western Hemisphere. When it was established in 1823, it was aimed at protecting the New World from any European efforts to control or influence the region: "America for the Americans." The notion of a U.S.-led, Western Hemisphere doctrine first espoused in the early 19th century has influenced U.S. foreign policy and inter-American relations ever since, albeit with varying degrees and levels of intervention.

The U.S. has institutionalized this view towards Latin America and the Caribbean using various approaches, but mostly via foreign direct investment and through the deployment of foreign aid stemming from government agencies such as the US Agency for International Development – USAID. In fact, based on data from the Library of Congress, in FY 2024 the US provided nearly USD 2.5bn in foreign assistance to the region, a figure ~21% higher than the one reported in FY 2023, with the focus of taming irregular migration and supporting counternarcotics efforts. Moreover, according to figures compiled by BCA Research, in

2023, the US was the main source of foreign direct investment flows to Latin America and the Caribbean, with Bermuda, Mexico, and Brazil being the main recipients as seen on Table 1. Of course, that assistance has come with increased U.S. influence over the region, maintaining "America for the Americans," while keeping other potential players and investors in the region at bay. That was the case until recently, when the modern Monroe Doctrine began to show some cracks.

Despite the different policies of various administrations over the years, the U.S. has been attempting to increase its cooperation with Latin America, albeit at different degrees. Although traditional methods of cooperation have involved direct aid, the U.S. needs to lever its position as the region's leading source of investment to drive future cooperation. As seen on Table 1, the United States has been the undisputed leader in providing Foreign Direct Investment to the region, standing as the main partner to most countries other than Jamaica, Bolivia, and Nicaragua. Instead of just aid, the country needs to continue maintaining and increasing its leadership position through well-established vehicles, such as the Inter-American Development Bank's International Finance Corporation. It also needs to continue to foster direct investment in the region from U.S. companies, whether through partnerships or direct asset development.

The relationship between the United States and its Latin American neighbors has not always been a smooth one. Over the last couple of decades, the various geopolitical powder kegs that erupted across the world took precedence over Latin America's regional importance. From the September 11 attacks to conflicts in the Middle East and Europe, global turmoil pushed Latin America, and much of the so-called "Global South" to the back burner. The shift in focus by the United States created a quasi-power vacuum in the region. Vacuums never remain empty for long. Latin America now finds itself caught between two suitors; its trusted long-term partner, who has sometimes neglected its neighbor, and a courtier from the East that is knocking on its door: China.

Chinese influence in the region is not new. As the Chinese economy grew at the turn of the century, it turned towards Latin America for raw materials, establishing the China-Latin American Cooperation Forum in 2005. Influence grew from mere cooperation to full-fledged partnerships when countries in

Table 1: Foreign Direct Investment in the Americas by the United States and China. Source of FDI (in USD mn).

DESTINATION	US	CHINA
• US	-	83,694
• United Kingdom Islands, Caribbean	398,939	580,799
• Canada	451,555	10,597
• Bermuda	219,608	15,816
• Mexico	144,507	3,488
• Brazil	87,909	3,944
• Bahamas	46,304	1,130
• Barbados	45,499	152
• Chile	32,034	1,598
• Argentina	14,514	1,821
• Peru	6,646	2,350
• Colombia	8,438	535
• Panama	4,512	1,402
• Trinidad and Tobago	4,647	112
• Venezuela	3,268	570
• Costa Rica	3,810	8
• Dominican Republic	1,893	4
• Honduras	1,391	4
• Ecuador	906	448
• Nicaragua	340	7
• Anguilla	134	23
• Jamaica	276	1,129 China is only dominant here
• Bolivia	197	270
• Belize	121	140

US is dominant here

Source: BCA Research, US BEA, China's Ministry of Commerce, and CEIC.

the region joined China's Belt and Road initiative in 2013. In return for raw materials, such as lithium, copper, and nickel, Latin America received funding in the form of loans. China's influence in the region continues to grow to this day, having morphed from loans to venture capital, infrastructure spending, and even military cooperation.

This influence has increased after the meeting of the 33-member Community of Latin American and Caribbean States (CELAC) and China, which took place on May 13, 2025. The meeting, held in Beijing, closed with a press release that stressed regional unity, together with an announcement from China of a USD 9.2bn credit line to Latin American countries and long-term cooperation plans that are supposed to underpin a strong partnership for the future. All this coming despite efforts from the US to keep China at bay in the region. According to the Economist Intelligence Unit, several factors could potentially impact the success of these agreements, including the upcoming presidential elections in countries such as Brazil, Chile, and Colombia, which currently lean towards leftist regimes. If these governments shift back to the right, it would not be surprising to see the U.S. reclaim part of its influence, possibly undermining the feasibility of any agreement with China. In fact, we are already beginning to see a shift to the right in countries like Argentina, a country which in previous decades had been more susceptible to Chinese influence. At the same time, other countries in the region, such as Chile, are starting to open their doors to this suitor from the East. To this point, it is worth noting that Chilean President Boric's speech during the CELAC meeting featured the improvement of Chile's economic ties with China as one of its main points, as well as highlighting Colombian President Petro's decision to make Colombia a signatory country of the Chinese-driven Belt and Road Initiative. Furthermore, another outcome of the meeting was President Xi's support for Panama amid the evolving conflict between Panama and the U.S. over port ownership in the Panama Canal. Even if Panama decided not to renew its adherence to the Belt and Road initiative, a fact that could be seen as a victory for the U.S., a trend that will be worth monitoring is the rise of Panamanian nationalism that is beginning to show its first green shoots.

It is worth pointing out that this China–CELAC meeting took place on the back of a truce in the tariff war between China and the U.S., marking the first signs of the easing of tensions in what has otherwise been a tense relationship for the better part of this year. Tensions are now building up again, with the trade truce starting to show cracks, as China has stated that the U.S. undermined the truce, following President Trump's affirmation that China is violating the terms of the agreement. Another point to consider is the near monopoly-like grip that China maintains on the processing of rare earth minerals, which are crucial elements in the production of cars, semiconductors, and aircraft, among other products of great importance to the United States. It is in this realm of natural resources where China is attempting to meaningfully expand its grasp.

China currently processes and refines close to 60% of the world's lithium supply, a critical step needed to make this mineral usable for fabrication of various end products. However, China produces less than 15% of the world's supply of raw lithium, the base material that is required for refinement down to its desired end-products. Considering that, according to a 2021 U.S. geological survey, close to 60% of the world's lithium reserves could be found in the Lithium Triangle encompassing Bolivia, Argentina, and Chile, it should come as no surprise that China is very interested in improving relations with these countries. At the same time, the region is responsible for the production of large quantities of other important minerals such as nickel, graphite, and manganese, all essential for the creation of products ranging from electric vehicle batteries to high-tech weapons. An additional incentive for China's expansion of its influence in Latin America is the region's proximity to the United States, allowing the country to potentially keep a military presence close to its rival.

With this in mind, China has been investing large sums of money to expand its influence in the region through commercial means, particularly the Belt and Road Initiative. According to an article published on Foreign Affairs by Shannon O'Neil, Senior Fellow for Latin American Studies at the Council on Foreign Relations, China expanded its trade with Latin America from USD 12bn in 2000, to USD 500bn by 2022. In fact, China is now the main trading partner for many important countries in the region such as Brazil, Peru, Chile, and Uruguay. The country also continues to expand the influence of its Belt and Road initiative by building large infrastructure projects in the region, such as a multibillion-dollar copper mine in Peru, as well as the deep-water port of Chancay in the same country.

China's expansion and influence in Latin America continues to grow at a rapid pace. However, not all countries in the region who have dealt with China have found it to be a seamless experience, as sometimes unfavorable commercial terms have proven to be counterproductive. In this era of the new Monroe Doctrine, the United States is no longer attempting to counter European influence, but that of its rival in the East. Only through mutually beneficial partnerships and investments will it be able to counter Chinese influence and retain its home-field advantage in the long term, especially when its biggest rival is playing a game of patience that, for now, could potentially be bearing fruit.

As we have commented on previous occasions, we believe that maintaining a globally diversified portfolio is the best strategy to navigate market volatility. Investors would be well served to maintain exposure to Latin America, as it is likely that continued interest from both the United States and China will benefit the region over time.

■

Click or scan this code to access more insights at insigneo.com/insights

House Views Matrix

	TACTICAL (UP TO 3 MONTHS)	CYCLICAL (UP TO 12 MONTHS)
Global Asset Allocation		
Equities	NEUTRAL	NEUTRAL
Fixed Income	NEUTRAL	OVERWEIGHT
Cash	OVERWEIGHT	NEUTRAL
Regional Breakdown		
US Equities[1]	NEUTRAL	OVERWEIGHT
European Equities	OVERWEIGHT	NEUTRAL
Japanese Equities	OVERWEIGHT	NEUTRAL
Emerging Market Equities	NEUTRAL	NEUTRAL
Chinese Equities	OVERWEIGHT	NEUTRAL
US Treasuries[2]	NEUTRAL	OVERWEIGHT
Investment Grade Fixed Income	NEUTRAL	NEUTRAL
High Yield Fixed Income	NEUTRAL	NEUTRAL
Emerging Market Sovereign	NEUTRAL	NEUTRAL
US Dollar	NEUTRAL	UNDERWEIGHT
Energy[3]	UNDERWEIGHT	NEUTRAL
Precious Metals	OVERWEIGHT	OVERWEIGHT

[1] Relative to global equities in USD
[2] Relative to aggregate fixed income markets in USD
[3] Relative to an overall commodity allocation

Important Disclosures

Insigneo Financial Group, LLC comprises a number of operating businesses engaged in the offering of brokerage and advisory products and services in various jurisdictions. Brokerage products and services are offered through Insigneo Securities, LLC, a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC") and member of FINRA and SIPC. Investment advisory products and services are offered through Insigneo Advisory Services, LLC, an investment adviser registered with the SEC. Insigneo has affiliated companies in different locations, so it is important to understand which entity you are conducting business with. Please visit https://insigneo.com/legalentities/ for more information about the differences between these companies, their locations, and what that means for you.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security. It is for general information purposes only. To the extent that this material discusses general market activity, industry or sector trends or other broad-based economic or political conditions, it should not be construed as research or investment advice. To the extent that it includes references to securities, those references do not constitute a recommendation to buy, sell or hold such security. It does not constitute a recommendation or a statement of opinion, or a report of either of those things and does not, and is not intended, to consider the particular investment objectives, financial conditions, or needs of individual investors.

Not All Risks Are Disclosed – Past performance is not indicative of futures results. Investments involve significant risks, and it is possible to lose some or all of your principal investments and therefore may not be suitable for everyone. Always consider whether any investment is suitable for your particular circumstances and, if necessary, seek professional advice from your Investment Professional.

This material may contain opinions, expressions, and estimates that represent the analysis and perspective of Insigneo Securities, LLC's Investment Strategy department or its providers at the time of publication. These are subject to change at any time, without notice.

FOR AFFILIATES LOCATED IN CHILE

Insigneo Asesorías Financieras SPA se encuentra inscrito en Chile, en el Registro de Prestadores de Servicios Financieros de la Comisión para el Mercado Financiero. Este informe fue efectuado por área de Research & Strategy de Insigneo Securities LLC. o sus proveedores, en base a la información disponible a la fecha de emisión de este. Para evitar cualquier conflicto de interés, Insigneo Securities LLC dispone que ningún integrante del equipo de Research & Strategy tenga su remuneración asociada directa o indirectamente con una recomendación o reporte específico o con el resultado de una cartera.

Aunque los antecedentes sobre los cuales ha sido elaborado este informe fueron obtenidos de fuentes consideradas confiables, no podemos garantizar la completa exactitud e integridad de estos, no asumiendo responsabilidad alguna al respecto Insigneo Securities LLC, Insigneo Asesorías Financieras SPA ni ninguna de sus empresas relacionadas.

Este material está destinado únicamente a facilitar el debate general y no pretende ser fuente de ninguna recomendación específica para una persona concreta. Por favor, consulte con su ejecutivo de cuentas o con su asesor financiero si alguna de las recomendaciones específicas que se hacen en este documento es adecuada para usted. Este documento no constituye una oferta o solicitud de compra o venta de ningún valor en ninguna jurisdicción en la que dicha oferta o solicitud no esté autorizada o a ninguna persona a la que sea ilegal hacer dicha oferta o solicitud. Las inversiones en cuentas de corretaje y de asesoramiento de inversiones están sujetas al riesgo de mercado, incluida la pérdida de capital.

La información base del presente informe puede sufrir cambios, no teniendo Insigneo Securities LLC ni Insigneo Asesorías Financieras SPA la obligación de actualizar el presente informe ni de comunicar a sus destinatarios sobre la ocurrencia de tales cambios. Cualquier opinión, expresión, estimación y/o recomendación contenida en este informe constituyen el juicio o visión de área de Research & Strategy de Insigneo Securities LLC. o sus proveedores, a la fecha de su publicación y pueden ser modificadas sin previo aviso.

FOR AFFILIATES LOCATED IN URUGUAY

Insigneo Asesor Uruguay S.A. está inscripto en el Registro de Mercado de Valores del Banco Central del Uruguay como Asesor de Inversiones. En Uruguay, los valores están siendo ofrecidos en forma privada de acuerdo al artículo 2 de la ley 18.627 y sus modificaciones. Los valores no han sido ni serán registrados ante el Banco Central del Uruguay para oferta pública. Este material está destinado únicamente a facilitar el debate general y no pretende ser fuente de ninguna recomendación específica para una persona concreta. Por favor, consulte con su ejecutivo de cuentas o con su asesor financiero si alguna de las recomendaciones específicas que se hacen en este documento es adecuada para usted según su perfil y estrategia de inversión. Este documento no constituye un asesoramiento ni una recomendación u oferta o solicitud de compra o. Las inversiones en valores negociables están sujetas al riesgo de mercado, incluida la pérdida parcial o total del capital invertido. Cualquier opinión, expresión, estimación y/o recomendación contenida en este informe constituyen el juicio o visión de área de Research & Strategy de Insigneo Securities LLC. o sus proveedores, a la fecha de su publicación y pueden ser modificadas sin previo aviso. Rentabilidades históricas de los productos anunciados no aseguran rentabilidades futuras..

FOR AFFILIATES LOCATED IN ARGENTINA

Insigneo Argentina S.A.U. Agente Asesor Global de Inversión se encuentra registrado bajo el N° 1053 de la Comisión Nacional de Valores (CNV) e inscripto ante la Inspección General de Justicia (IGJ) bajo el N° 12.278 del Libro 90, Tomo –, de Sociedades por Acciones. Este informe fue efectuado por área de Research & Strategy de Insigneo Securities LLC. o sus proveedores, en base a la información disponible a la fecha de su emisión. Para evitar cualquier conflicto de interés, Insigneo Securities LLC dispone que ningún integrante del equipo de Research & Strategy tenga su remuneración asociada directa o indirectamente con una recomendación o reporte específico o con el resultado de una cartera. Aunque los antecedentes sobre los cuales ha sido elaborado este informe fueron obtenidos de fuentes consideradas confiables, no podemos garantizar la completa exactitud e integridad de estos, no asumiendo responsabilidad alguna al respecto Insigneo Securities LLC, Insigneo Argentina S.A.U. ni ninguna de sus empresas relacionadas. La información base del presente informe puede sufrir cambios, no teniendo Insigneo Argentina S.A.U. la obligación de actualizar el presente informe ni de comunicar a sus destinatarios sobre la ocurrencia de tales cambios.

Este material está destinado únicamente a facilitar el debate general y no pretende ser fuente de ninguna recomendación específica para una persona concreta. Por favor, consulte con su ejecutivo de cuentas o con su asesor financiero si alguna de las recomendaciones específicas que se hacen en este documento es adecuada para usted. Este documento no constituye una oferta, recomendación o solicitud de compra o venta de ningún valor negociable en ninguna jurisdicción en la que dicha oferta o solicitud no esté autorizada o a ninguna persona a la que sea ilegal hacer dicha oferta o solicitud. Las inversiones en valores negociables están sujetas al riesgo de mercado, incluida la pérdida parcial o total del capital invertido. Cualquier opinión, expresión, estimación y/o recomendación contenida en este informe constituyen el juicio o visión de área de Research & Strategy de Insigneo Securities LLC. o sus proveedores, a la fecha de su publicación y pueden ser modificadas sin previo aviso.