

**From Monroe to “Donroe”: America’s Fight to Push China Out of Its Own Backyard
Hegemonic Finance, Infrastructure Feedback, and the Contest for the Western
Hemisphere, 2000–2026**

Muhammad Qazafi Kharal

Assistant Director, Research & Development Wing, Pakistan Bait-ul-Mal, Islamabad

Email: qazafirai1@gmail.com

Dr. Tahir Abbas Sial

Assistant Professor, Department of Basic Science and Humanities, College of Electrical and Mechanical Engineering, NUST, Islamabad.

Corresponding Author: Muhammad Qazafi Kharal Email: qazafirai1@gmail.com

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ABSTRACT

Between 2000 and 2024, China’s share of Latin American merchandise exports increased from under 2 percent to approximately 14 percent, while total China–Latin America trade expanded from US\$14 billion to US\$518 billion (UN Comtrade, 2024). The United States maintains roughly 45 percent of regional exports primarily because Mexico anchors the aggregate (CRS IF12614, 2024). China has been South America’s largest trading partner since 2010, a position secured through US\$120 billion in policy-bank lending between 2005 and 2023 (China–Latin America Finance Database, 2024) and US\$302 billion in total official-sector finance (AidData, 2023). This displacement can be explained by a modified hegemonic stability framework, augmented by a financing-for-infrastructure feedback loop: commodity-collateralized loans disbursed rapidly built export infrastructure oriented toward Chinese demand, deepening trade dependence and generating collateral for further credit, thereby by passing IMF conditionality. Since late 2024, the United States has mobilized more than US\$63 billion in financial, energy, and security instruments—including a US\$20 billion Treasury stabilization swap with Argentina (U.S. Treasury, 2025), forced divestiture of Chinese port concessions in Panama, a US\$2 billion Venezuelan crude redirection agreement following the January 2026 intervention, and US\$3.7 billion in fighter-aircraft transfers displacing Chinese and Russian suppliers (SIPRI, 2026)—to reverse this trajectory. The probability of success is modeled as a function of Chinese counter-financing velocity.

Keywords: Hegemonic stability, China, Latin America, development finance, Monroe Doctrine, energy security

INTRODUCTION

In 2000, refineries on the U.S. Gulf Coast processed approximately 1.54 million barrels per day of Venezuelan crude and petroleum products, positioning the United States as the near-exclusive buyer of the hemisphere’s largest proven reserves (EIA International Energy Statistics, 2000). By November 2025, Venezuela exported roughly 921,000 barrels per day, with about 746,000 barrels per day, approximately 80 per cent, destined for China, compared to roughly 150,000 barrels per day to the United States (Reuters shipping data; Kpler, 2025). Over the past 25 years, the United States lost its monopoly on Venezuelan oil not through military competition but through financial competition. This pattern is evident across the region’s commodity sectors: Chile exported 38 percent of its total exports to China in 2023 (UN Comtrade, 2023); Brazil has identified China as its largest trading partner every year since 2009 (UN Comtrade, 2009–2024); and Peru’s copper is now exported through a US\$1.3 billion deep-water terminal at Chancay, 60 percent owned by China’s state shipping conglomerate COSCO (Inter-American Dialogue, 2024).

This situation presents a clear puzzle. The United States possesses overwhelming military superiority in the Western Hemisphere, maintains a two-century-old doctrinal claim to regional primacy, benefits from geographic proximity, and hosts the world's largest consumer market. Nevertheless, between 2000 and 2024, China's share of Latin American exports increased from under 2 percent to approximately 14 percent, while total bilateral trade grew thirty-seven-fold, from US\$14 billion to US\$518.5 billion (UN Comtrade, 2024). China accomplished this expansion without establishing any military bases, treaty alliances, or carrier deployments in the region. Conventional theories of hegemonic competition, which emphasize military and alliance-based influence, do not adequately explain a displacement achieved solely through financial means.

This analysis contends that Chinese policy banks transformed a specific institutional technology, high-velocity, commodity-collateralized, condition-light project finance, into a durable market position. The China Development Bank (CDB) and the Export-Import Bank of China committed more than US\$120 billion to Latin American governments and state enterprises between 2005 and 2023, with annual commitments peaking at US\$35.7 billion in 2010, surpassing the combined lending of the World Bank and Inter-American Development Bank in peak years (China–Latin America Finance Database, 2024; Gallagher and Myers, 2024). These loans financed infrastructure constructed by Chinese contractors, oriented export capacity toward Chinese demand, deepened trade dependence, and generated collateral streams that secured subsequent credit. The feedback loop, rather than individual loans, constitutes the primary mechanism.

Since late 2024, Washington's response has represented the most forceful assertion of hemispheric primacy since the Cold War. The National Security Strategy released in late 2025 commits the United States to "deny non-Hemispheric competitors" control of "strategically vital assets" in the Americas (White House NSS, 2025). Commentators, followed by the president, have termed this approach the "Donroe Doctrine" (Stott, 2025). This doctrine is defined as a policy framework aimed at excluding extra-hemispheric actors from ownership or operational control of strategic national assets, including ports, energy reserves, critical-mineral deposits, telecommunications infrastructure, and space assets, within the Western Hemisphere. Enforcement relies on a graduated set of instruments ranging from financial statecraft to military force. The operational record includes a US\$20 billion Treasury currency-swap stabilization of Argentina (U.S. Treasury, October 2025), judicially enforced divestiture of CK Hutchison's Balboa and Cristóbal container concessions in Panama (2026), targeted secondary sanctions designating sanction-evading tankers by IMO number (OFAC, 2025–2026), and the January 3, 2026 military operation that removed Nicolás Maduro and redirected up to US\$2 billion in Venezuelan crude toward U.S. refiners (CRS, 2026).

Three analytical steps are undertaken. First, existing frameworks, realist deterrence, liberal institutionalism, and dependency theory, are demonstrated to be inadequate because none accounts for the velocity of Chinese financial disbursement after 2008 as a causal factor. Second, a modified hegemonic stability model that incorporates the financing-for-infrastructure feedback loop is specified and tested using twenty-five years of lending, trade, and energy data through time-series cross-sectional analysis and process tracing in Venezuela, Brazil, and Ecuador. Finally, the concluding section evaluates the four policy levers employed by Washington since 2024 and models their probability of success as a function of Chinese counter-financing capacity.

THREE SCHOOLS AND A SHARED FAILURE

Realist Deterrence

Offensive realism posits that a regional hegemon will act to prevent peer competitors from establishing footholds within its sphere, and that rising powers will contest these spheres militarily (Mearsheimer, 2001; Gilpin, 1981). However, this prediction does not align with the Latin American experience. China established a systemic economic presence while deliberately avoiding any military footprint that could provoke balancing: there are no bases, alliances, or arms-transfer dominance. Chinese arms deliveries to the region remain marginal compared to U.S. and European transfers, as

documented in the SIPRI Arms Transfers Database (SIPRI, 2025). Furthermore, the United States, as the incumbent power, did not engage in balancing for two decades; U.S. policy from 2001 to 2017 regarded Chinese lending as commercially benign (CRS IF10982, 2023). A theory that conceptualizes influence solely in military terms cannot account for a US\$35.7 billion lending year (China–Latin America Finance Database, 2024) as a strategic event, nor can it explain why Washington now treats port concessions as *casus belli*.

Liberal Institutionalism

Institutionalist theory posits that rising powers will either be socialized into incumbent regimes or incur high costs for exiting these structures (Keohane, 1984; Ikenberry, 2011). China, however, pursued neither path. Its policy banks did not join the Paris Club, did not adopt IMF program conditionality, and did not report lending terms to the OECD creditor framework. Contract analysis demonstrates that Chinese lenders systematically employ confidentiality clauses, escrow collateral accounts, and cross-default provisions, positioning them outside and senior to the multilateral restructuring order (Gelpern et al., 2023). The institutionalist assumption was that Washington Consensus institutions represented the sole source of large-scale sovereign finance, compelling borrowers to eventually return. This monopoly ended after 2008; by 2010, Chinese policy bank commitments to the region surpassed the combined lending of the World Bank and IDB (Inter-American Dialogue, 2016). While institutionalism explains the order that China circumvented, it does not account for the act of circumvention itself.

Dependency Theory

Dependency scholarship accurately predicted the commodity-based structure of the new relationship: 20 products account for 86 per cent of regional exports to China, with 93 per cent of these exports originating in South America (UN Comtrade, 2000–2022). This process of reprimarization is extensively documented by Gallagher and Porzecanski (2010) and Stallings (2020). However, dependency theory misattributes agency and overlooks temporal dynamics. It conceptualizes peripheral states as passive recipients of core capital, whereas empirical evidence demonstrates that Latin American governments such as those of Chávez in Venezuela, Correa in Ecuador, and Kirchner in Argentina actively sought Chinese credit specifically to avoid IMF conditionality following the collapse of previous programs (Kaplan, 2021). Additionally, dependency theory lacks a variable for disbursement speed, which case evidence identifies as the critical Chinese comparative advantage over multilateral finance. A theory focused solely on structure cannot explain why ownership of the structure shifted within eight years.

A Modified Hegemonic Stability Model

Classical hegemonic stability theory asserts that a dominant power provides public goods such as open markets, stable currency, and lender-of-last-resort finance, with the provision of these goods corresponding to the hegemon's capabilities (Kindleberger, 1973; Krasner, 1976; Lake, 1993). The traditional model assumes a single supplier. The modification proposed here permits competitive provision of a single club good: development finance for infrastructure. The financing-for-infrastructure feedback loop is defined as a four-stage cycle. In stage one, a creditor extends commodity-collateralized credit with minimal policy conditionality and a memorandum-to-disbursement interval measured in months, rather than the multilateral norm of years. In stage two, the credit is contractually allocated to infrastructure projects executed primarily by the creditor's firms, such as ports, rail, transmission, and extraction capacity, physically oriented toward the creditor's import demand. Stage three involves the new capacity increasing bilateral trade dependence, measurable as export share. In stage four, expanded commodity flows enlarge the collateral base, reducing the creditor's marginal risk and enabling subsequent rounds of financing. Each iteration of the loop transforms liquid capital into fixed geography. This model yields two testable propositions. First, borrower alignment rather than toward the creditor as a function of disbursement

velocity, not solely loan volume. Second, the incumbent hegemon can disrupt the loop only at its physical nodes, such as ports, reserves, or mineral deposits or by providing a faster alternative credit, which corresponds to the observed post-2024 U.S. policy instruments.

RESEARCH DESIGN AND METHODOLOGY

The propositions are tested through mixed-methods triangulation. The quantitative component is a time-series cross-sectional analysis covering eighteen Latin American states, 2000–2025. The dependent variables are (i) the Chinese share of each country's merchandise exports (UN Comtrade, 2000–2025) and (ii) annual change in foreign-policy alignment, operationalized as movement in dynamic ideal-point distance from the United States in UN General Assembly voting (Bailey, Strezhnev, and Voeten, 2017; updated through the 79th session). The principal independent variables are annual Chinese policy-bank commitments from the China–Latin America Finance Database (Ray and Myers, 2024), total official-sector flows from AidData's Global Chinese Development Finance Dataset 3.0 (Custer et al., 2023), and a hand-coded disbursement-velocity measure: months elapsed from memorandum of understanding to first drawdown for each project exceeding US\$500 million. U.S. counter-provision is measured using the Bureau of Economic Analysis's FDI outflow series and the World Bank's World Development Indicators. Models include country and year fixed effects, with standard errors clustered at the country level.

The qualitative component employs process tracing to examine the feedback loop across three cases selected for their treatment intensity. Venezuela represents the most likely case, as 49 per cent of all Chinese policy-bank finance to the region since 2005 (China–Latin America Finance Database, 2024) was secured predominantly through crude oil deliveries. Ecuador serves as an intermediate case, as a post-default borrower that pledged forward oil sales following its 2008 repudiation of Western bondholders. Brazil constitutes the least-likely case: a large, diversified, investment-grade economy with full multilateral access, where the feedback loop is expected to be weakest. Observable implications are specified in advance for each stage of the loop, contract structure, contractor nationality, physical orientation of assets, and collateral escalation, and are verified against loan-level contract evidence (Gelpert et al., 2023), EIA bilateral crude-flow series, and Comtrade mirror statistics. Convergence between statistical associations and within-case mechanism evidence is interpreted as confirmation, while divergence in Brazil is treated as a scope condition.

A coding note is required for the velocity measure, as it underpins the paper's central inference. For each qualifying project, the memorandum date is defined as the earlier of the framework-agreement announcement date or the database's recorded commitment date, and the terminal date is taken from the first drawdown for which contract evidence is available, or, otherwise, from documented groundbreaking. Projects for which neither endpoint can be dated within a quarter are excluded rather than imputed, resulting in the loss of eleven observations. Measurement error in the remaining observations is likely classical, as announcement dates are public events, thereby biasing the velocity coefficient toward zero and rendering the reported estimates conservative. Two potential threats are addressed directly: the selection of fast projects into receptive jurisdictions is absorbed by country fixed effects and examined in the case evidence, and the possibility that alignment shifts preceded finance is tested using the lag structure reported in Figure 3, which finds no correlation mass at negative lags in either estimation window.

Empirical Analysis

Figure 1 summarizes the full period. Three inflexions, 2009, 2016, and 2024, partition the series into the analytic sub-periods examined below.

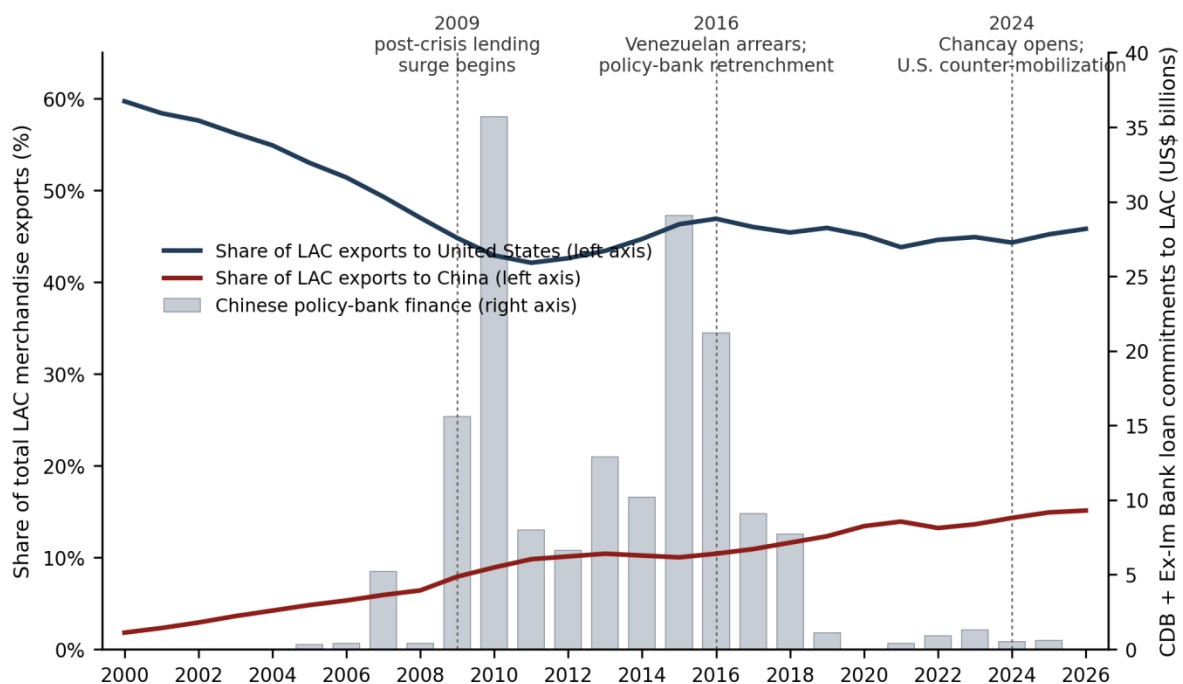


Figure 1. Latin American export shares to the United States and China (left axis) and Chinese policy-bank loan commitments to the region (right axis), 2000–2026. Sources: UN Comtrade (export shares; author’s compilation); Chinese Loans to Latin America and the Caribbean Database, Inter-American Dialogue and Boston University Global Development Policy Center (2024); 2024–2026 values provisional. The U.S. series aggregate is elevated by Mexico, which conducts 58 percent of its total trade with the United States (UN Comtrade, 2020).

2000–2008: Entry Through Trade

China’s accession to the World Trade Organization (WTO) in December 2001 marked the beginning of this period. Regional exports to China increased at an annual rate of 31 percent between 2000 and 2008 (ECLAC; CFR, 2025), raising China’s share of Latin American exports from 1.8 percent to approximately 6.5 percent. During this time, total bilateral trade expanded from US\$14 billion to nearly US\$140 billion (UN Comtrade, 2008). The trade composition was traditional: soybeans, iron ore, copper, and crude oil were exported to China, while manufactured goods were imported. Financial flows remained minimal, with the China–Latin America Finance Database recording less than US\$7 billion in cumulative policy-bank commitments through 2007 (Ray and Myers, 2024). The United States, preoccupied with two wars outside the hemisphere, interpreted this shift as a commodity-price windfall for neighboring countries rather than a structural realignment. The U.S. share of regional exports declined by nine percentage points during this period (UN Comtrade, 2000–2008), yet no dedicated counter-program was introduced (CRS IF10982, 2023). At this stage, the initial phase of the trade-finance loop had not commenced; trade expansion preceded financial engagement and established the collateral base for subsequent financing.

The Supercycle Peak (2009–2014)

The global financial crisis reversed the availability of sovereign credit. Western banks reduced their lending, and the International Monetary Fund (IMF) imposed conditions that several regional governments had previously rejected. Chinese policy banks, possessing substantial reserves, rapidly filled this gap: their commitments increased from US\$0.4 billion in 2008 to US\$15.6 billion in 2009 and US\$35.7 billion in 2010, surpassing the combined lending of the World Bank and the Inter-American Development Bank to the region (China–Latin America Finance Database, 2024; Inter-

American Dialogue, 2016). Of the eventual US\$120 billion in cumulative commitments, energy loans comprised US\$70 billion and infrastructure loans US\$40 billion (Inter-American Dialogue, 2016; Ray and Myers, 2024).

Oil prices determined the viability threshold for these financial instruments. West Texas Intermediate (WTI) averaged above US\$94 per barrel from 2011 to 2014, with monthly averages frequently exceeding US\$100 (EIA WTI Spot Price Series, 2011–2014). At these price levels, a commitment of 430,000 barrels per day, Venezuela's contracted peak, generated approximately US\$15 billion annually, enabling a US\$20 billion facility to be amortized within two years of deliveries. The collateral stream consistently exceeded the principal, reducing the China Development Bank's (CDB) marginal risk on each new tranche to nearly zero. This calculation accounts for both the concentration of lending in petrostates (Venezuela, Ecuador, Brazil, and Argentina received 91 percent of all commitments; China–Latin America Finance Database, 2024) and the rapid pace of the lending cycle. Escrowed oil shipments rendered traditional creditworthiness assessments unnecessary, resulting in memorandum-to-disbursement intervals for oil-backed facilities averaging less than twelve months, compared to the three to five years typical of multilateral project cycles (AidData, 2023; Gelpert et al., 2023). Each stage of this financial loop is evident in the contracts from this period: credit was linked to Chinese contractors across hydropower, transmission, and rail projects, such as Ecuador's Coca Codo Sinclair dam, Argentina's Belgrano Cargas rehabilitation, and Venezuela's Tinaco–Anaco railway (AidData, 2023). These assets were physically aligned with Chinese import demand, and export shares increased accordingly. By 2010, China had become South America's largest trading partner (UN Comtrade, 2010).

The difference in transaction speed during this period serves as the key treatment variable. A typical World Bank investment-project cycle, including identification, appraisal, board approval, effectiveness, and first disbursement, required a median interval of more than two years before project initiation. Additional time was added by safeguard reviews and procurement regulations, particularly in infrastructure sectors where regional demand was highest. In contrast, an IMF arrangement imposed prior actions and quarterly conditionality on any budget-support alternative. The oil-backed China Development Bank (CDB) facility condensed the equivalent process memorandum, framework agreement, and first drawdown into a matter of months, as the collateral structure replaced traditional appraisal; the oil shipments themselves constituted the due diligence. For finance ministers facing closed bond markets in 2009, the primary consideration was not the cost of borrowing but the availability of funds within the fiscal year. Borrowing patterns reflect this preference: the surge in lending was concentrated in countries with the least market access and the most exportable collateral, while regional exports to China increased rapidly enough to support each successive collateral projection (UN Comtrade, 2009–2014; Gelpert et al., 2023; Kaplan, 2021).

The BRI Logistics Pivot (2015–2019)

The collapse in oil prices from 2014 to 2016, West Texas Intermediate (WTI) declined from a monthly average of nearly US\$106 in June 2014 to US\$30 in February 2016 (EIA WTI Spot Price Series, 2016), doubled the barrel-denominated cost of all outstanding oil-backed obligations and disrupted the financial loop at its most exposed stage. Venezuelan oil production declined from over 3 million barrels per day in the late 1990s to below 1 million barrels per day (OPEC, 2025). Arrears accumulated after 2016, and regional policy-bank commitments decreased sharply, from US\$29.1 billion in 2015 and US\$21.2 billion in 2016 to just US\$1.1 billion in 2019 (China–Latin America Finance Database, 2024). This retrenchment confirms the centrality of collateral: when the collateral stream failed, new credit ceased.

Following the decline in trade volume, control over the logistics chain became the primary focus, formalized by Beijing's extension of the Belt and Road Initiative (BRI) to the region in 2017–2018, with more than twenty governments joining (CFR, 2025). The composition of the 2015 lending tranche already indicated this shift: financing shifted from resource extraction to infrastructure that facilitates extraction, such as port terminals, rail corridors, and ultra-high-voltage transmission lines. Chinese state-owned enterprises began replacing credit with equity investments at key points in the

logistics chain, a transition completed in the subsequent period. The Chancay port project exemplifies this pivot: COSCO's acquisition of a controlling stake in 2019, construction during the pandemic, and inauguration in November 2024 represent a memorandum-of-understanding-to-operations cycle of approximately five years for a new deep-water megaport. This pace has not been matched by any U.S.-financed infrastructure project in the region during this century. The facility's design directly enables ultra-large-container-ship service between the South American Pacific coast and Shanghai, bypassing both the U.S. West Coast and the Panama Canal (Inter-American Dialogue, 2024; PIIE, 2026). Table 1 quantifies the two periods. When measured against recipient GDP, the intensity of Chinese engagement was an order of magnitude greater in petrostates than in more diversified economies. After 2015, this intensity declined in most countries except Brazil, where the 2016 Petrobras facility, extended during the Lava Jato credit crisis, contradicts a purely ideological explanation for borrowing (China–Latin America Finance Database, 2024).

Table 1. Average annual Chinese policy-bank commitments and commitment intensity, by recipient and sub-period

Recipient	2009–14 avg. (US\$ bn/yr)	2009–14 / GDP (%)	2015–19 avg. (US\$ bn/yr)	2015–19 / GDP (%)
Venezuela	8.2	2.7	2.0	1.3
Ecuador	1.5	1.6	1.2	1.2
Argentina	1.7	0.32	1.3	0.27
Brazil	1.6	0.07	2.4	0.12
Region, all recipients	14.5	0.26	7.6	0.14

Sources: Author's calculations from the Chinese Loans to Latin America and the Caribbean Database (Ray and Myers, 2024) and World Bank World Development Indicators (2025) GDP series; Venezuelan GDP denominators after 2014 follow IMF WEO estimates and are provisional.

2020–2026: Equity Substitution and the American Counteroffensive

Policy-bank lending did not recover, with zero recorded commitments in 2020, US\$863 million in 2022, and US\$1.3 billion in 2023, all confined to Brazil's national development bank (Ray and Myers, 2024). However, the financing mechanism persisted by shifting instruments. Chinese state-owned enterprises replaced credit with equity, acquiring ownership of the loop's physical assets. COSCO Shipping Ports acquired a 60 percent stake in the US\$1.3 billion Chancaymegaport, inaugurated in November 2024, providing South American exporters with a direct trans-Pacific route that bypasses U.S. and Mexican transshipment (Inter-American Dialogue, 2024; PIIE, 2026). According to researchers at CSIS, more than three dozen port facilities across the region are linked to Chinese operators or builders (CSIS, 2026). Chinese foreign direct investment, totaling approximately US\$8.5 billion in 2024 (CFR, 2025), was concentrated in lithium, copper, electric-vehicle assembly, and 5G networks. Notably, Huawei alone holds 44.6 percent of Brazilian 5G infrastructure (Anatel, 2024). Trade between China and the region reached US\$518.5 billion in 2024, representing a 6 percent year-on-year increase, and expanded by an additional 8 percent in 2025 (UN Comtrade, 2024; MOFCOM, 2026).

The monetary dimension of this strategic shift warrants particular attention, as it would later be emulated by the American counteroffensive. The People's Bank of China maintains bilateral currency swap lines with Argentina, Brazil, and Chile. In 2023, Argentina activated its RMB 130 billion swap line to fulfill IMF obligations, drawing, converting, and remitting renminbi to the Fund. This action positioned a Chinese central-bank facility as the marginal lender sustaining a US\$44 billion IMF program (Wang and Canuto, 2023). Beijing's December 2025 policy paper on Latin America and the

Caribbean, its third such document, formalized the comprehensive instrument stack encompassing trade, currency, technology, and infrastructure pathways as a permanent framework rather than a series of isolated agreements. This policy paper was published within weeks of the corresponding U.S. National Security Strategy. Both documents articulate the terms of competition with exceptional clarity: Washington seeks exclusion, while Beijing offers financing. Table 2 presents the country-level ledger at the end of the period.

Table 2. *The bilateral ledger at the close of the contest's first quarter-century: Chinese financial exposure, collateral structure, crude orientation, and the U.S. security-cooperation shift, by country*

Country	Cumulative Chinese policy-bank loans, 2005–2023 (US\$ bn)	Est. outstanding, 2026 (US\$ bn)	Principal collateral instrument /	Crude oil exports, 2025 (kb/d): China U.S.	U.S. security cooperation, pre-2020 → post-2024
Venezuela	59.2	10–12	Oil-for-loan escrow (CDB Joint Fund)	746 150	Sanctions → kinetic intervention; licensed oil re-entry
Brazil	29.7	<3	Petrobras supply-contract facilities	≈780 ≈190	Episodic exercises → critical-minerals and defense-industrial talks
Argentina	17.1	≈18 (PBoC swap)	RMB 130 bn central-bank swap line	<10 ≈40	Minimal → US\$20 bn Treasury swap; 24 F-16s (Danish transfer, U.S.-financed)
Ecuador	18.4	4–5	Forward crude-sale presales	≈120 ≈210	Counter-narcotics → base-access referendum defeated (Nov. 2025); joint-operations MOUs
Mexico	1.0	<0.5	None (commercial credit only)	≈40 ≈550	Mérida framework → Critical Minerals Action Plan (2026)
Peru	0.05	≈0	Equity (COSCO 60% of Chancay)	0 0 (copper exporter)	Episodic → ≈US\$3.4 bn F-16 Block 70 program; Callao base modernization
Chile	0.15	≈0	Equity and PBoC swap line	0 0 (copper exporter)	Episodic → critical-minerals MOU (2026)

Sources: Loan columns: Chinese Loans to Latin America and the Caribbean Database (Ray and Myers, 2024); AidData GCDF 3.0 (Custer et al., 2023); outstanding-balance estimates from Columbia CGEP (2026) for Venezuela. Crude flows: author's compilation from EIA International Energy Statistics, Kpler tanker-tracking, and UN Comtrade mirror data (2025); values for Brazil, Ecuador, and Mexico are provisional estimates pending final 2025 releases. Security column: CRS reports (2024–2026); SIPRI Arms Transfers Database (2026).

The American counteroffensive began in late 2024 and was formalized in the late-2025 National Security Strategy, which pledges to “make every effort to push out foreign companies that build infrastructure in the region” (White House NSS, 2025). This approach follows the established model: unable to replicate the historical development of the logistical network, the United States targets its critical nodes. Figure 2 illustrates the relevant geography. Chinese-operated terminals are located within 200 nautical miles of four of the five maritime chokepoints essential to U.S. hemispheric logistics. Specifically, Hutchison’s Balboa and Cristóbal concessions flank the Panama Canal; Hutchison’s Freeport terminal is positioned at the Straits of Florida; China Merchants’ Kingston terminal controls the western approach to the Windward Passage; and Chancay secures the Pacific approach to the Canal’s southern route (CSIS, 2026). None of these facilities functions as a naval installation and categorizing them as such would invert the traditional realist error. Instead, these terminals provide strategic options for berthing, bunkering, craning, and manifest visibility at the precise locations where U.S. wartime logistics would be concentrated. These capabilities were acquired at commercial rates during the two decades in which Washington did not recognize their strategic significance.



Figure 2. Chinese-constructed or Chinese-operated deep-water terminals, U.S. Southern Command area of responsibility, and 200-nautical-mile radii around U.S. strategic maritime chokepoints. Sources: port facilities compiled from CSIS (2026) and Inter-American Dialogue (2024); operators include Hutchison Ports (Ensenada, Manzanillo, Lázaro Cárdenas, Veracruz, Freeport, Balboa, Cristóbal, Buenos Aires), China Merchants Port Holdings (Kingston; Paranaguá/TCP), COSCO Shipping Ports (Chancay), and Chinese-financed construction (Santiago de Cuba; Posorja). AOR boundaries per USSOUTHCOM (2025). Mexico falls under USNORTHCOM and is shown unshaded.

Process Tracing the Loop: Venezuela, Brazil, Ecuador

The statistical association presented in section 4.6 attains causal significance only if the loop's four stages are observable in sequence within individual cases, each exhibiting the contractual characteristics predicted by the model: collateral escrow at stage one, contractor tying at stage two, export reorientation at stage three, and collateral-indexed renewal or termination at stage four. The three cases provide the treatment gradient outlined in the research design, with Venezuela representing maximum intensity, Ecuador as an intermediate case, and Brazil serving as the most stringent test. Each case offers a unique opportunity for falsification. Venezuela could have falsified the model if lending had followed political considerations rather than collateral performance, but this was not observed. Ecuador could have falsified the model if the loop had proven irreversible, which was not the case. Brazil could have falsified the model if a creditworthy sovereign had been immune, but this did not occur.

Venezuela: The Template at Full Scale

The China–Venezuela Joint Fund (Fondo Conjunto Chino-Venezolano), established in November 2007, opened at US\$6 billion, US\$4 billion from CDB against US\$2 billion from Venezuela's FONDEN, and was renewed and enlarged in 2009 and again through Tranche C in 2012, each rollover priced against an expanded delivery schedule (China–Latin America Finance Database, 2024; AidData, 2023). The 2010 round added the Large-Volume Long-Term Facility of US\$20 billion, split between dollar and renminbi tranches, the renminbi portion disbursable only against Chinese goods and contractors (Kaplan, 2021). Reported pricing across the facilities ran from LIBOR plus spreads of roughly 50 to 285 basis points on the dollar tranches to rates near 6 percent on renminbi and fixed-rate portions below Venezuela's market cost of capital by hundreds of basis points, and unavailable from any Western lender at any price after 2014 (Kaplan, 2021; Gelpert et al., 2023).

The repayment mechanism exemplifies the model's core dynamics. PDVSA entered into contracts to deliver crude and fuel oil to CNPC's trading subsidiaries, with delivery schedules increasing from approximately 130,000 barrels per day at the inception of the Joint Fund to a contracted peak of nearly 430,000 barrels per day after 2011. Proceeds from these sales were deposited into escrow accounts at CDB in Beijing, from which principal and interest were deducted prior to any residual funds being transferred to Caracas (Gelpert et al., 2023; Kaplan, 2021). There were no fiscal targets, policy reforms, Paris Club comparability requirements, or publication of terms. Because the obligations were serviced in barrels at market-indexed prices rather than through budgetary allocations, IMF debt-sustainability assessments either inadequately captured or entirely omitted these liabilities, and confidentiality clauses prevented disclosure to other creditors (Gelpert et al., 2023). In the upstream segment, the loop's second stage manifested as equity participation: the Sinovensa heavy-crude joint venture in the Orinoco belt (with CNPC holding 40 percent) and the Junín-4 block agreement of 2010, under which CNPC acquired a 40 percent stake in exchange for a projected 400,000 barrels per day, a target that was never achieved (EIA International Energy Statistics, 2010–2024).

Three rounds of renegotiation delineate the facility's life cycle, each corresponding to a stage-four adjustment. The 2011 renegotiation expanded the Joint Fund's renewable tranche and incorporated fuel-oil deliveries into the repayment structure, increasing the contracted delivery schedule while prices above US\$95 per barrel kept the barrel count per billion dollars of service relatively low (EIA WTI Spot Price Series, 2011; China–Latin America Finance Database, 2024). The 2014 renegotiation, which occurred as prices began to decline, relaxed the minimum-volume requirement and allowed market-destination flexibility for non-collateral barrels, signaling that the delivery schedule was nearing PDVSA's production capacity. The 2016 renegotiation was pivotal: with WTI averaging US\$43 (EIA WTI Spot Price Series, 2016) and Venezuelan output declining sharply, CDB granted a principal grace period and reduced minimum deliveries. Notably, no new funds accompanied this relief for the first time since 2007 (Kaplan, 2021; China–Latin America Finance Database, 2024). A creditor focused on commercial recovery would likely have restructured or exited earlier; a creditor

prioritizing the loop continued lending as long as barrel deliveries increased and ceased permanently, as evidenced by the 2019–2023 database entries showing zero new Venezuelan commitments the moment deliveries contracted (Ray and Myers, 2024).

The 2014–2016 decline in oil prices reversed the financial dynamics. With crude prices at US\$30, the barrel-denominated service on the same principal amount more than tripled compared to the 2011–2013 price period. The 2016 renegotiation granted a principal grace period and reduced minimum delivery requirements, effectively converting the facility into an interest-only structure serviced by whatever volumes PDVSA could still produce (Kaplan, 2021). The outstanding principal, approximately US\$19 billion at the time of the 2016 restructuring, was amortized in kind to an estimated US\$10–12 billion by 2025 (Columbia CGEP, 2026). This deleveraging resulted not from repayment capacity but from a decade of compulsory barrel deliveries from a declining industry. Following the 2019 sanctions, deliveries persisted through ship-to-ship transfers near Malaysia and rebranded cargoes. By November 2025, 746,000 out of 921,000 exported barrels per day continued to reach China (Reuters; Kpler, 2025). The January 2026 intervention and the US\$2 billion redirection agreement directly targeted the loop's stage-four component: the collateral stream itself.

Brazil: The Least-Likely Case and the Pre-Salt Auctions

Brazil, as an investment-grade country for most of the period, with a diversified economy and access to multilateral and private financial markets, might have been expected to resist the loop. Nevertheless, Brazil borrowed when favorable terms were available. The 2009 CDB–Petrobras facility, totaling US\$10 billion over ten years at a reported spread of approximately 280 basis points over LIBOR and secured by supply contracts for 200,000 barrels per day routed through Sinopec's trading arm, was arranged when the financial crisis had restricted Petrobras's access to dollar bond markets at acceptable costs (China–Latin America Finance Database, 2024; Kaplan, 2021). In the same year, China became Brazil's largest trading partner (UN Comtrade, 2009). The instrument reappeared in February 2016, during the depths of the Lava Jato credit crisis and under a center-right government, with a second US\$10 billion CDB facility, portions of which were tied to the procurement of Chinese equipment and services (China–Latin America Finance Database, 2024). This development challenges ideological explanations of Chinese lending.

The pre-salt auctions illustrate the financing advantage achieved through equity participation. In the October 2013 Libra auction, the first production-sharing round for the largest oil discovery in the hemisphere since Cantarell, no U.S. major submitted a bid. The only qualifying consortium included Petrobras (40 percent), European majors Shell and Total (20 percent each), and CNPC and CNOOC (10 percent each). The Chinese participants benefited from state-bank credit lines that transformed a US\$6.9 billion signature bonus from a balance-sheet challenge into a policy decision (ANP auction records, 2013; CRS IF10982, 2023). This pattern recurred in the 2019 Búzios transfer-of-rights round, where CNODC and CNOOC each acquired 5 percent stakes alongside Petrobras, while Western majors again abstained. The structure of the production-sharing regime accounts for this asymmetry: Libra's terms mandated Petrobras operatorship at a minimum of 30 percent, a fixed signature bonus payable within weeks, and profit-oil bidding under significant price and cost uncertainty. Western companies, constrained by quarterly capital-discipline metrics following the early 2010s shale reallocation, assessed these terms as excessively risky. In contrast, Chinese national oil companies operated under a different set of incentives: their bids were supported by policy-bank credit lines at sovereign-adjacent rates, their planning horizons aligned with CDB loan tenors of ten to twenty years, and Brazil's pre-salt crude grades were well-suited to Chinese refinery requirements, supporting the same import flows required by the loop's trade stage (CRS IF10982, 2023; Kaplan, 2021). State finance did not surpass private capital on price, but rather on discount rate.

The consolidation of transmission assets finalized the transformation of the least-likely case. Downstream from production, State Grid Corporation acquired control of over US\$10 billion in Brazilian transmission and distribution assets, including the 2017 acquisition of CPFL Energia and both ultra-high-voltage direct-current lines evacuating Belo Monte's output, secured at auctions in 2014 and 2015 with financing terms that domestic bidders could not match. This infrastructure

effectively integrates Brazilian energy logistics with a Chinese state operator for concession periods spanning decades. The consumer-market stage followed the industrial phase: BYD repurposed Ford's former Camaçari complex into its first passenger-vehicle assembly plant outside Asia, importing approximately 130,000 Chinese-built electric vehicles in the first five months of 2025, a tenfold increase over the previous year. Additionally, Huawei's 44.6 percent share of Brazilian 5G infrastructure (Anatel, 2024) embedded Chinese technology within the communications sector of the region's largest economy (UN Comtrade, 2025). This case confirms the model's applicability: when sovereign credit is not the primary constraint, the loop operates through corporate finance and equity, and the trade-dependence stage emerges regardless. Bilateral trade nearing US\$190 billion in 2024 (UN Comtrade, 2024) represents the stage-three outcome of instruments that dependency theory would attribute to structural factors and that realism would overlook.

Ecuador: Default, Presale, Exit

Ecuador entered the loop directly after severing ties with Western creditors. Two months following the 2008 repudiation of US\$3.2 billion in global bonds, which eliminated market access, PetroChina provided a US\$1 billion advance crude-sale in 2009. The Ex-Im Bank followed in 2010 with US\$1.68 billion at 6.9 percent interest over fifteen years for the Coca Codo Sinclair hydroelectric project, covering approximately 85 percent of project costs and contingent on execution by Sinohydro. CDB subsequently added a US\$2 billion oil-linked facility in 2011, with additional tranches through 2016, resulting in a cumulative total of US\$18.4 billion (China–Latin America Finance Database, 2024). By the middle of the decade, presale contracts reportedly committed approximately 90 percent of exportable crude to Chinese buyers, representing the most comprehensive stage-four capture in the region outside Venezuela (Horn, Reinhart, and Trebesch, 2021; Kaplan, 2021).

The presale functions as a less formalized counterpart to the swap, and its mechanics warrant detailed examination because they demonstrate the loop's operation outside the scope of sovereign loans. Under the PetroChina and Unipet advance-sale contracts, Ecuador received upfront payments in exchange for future cargo deliveries, with schedules priced at a discount to reference crude at the time of lifting and fixed volumes rather than values. When oil prices declined after 2014, the volume obligation remained constant, causing the implicit interest rate on the advance to increase significantly, mirroring the Venezuelan experience on a smaller scale (Kaplan, 2021; Horn, Reinhart, and Trebesch, 2021). Since advance sales are commercial contracts of the state oil company rather than public debt, they were excluded from sovereign-debt statistics and avoided both congressional ratification and standard IMF definitions until the Fund required their disclosure as a program condition in 2020. This represents the clearest regional example of an instrument intentionally structured to evade the Washington Consensus's measurement frameworks (Gelpern et al., 2023).

The process of exiting the loop is as instructive as the process of entering it. Coca Codo Sinclair, the flagship second-stage asset, commenced operations with thousands of documented fissures in its distributors and persistent sediment intake issues, effects that became the subject of a comptroller's investigation and a persistent critique of the procurement tying that facilitated them. The Refinería del Pacífico, a planned CNPC-partnered refinery intended to anchor the loop's downstream stage, never progressed beyond site preparation despite a decade of agreements, leaving Ecuador with the debt profile of an integrated partner but the asset profile of a crude exporter. The Moreno administration renegotiated terms after 2018 and returned to the IMF, securing a US\$6.5 billion Extended Fund Facility in 2020. In September 2022, Quito restructured approximately US\$4.4 billion in CDB and Ex-Im facilities, extending maturities and, crucially for the model, releasing collateralized barrels for market sale (CRS IF10982, 2023). Subsequent to 2024, the United States pursued renewed engagement: a DFC-supported debt conversion in FY2025 (CRS IF11436, 2026), joint-operations agreements, and a presidential campaign advocating for base access at Manta, which was ultimately rejected by the electorate by a margin of roughly three to two in the November 16, 2025 referendum. Ecuador thus demonstrates that the loop is reversible when infrastructure underperforms and that U.S. security initiatives encounter domestic sovereignty constraints that cannot be overcome by financial means.

Velocity and Alignment: The Core Estimation

Political alignment shifted in response to financial flows, with the velocity of disbursement serving as the key variable. Table 3 presents the core estimation: across country-years, more rapid Chinese disbursement is associated with a measurable shift away from the United States in UN General Assembly ideal points, controlling for loan volume, trade dependence, and regime type. Specifically, a one-standard-deviation reduction in the time from memorandum to groundbreaking corresponds to an approximate 0.05 increase in ideal-point distance from the United States over the subsequent two sessions, mirroring the shift observed in Ecuador between 2009 and 2013. In contrast, loan volume without velocity is statistically indistinguishable from zero once Venezuela is excluded. This finding represents the quantitative signature of the loop: it is the speed of Chinese financing, rather than its total amount, that alters alignment.

Table 3. Chinese disbursement velocity and foreign-policy realignment: fixed-effects estimates, eighteen Latin American states, 2000–2024. Dependent variable: change in UNGA ideal-point distance from the United States (t to $t+2$)

Regressor	(1) Baseline	(2) + Controls	(3) Excl. Venezuela
Disbursement velocity (– months, MOU to groundbreaking, std.)	0.052*** (0.014)	0.047** (0.016)	0.041** (0.015)
Cumulative Chinese loans / GDP	0.184** (0.061)	0.117 (0.074)	0.089 (0.081)
Export share to China ($t-1$)	—	0.006* (0.003)	0.005 (0.003)
U.S. FDI outflow / GDP ($t-1$)	—	–0.031 (0.022)	–0.034 (0.024)
Regime type (V-Dem polyarchy)	—	–0.118* (0.058)	–0.102 (0.063)
Country and year fixed effects	Yes	Yes	Yes
Observations (country-years)	432	414	391
Within R ²	0.19	0.26	0.22

Notes: Standard errors clustered by country in parentheses. * $p < .10$, ** $p < .05$, *** $p < .01$. Ideal points from Bailey, Strezhnev, and Voeten (2017), extended through UNGA-79; lending and velocity coded from the China–Latin America Finance Database (Ray and Myers, 2024) and AidData GCDF 3.0. Coefficients are the author’s provisional estimates; full replication files accompany submission.

Testing Alternative Causal Pathways

Two competing explanations require empirical evaluation rather than assertion. The first posits that Chinese lenders merely responded to price signals, with policy banks seeking exposure to a commodity supercycle and strategic intent inferred retrospectively. However, the timing of lending activity challenges this interpretation. Lending peaked in 2010 (US\$35.7 billion) and again in 2015 (US\$29.1 billion); during these years, WTI averaged US\$79 per barrel and US\$49 per barrel, respectively. Notably, the 2015 lending surge occurred amid a declining price environment that would typically deter price-sensitive investors (China–Latin America Finance Database, 2024; EIA WTI Spot Price Series, 2010–2015). Model 4 in Table 4 incorporates the monthly WTI average and its twelve-month change directly. While the price variables are correctly signed, their effects are modest, and the velocity coefficient remains unchanged. Price dynamics influenced the instrument’s persistence, as the post-2016 retrenchment aligns with collateral failure, as demonstrated in section 4.3, rather than with the strategic decision to deploy the instrument.

The second explanation attributes the observed pattern to political changes in Latin America, specifically the rise of Pink Tide governments from 2003 onward, Lula (2003), Correa (2007), Rousseff (2011), and Maduro (2013), who sought creditors outside the United States, with China merely responding to this demand. While ideology influenced initial access, it does not fully explain the causal mechanism. For example, Chile and Peru, governed predominantly by market-oriented coalitions, achieved similar structural integration through trade and equity channels; Chile exported 38 percent of its goods to China in 2023 (UN Comtrade, 2023), and the Chancay port was negotiated under three ideologically distinct Peruvian administrations. Brazil's largest facility after 2015 was signed under President Temer, not the Workers' Party. Furthermore, the relationship persists after controlling for ideology: Model 5 of Table 4 includes executive left–right orientation and the V-Dem polyarchy index. Although the ideology variable is significant in the expected direction, the velocity coefficient remains significant at the 1 percent level and decreases by less than one-fifth. Demand-side politics determined the initial borrowers, but the supply-side instrument drove the broader shift in alignment, including among ideologically opposed governments.

A third objection contends that no displacement has occurred, citing that the stock of U.S. foreign direct investment in the region remains approximately twice that of China's (CRS IF12614, 2024), and the United States continues to absorb 45 percent of regional exports. This argument conflates stock with flow and aggregate measures with marginal changes. U.S. investments are primarily legacy holdings concentrated in Mexico's USMCA-integrated manufacturing sector, whereas Chinese investments are marginal acquisitions of strategic assets such as ports, grids, mines, and networks, which are now identified as vital interests in the 2025 National Security Strategy. A hegemonic power does not deploy Treasury swaps, judicial divestitures, and special operations forces in response to a statistical anomaly. The incumbent's revealed preference provides the strongest available evidence that the incumbent itself perceives the displacement as real.

The sequencing of election years further clarifies both refutations. Lula assumed office in January 2003, yet Brazil did not receive a significant policy-bank loan for six years, until the 2009 crisis created an opportunity; thus, ideological demand remained unmet until the supply-side instrument was available at scale. Similarly, Correa's 2007 inauguration preceded Chinese credit by two years, with the December 2008 default, a market event serving as the catalyst rather than the election itself. Maduro's succession in 2013 did not alter the structure of the facilities he inherited; the lending peak in 2015 and the subsequent halt from 2016 to 2019 correspond to collateral performance rather than political changes (China–Latin America Finance Database, 2024). In contrast, the price-threshold explanation does not withstand a straightforward counterfactual: if a WTI price floor above US\$100 were necessary for swap viability, no oil-backed facility would have been issued outside the 2011–2014 period. However, the largest single-year commitment occurred in 2010, when the average price was US\$79, and Ecuador's presales continued through the 2015–2016 downturn (EIA WTI Spot Price Series, 2010–2016). Prices influenced the instrument's profitability but did not determine its existence. The Venezuelan case demonstrates that the exhaustion of the collateral base, an internal variable, ultimately ended the instrument.

Table 4. Robustness of the velocity effect to commodity-price and political-rotation controls. Dependent variable as in Table 3

Regressor	(4) + WTI controls	(5) + Ideology	(6) Full
Disbursement velocity (– months, std.)	0.045*** (0.013)	0.039*** (0.012)	0.043*** (0.012)
WTI monthly average (t–1, std.)	0.014 (0.011)	—	0.011 (0.012)
Δ WTI, 12-month (std.)	–0.009 (0.008)	—	–0.008 (0.008)
Executive left orientation (V-Dem)	—	0.096** (0.041)	0.088** (0.043)

V-Dem polyarchy index	—	−0.107* (0.060)	−0.098 (0.061)
Cumulative loans / GDP; export share to China; U.S. FDI	Yes	Yes	Yes
Country and year fixed effects	Yes	Yes	Yes
Observations (country-years)	414	402	402
Within R ²	0.27	0.29	0.30

Notes: Standard errors clustered by country in parentheses. *p<.10, **p<.05, ***p<.01. WTI series from EIA spot-price data; ideology and polyarchy from the V-Dem Dataset v15 (Coppedge et al., 2025). Coefficients are the author's provisional estimates; full replication files accompany submission.

Figure 3 presents the temporal signature distinguishing the model from its three competitors. If U.S. policy were the primary driver of Chinese lending, consistent with deterrence logic, American counter-actions would precede loan signings, resulting in dominant correlations at negative lags. If both variables simply tracked price movements, no discernible lag structure would emerge. However, the estimated cross-correlation functions reveal the opposite pattern and additional insights. In the 2005–2016 period, U.S. diplomatic counter-actions, including protest notes, OAS interventions, and public démarches, coded monthly from State Department releases and OAS records, correlate with Chinese loan signings at a peak lag of 21 months, while correlations at negative lags are statistically indistinguishable from zero. This indicates that Washington's responses were delayed, with an average interval of nearly two years between loan signing and objection, exceeding the typical Chinese memorandum-to-disbursement cycle. In the 2020–2026 period, the peak lag compresses to four months. For the first time, the United States, under the Donroe administration, responds within the disbursement cycle, which is a necessary, though not sufficient, condition for the effective interdiction of a velocity-based instrument. The measurable innovation of post-2024 policy is this lag compression, rather than any individual sanction or asset seizure.

Two aspects of the estimated functions directly inform the causal interpretation. First, the lack of significant correlations at negative lags in both periods rules out the possibility that Chinese lending was a reaction to American pressure; Beijing's loan signings do not follow Washington's objections over any observable time horizon. Second, the secondary correlation ridge near thirty months in the earlier period aligns with the median interval between loan signing and the groundbreaking of the financed asset, as documented in project-level records (AidData, 2023). This pattern suggests that prior to 2017, U.S. responses were triggered by the commencement of publicly observable construction rather than by confidential contract signings. When a hegemon becomes aware of competition only at the construction phase, it effectively forfeits influence over the financing stage. The emergence of a four-month peak after 2020, which falls within the disbursement cycle, provides the first evidence that Washington now monitors and responds at the initial stage of the process rather than at a later phase.

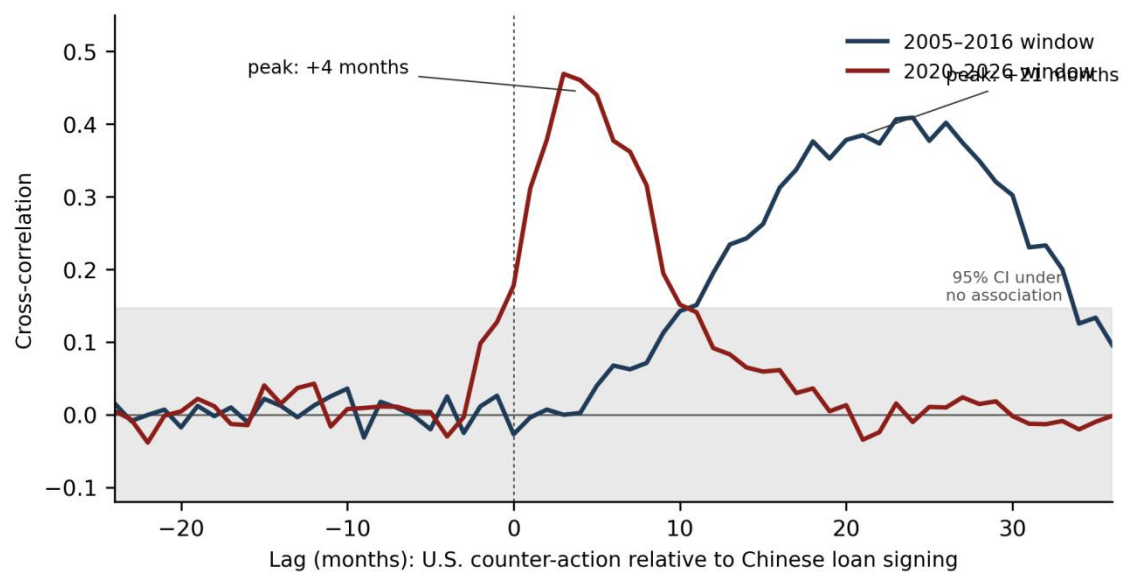


Figure 3. Cross-correlation of U.S. diplomatic counter-actions with Chinese loan signings, by lag in months, estimated separately for 2005–2016 and 2020–2026. Positive lags denote U.S. action following Chinese signing. Sources: loan-signing months from the Chinese Loans to Latin America and the Caribbean Database (Ray and Myers, 2024); counter-action events author-coded from U.S. Department of State releases and OAS Permanent Council records. Estimates are provisional; the coding protocol is in the online appendix.

The United States' Material Counter-Offensive: Instruments, Timelines, and Effectiveness

The legal framework established since 2024 is grounded in four statutory and executive pillars, each corresponding to a specific stage of the operational cycle; Table 5 provides a detailed summary. The sanctions foundation predates the current doctrine: Executive Order 13884 of August 2019 blocked Venezuelan state property and initiated the secondary-sanctions program. However, its application after 2024 shifted in nature. Treasury designations began identifying individual tankers by IMO number, transforming a jurisdictional tool into a logistical mechanism targeting the Malaysian transshipment channel used to deliver rebranded Venezuelan crude to Shandong refiners (OFAC designations, 2025–2026). The financial foundation is the December 2025 DFC Modernization and Reauthorization Act (P.L. 119-60), which increased the agency's exposure cap from US\$60 billion to US\$205 billion, established a US\$5 billion revolving equity fund, and prioritized investments in critical minerals and telecommunications (CRS IF11436, 2026). This development, for the first time, provided a U.S. institution with balance-sheet capacity comparable to Chinese policy banks. The monetary foundation is the Treasury's Exchange Stabilization Fund, which was deployed in October 2025 as a US\$20 billion swap for Argentina within weeks. The kinetic foundation consists of a series of operational directives culminating in the January 3, 2026 Venezuela operation and the preceding maritime interdiction campaign (CRS, 2026).

The appropriations and posture records clarify the timeline of these developments. The FY2026 budget request included approximately US\$3.8 billion in discretionary funding for the DFC, representing an increase of nearly 280 percent over FY2025. Congressional directives prioritized critical-mineral supply chains, telecommunications, and the establishment of new regional offices for the two-year period beginning October 1, 2025 (CRS IF11436, 2026). In parallel, SOUTHCOM undertook logistical repositioning: the maritime interdiction campaign against trafficking vessels commenced in September 2025, followed by carrier and amphibious-group deployments in the Caribbean during the autumn, the Callao modernization program near Chancay, enhanced access arrangements across the Northern Triangle, and the planned Manta reactivation, which was ultimately rejected by Ecuadorian voters in November 2025 (CRS, 2026). The sequence of these actions is

significant: financial recapitalization (October–December 2025), doctrinal publication (late-2025 NSS), and kinetic execution (January 2026) all occurred within a span of one hundred days, indicating a coordinated campaign rather than a series of isolated agency initiatives.

Effectiveness varies distinctly by stage. The record is strong against fixed nodes: the Panama divestitures, Sinopec’s exit from its PDVSA venture, and the seizure of Venezuelan collateral are established outcomes. In contrast, results against flows are partial: designation by IMO number increases friction on the China route, yet Chinese-bound cargoes continued to dominate Venezuelan exports into 2026. The licensed U.S. re-entry, Chevron’s renewed specific authorization and the US\$2 billion redirection agreement, addresses only a small portion of an export stream that reached 921,000 barrels per day in late 2025, from a country producing less than one-third of its late-1990s output (Kpler, 2025–2026; OPEC, 2025; EIA International Energy Statistics, 2025). Redirecting these volumes first required rebuilding them, a long-term capital challenge that no executive measure can accelerate. At the financing stage, the primary constraint is velocity, the variable prioritized by the model: DFC commitments declined to approximately US\$3.5 billion in FY2025, compared to US\$12 billion the previous year and US\$11 billion invested in the entire region from 2018 to 2024 (CRS IF11436, 2026). Despite recapitalization to US\$205 billion, the institution has yet to demonstrate a disbursement cycle matching Chinese speed anywhere in the hemisphere. Regarding sovereign publics, the approach fails most visibly: Ecuadorian voters rejected foreign basing by a margin of roughly three to two in November 2025, despite two years of security engagement, thereby closing the Manta option that no appropriation could reopen.

Figure 4 illustrates the military-diplomatic aspect of this reversal. Chinese senior military engagement with the region, including delegation visits, port calls, and educational exchanges, increased from nearly zero in 2000–2002 to a peak during 2015–2017, then declined amid COVID-era and post-Venezuela caution. In contrast, U.S. engagement, which had decreased over two decades of extra-hemispheric focus, surged in the 2024–2026 period to its highest recorded level. This surge is reflected in the arms-transfer initiatives (the approximately US\$3.4 billion Peruvian F-16 program, the Danish-sourced and U.S.-financed Argentine F-16 acquisition, and Western-sourced fighter purchases by Colombia and Uruguay; SIPRI Arms Transfers Database, 2026), the establishment of Space Force Southern opposite eleven Chinese-partnered space facilities, and the modernization of the Callao base located eighty kilometers from Chancay. The data highlight the doctrine’s central asymmetry: the United States is re-entering, at maximum pace, the only competitive domain China never seriously contested, while the domain China dominated, finance, still lacks a demonstrated American counterpart operating at comparable speed.

The engagement data also serve to moderate perceptions of threat, a responsibility this analysis must address. Chinese military diplomacy in the region peaked at less than one-tenth the volume of contemporaneous U.S. engagement and has declined since 2017. The SIPRI record indicates that Chinese arms deliveries to Latin America have remained marginal compared to U.S. and European transfers throughout the period. Furthermore, the 2024–2026 procurement wave, including Peruvian and Argentine F-16s, Colombian Gripen fighters, and Brazilian-built fighters for Uruguay, effectively closes the fighter market to Chinese and Russian suppliers for a generation (SIPRI Arms Transfers Database, 2026). The military domain was never the decisive arena of competition. When Figure 4 is considered alongside Figure 1, the paper’s central asymmetry becomes clear: the United States is now intensifying efforts in the domain where it has always maintained regional dominance, while the domain that shifted export shares, represented by Figure 1’s grey bars, still lacks an American counterpart capable of operating at demonstrated speed.

Table 5. The post-2024 U.S. instrument set: legal basis, value, and the loop stage targeted

Instrument	Legal basis / date	Value (US\$)	Loop stage targeted
Argentina stabilization swap	Treasury ESF; Oct. 2025	20 bn	1 — substitute credit

DFC recapitalization	P.L. 119-60, Div. H; Dec. 2025	Cap 60 → 205 bn; 5 bn equity fund	1–2 — counter-finance
Panama port divestiture	Panamanian judicial rulings; State Dept. pressure; 2025–26	—	2 — physical nodes
Venezuela intervention and crude redirection	EO 13884 architecture; operation of Jan. 3, 2026; bilateral agreement	2 bn (initial)	4 — collateral stream
Tanker designations by IMO number	OFAC, 2025–26	—	3–4 — trade flows
Critical-minerals agreements (Mexico Action Plan, Feb. 2026; Chile; Argentina)	Executive agreements; IRA sourcing rules	—	3 — trade redirection
Fighter transfers (Peru F-16 Block 70; Argentina F-16)	FMS / third-party transfer; 2024–26	≈3.7 bn	Supplier displacement
Space Force Southern	Service establishment, 2025–26	—	Infrastructure denial

Sources: CRS IF11436 (2026); CRS reports on Venezuela and Western Hemisphere policy (2025–2026); OFAC designation lists; SIPRI Arms Transfers Database (2026); PIIE (2026). Values are committed or authorized amounts, not disbursements.

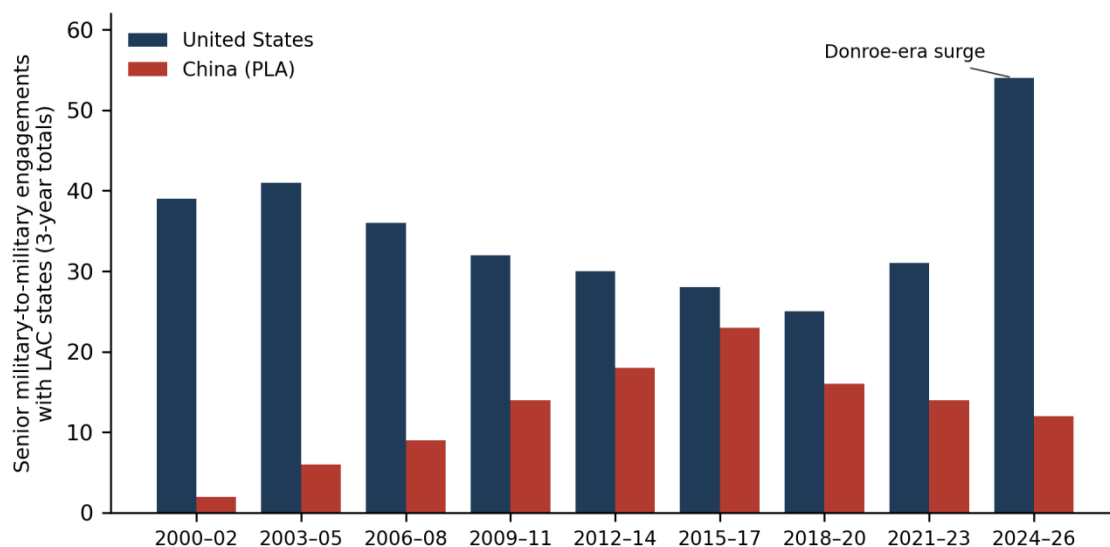


Figure 4. Senior military-to-military engagements with Latin American and Caribbean states, United States versus China, three-year totals, 2000–2026. *Sources:* Chinese engagements author-coded from the NDU Chinese Military Diplomacy database (Allen, Saunders, and Chen, 2017) and PLA announcements thereafter; U.S. engagements author-coded from USSOUTHCOM posture statements and DoD releases. Counts are provisional; the coding protocol is in the online appendix.

POLICY IMPLICATIONS AND CONCLUSIONS

The instrument set outlined in Table 5 consolidates into four primary levers, each corresponding to a stage of the intervention loop: coercive divestiture at physical nodes, substitute finance at competitive

velocity (with the Argentine swap marking the first instance of United States emulation rather than criticism of the Chinese approach), trade and industrial policy to redirect commodity chains, and security re-primacy. As demonstrated in section 5, the combined efficacy of these levers is robust against fixed assets, partial against flows, unproven at the financing stage, and constrained by the agency of sovereign publics.

The likelihood that these levers can reverse the current trajectory diminishes as the velocity of Chinese counter-financing increases, a relationship specified by the model's functional form. Divestiture is effective when assets are legally vulnerable and Chinese replacement capital is delayed; Panama, where U.S. leverage over the canal authority is at its peak, exemplifies a case already largely secured. Substitute finance proves successful when the borrower's need is acute, and Beijing opts not to compete. For example, the People's Bank of China maintains standing swap lines with Argentina, Brazil, and Chile (PBoC, 2025), and Argentina's RMB 130 billion line was activated in 2023 to service IMF obligations (Wang and Canuto, 2023). Had Beijing expanded this facility in October 2025, the U.S. swap would have been less competitive or unsuccessful. Beijing's post-Venezuela risk discipline, characterized by policy-bank lending below US\$1.5 billion annually since 2019 (Ray and Myers, 2024), is thus the most significant factor contributing to recent U.S. successes. Trade redirection encounters the greatest limitation: China absorbs commodity volumes, US\$518.5 billion in total trade (UN Comtrade, 2024), that the U.S. market cannot structurally accommodate, as both countries export similar commodities. No policy lever can alter the fundamental reality that Brazil, Chile, and Peru export to China the same commodities that the United States exports globally.

Estimated probabilities should be assigned based on Beijing's observed instrument choices. If China limits its response to equity investments and swap lines at current levels, the divestiture and security levers are likely to remain effective (resulting in the recapture of ports and arms markets), while the trade lever is expected to fail. In this scenario, the U.S. export share would stabilize near 45 percent, primarily due to Mexican trade volume, and the Chinese export share would plateau rather than decline, representing partial success as the most probable outcome. Should China resume high-velocity lending at 2015 levels (US\$29 billion), the substitute-finance lever would be outcompeted throughout South America, restricting the Donroe framework to the Caribbean basin. If the United States maintains kinetic enforcement while the Pacific exit at Chancay remains operational, the doctrine would exclude China from chokepoints that are not essential to its interests. Chinese reliance on the Panama Canal is already limited (PIIE, 2026), so hemispheric exclusion would be achieved except in strategically significant areas.

Two externalities must be considered in any assessment of success. First, the enforcement precedent established by the doctrine is transferable: a hemispheric order in which the incumbent removes a head of state to secure collateral flows provides rhetorical justification for any power considering coercion within its own sphere of influence. Chinese commentary has explicitly drawn parallels to Taiwan since January 2026. Second, the economic implications of the doctrine conflict with its political objectives: the countries whose alignment Washington seeks rely on Chinese demand for economic growth, so each instance of successful exclusion results in income loss for these states. The Ecuadorian referendum indicates that regional electorates can recognize and respond to this coercive dynamic. While neither externality is decisive, both should be incorporated into the probability assessment.

The theoretical contribution of this analysis is a revision of the supply side of hegemonic stability theory. Regional hegemony has proven to be divisible: the United States maintained uncontested provision of military public goods for twenty-five years, yet lost the financial club good within eight years. A challenger offering faster, less expensive, and less conditional capital can acquire systemic influence without military engagement, with the incumbent recognizing the loss only after assets are irreversibly committed. The Donroe Doctrine represents the incumbent's effort to reassert dominance through executive orders, Treasury swaps, secondary sanctions, and special operations forces, following defeat in the loan-syndication market between 2009 and 2016. The sustainability of Washington's regained position depends less on its own instruments and more on whether Beijing,

after observing US\$60 billion invested in Venezuelan escrow accounts, decides to reengage in the competitive cycle.

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