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# Ports, Power, Politics: Chancay Megaport and the Competition for Influence of Latin America

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## ABSTRACT

This paper examines the Chancay megaport as a focal point of contemporary geopolitical competition between the United States and People's Republic of China (PRC) in Latin America. By analyzing historical patterns of US influence, the rise of PRC's Belt and Road Initiative in the region, and Peru's strategic choices, the analysis demonstrates how infrastructure projects serve as instruments of both economic integration and political alignment. Drawing on hegemonic transition theory and complex interdependence frameworks, the analysis explores how PRC's infrastructure-driven strategy contrasts with traditional US approaches centered on diplomatic ties and governance promotion. The paper argues that while US influence remains significant through diplomatic and cultural ties, China's tangible infrastructure investments combined with weak Peruvian governance create asymmetric dependencies that challenge a century of hemispheric hegemony. The Trump administration's "Donroe Doctrine" represents a rhetorical shift toward resource nationalism, but without corresponding infrastructure financing mechanisms, US warnings about sovereignty costs ring hollow to governments seeking modernization.

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## Executive Summary

The Chancay megaport represents a geopolitical inflection, a concrete manifestation of the PRC's challenge to US influence in Latin America through infrastructure-driven economic statecraft. This \$3.5 billion deep-water facility, majority-owned and operated by Chinese state-owned COSCO Shipping, transforms Peru's coast into a direct Pacific gateway linking South America to Asian markets while bypassing traditional US-controlled logistics corridors. The port's value extends beyond commerce as it denotes the intensifying competition for regional influence between an established hegemon and a rising economic power.

Situated 80 kilometers north of Lima, Chancay is designed to handle over 1 million Twenty-foot Equivalent Units (TEUs) annually and has the capacity to rival major hubs such as the Ports of Los Angeles and the Panama Canal. The facility's deep-water berths accommodate the world's largest container vessels, reducing shipping times between South America and Asia by approximately 10 days and cutting logistics costs by 20%. Chinese companies provide advanced automation systems, including unmanned electric vehicles, facial recognition technology, and 5G connectivity, demonstrating an approach to embed technological influence alongside physical infrastructure.

This paper addresses two central matters: First, how does China's infrastructure-focused strategy compare to the US approach in securing regional influence. Second, what are the implications for Peru's sovereignty as it navigates between competing great powers while pursuing economic development. The analysis draws on hegemonic transition and complex interdependence theories to examine infrastructure projects as tools to create asymmetric power relationships that transcend traditional military or ideological competition.

Because of the analysis, some key findings are:

- China has displaced the United States as Peru's largest trading partner, with over 30% of Peruvian exports now flowing to China compared to 13% to the United States, reversing historical patterns.
- Chancay creates both opportunity and risk for Peru as economic modernization and job creation balanced against dependency on Chinese financing and potential constraints on policy autonomy.

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- The United States faces a strategic asymmetry while the United States offers governance and diplomatic ties, China brings tangible infrastructure with stronger appeal for developing nations.
- Congress allocated \$50 billion for foreign aid in FY2026 (16% cut from FY2025), though the Trump administration proposed deeper cuts (47% reduction), creating uncertainty for Peru programs.
- The US is negotiating a \$1.5 billion naval base near Chancay, emphasizing security infrastructure over revenue-generating commercial assets.
- Regional implications of Chancay extend beyond Peru in terms of reshaping South American trade.

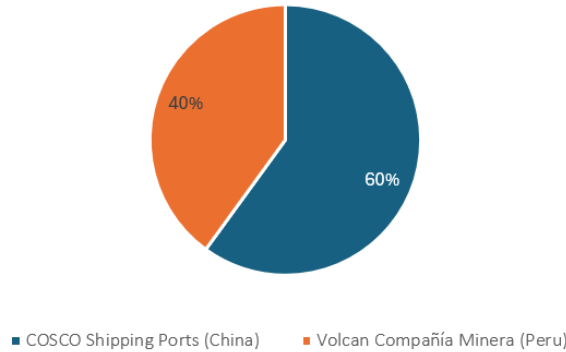
**Structure:** The paper first establishes the historical context of US dominance in Latin America and examines China's strategic entry through the Chancay megaport, including the port's technical specifications and economic implications. Second, it evaluates Peru's sovereignty challenges amid competition. Third, it assesses US strategic responses and explores broader regional ripple effects across Latin America. Finally, it applies theoretical frameworks of hegemonic transition and interdependence to understand these power dynamics, concluding with policy insights for monitoring future developments in hemispheric relations.

## Introduction: A New Port in Global Competition

The inauguration of the Chancay megaport on Peru's Pacific coast in November 2024 represents more than an infrastructure milestone; it symbolizes a broader struggle for economic dominance and security influence in the Western Hemisphere. Built with majority Chinese investment, Chancay represents the transformation toward a contested global trade architecture, where infrastructure itself becomes the medium through which great powers project influence. Developed through a joint venture between COSCO Shipping Ports (China's state-owned maritime giant, holding a 60% stake) and Volcan Compañía Minera (Peru's largest zinc producer, holding 40%), Chancay has become South America's first deep-water hub directly integrated into China's global maritime network (Jensen and Chen-Florea 2025).

Figure 1. Chancay Port Investment Breakdown. Adapted from Jensen and Chen-Florea 2025.

Chancay Port Investment Breakdown



Investor	Stake	Investment (USD)	Role
COSCO Shipping Ports (China)	60%	\$2.1 billion	Operations & management
Volcan Compañía Minera (Peru)	40%	\$1.4 billion	Local partnership & mining integration
<b>Total</b>	<b>100%</b>	<b>\$3.5 billion</b>	<b>Phase 1 completion</b>

For the United States, long the dominant external actor in the Western Hemisphere under the Monroe Doctrine, Chancay captures the challenge of Chinese ascent and the crucial recalibration of US–Latin American relations. The construction of Chancay megaport is a substantial example of the PRC investment in Latin America, with implications extending far beyond bilateral trade (Stott 2025). The port is not only a commercial steel and concrete infrastructure; it symbolizes the intensifying competition for influence in an emerging multipolar order where economic connectivity and strategic positioning are inseparable.

Chancay represents connectivity leverage in the intensifying contest between the United States and the PRC for commercial hegemony and geopolitical influence. While the United States has historically wielded considerable power in Latin America through diplomatic channels, security arrangements, and cultural ties, the PRC’s expansion of its Belt and Road Initiative (BRI) into the Western Hemisphere introduces a fundamentally different mode of engagement, one rooted in large-scale infrastructure development and resource access rather than ideological alignment or security guarantees.

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Figure 2. Chancay megaport connectivity map among BRI points (Sajami 2024, Jensen and Chen-Florea 2025).

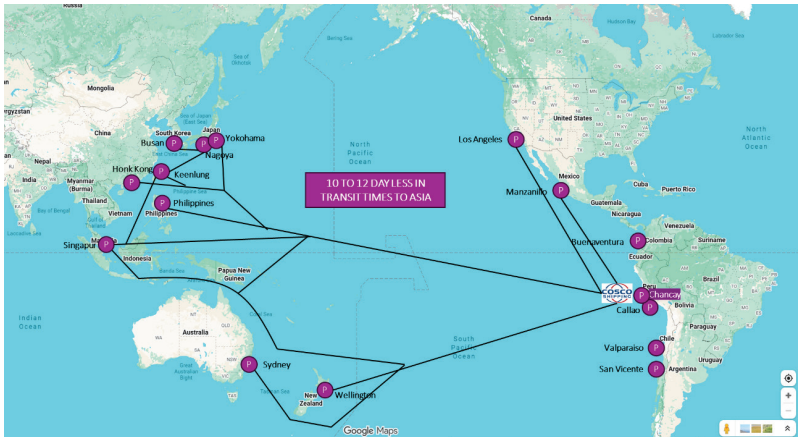


Figure 2 shows the power of Chancay, a direct maritime connectivity established through COSCO’s WSA5 shipping line, connecting Shanghai and Qingdao to South America directly. Chancay’s strategic location enables a 10-day reduction in shipping times and an approximately 20% reduction in logistics costs compared to traditional Panama Canal routes.

As Chinese President Xi Jinping stated during the port’s virtual inauguration alongside Peruvian President Dina Boluarte on November 14, 2024, Chancay is the “successful start of a 21st-century maritime Silk Road” and a cornerstone of Chinese efforts to forge “a new maritime-land corridor” between Asia and America (Reuters 2024). This framing explicitly positions Chancay within the broader BRI scheme with a long-term commitment to reshape global trade in ways that diminish US control.

## Historical Context of Hegemony in Latin America

### *The Foundation of US Influence*

Since the early 19th century, the United States positioned Latin America as part of its strategic sphere of influence under the Monroe Doctrine (1823), which warned European powers against further colonization or intervention in the Americas. This doctrine established a framework that would guide US policy for over a century, evolving through different manifestations: Cold War alliances aimed at containing Soviet influence, economic integration through trade treaties such as the North American Free Trade Agreement (NAFTA), the Central America–Dominican Republic Free Trade Agreement (CAFTA-DR),

and the Washington Consensus of the 1990s, which consolidated neoliberal economic frameworks across the region (Grandin 2006).

For over a century, Latin American nations often relied heavily on US markets, investment capital, and governance models. American firms controlled critical sectors including mining, energy, and agriculture, while US foreign policy shaped security agendas and trade priorities. As Stephen G. Rabe demonstrates, this influence extended beyond economics into the political realm, with the United States supporting friendly regimes and, in some cases, intervening to remove governments deemed threatening to American interests (Rabe 2016). USAID programs, security cooperation agreements, and bilateral free trade arrangements reinforced this dominance throughout the Cold War and post-Cold War periods.

### ***Peru as a Cooperative Partner***

Peru has historically been a cooperative partner in the US sphere of influence, aligning with American initiatives in counternarcotics operations, regional security frameworks, and governance standards (Office of the United States Trade Representative 2024). It also relied heavily on US technical assistance and structural adjustment policies promoted by the International Monetary Fund (IMF) and the World Bank. These relationships brought benefits, including market access and developmental aid, but they also fostered structural dependencies that limited policy autonomy and contributed to economic inequality. A pattern emphasized in center-periphery analyses of development (Cardoso and Faletto 1979).

### ***The Emergence of an Alternative***

However, this dominance also created resentment and vulnerability. The heavy-handed interventions of the 20th century, most notoriously the 1954 CIA-backed coup (Operation PBSUCCESS) that overthrew Guatemala's democratically elected President Jacobo Árbenz to protect United Fruit Company interests, combined with economic policies that often prioritized US interests over local development needs, generated a latent desire for diversification among Latin American states (Rabe 2016). As the IMF notes in its 2023 Article IV consultation, Peru has successfully diversified its partnerships in recent decades, developing substantial trade relationships with countries including China, Japan, and Russia (International Monetary Fund 2025). Hence, the PRC's strength as a partner relies on giving access, infrastructure, and funding without constrained political conditionality.

## ***China's Ascent in Latin America***

The twenty-first century has witnessed China emerge as a transformative actor in the region. Trade between China and Latin America grew exponentially from \$12 billion in 2000 to over \$450 billion by 2022, a nearly 40-fold increase (United Nations Economic Commission for Latin America and the Caribbean 2023). Peru, with its abundant mineral wealth and strategic Pacific coast location, has become a focal point of this shift. By 2023, China had surpassed the United States as Peru's largest trading partner, accounting for more than 30% of Peruvian exports compared to approximately 13% for the United States. This transition reflects not only China's voracious demand for raw materials but also its strategy to establish a robust economic presence in what was once considered exclusively America's "backyard."

## **China's Entry and the Chancay Megaport as Strategic Asset**

### ***The Acceleration of Chinese Presence***

The PRC's presence in Latin America accelerated dramatically in the 2000s, driven by its insatiable demand for commodities to fuel industrial expansion. Chinese firms hold major stakes in copper mining, energy distribution, and infrastructure, supported by large-scale financing and long-term resource agreements (Garcia 2023). The PRC deepened trade and investment links across the region, eventually surpassing the United States as the top trading partner for Brazil, Chile, and Peru.

The PRC's economic footprint in Peru is now expansive and multifaceted. Chinese firms dominate the copper mining sector through major investments including the \$5.85 billion acquisition of Las Bambas mine by China MinMetals Group in 2014 (one of the world's largest copper deposits) and Chinalco's \$2.2 billion investment in the Toromocho mine (the first greenfield copper mine developed by a Chinese company overseas) (Thome et al. 2025). Chinese companies also have significant stakes in energy distribution networks and control substantial shares of the telecommunications (US Department of State n.d.). By 2023, the PRC investment represented approximately 21% of Peru's total foreign direct investment (FDI), ranking the PRC among the foreign investors' leaders (Centro de Estudios sobre China y Asia-Pacífico 2025).

Chinese projects are pragmatic "win-win" partnerships focused on mutual economic benefit. While scholars note the implicit geopolitical intent behind

this rhetoric, the absence of explicit political conditionality has made Chinese investment particularly attractive to governments seeking to maintain policy autonomy (Ellis 2022, 23-32). However, the Trump administration's shift toward transactional, resource-focused engagement suggests that traditional US emphasis on governance and democracy may be evolving toward a more pragmatic approach that prioritizes economic interests; potentially narrowing the distinction between Chinese and American engagement models in the region (Blackwill 2026).

This shift in trade patterns underscores the structural transformation in Peru's economic orientation, with China displacing the United States as the primary export destination over just two decades.

Table 1. Peru's export destinations – share of total exports (2000 vs. 2023).

<b>Destination</b>	<b>2000 Share</b>	<b>2023 Share</b>	<b>Change</b>
China	5.4%	32.8%	27.4%
United States	28.3%	13.2%	-15.1%
European Union	18.7%	12.4%	-6.3%
Other Latin America	21.2%	15.9%	-5.3%
Rest of Asia	12.8%	16.2%	3.4%

Source: Centro de Estudios sobre China y Asia-Pacífico 2025; World Bank n.d.; United Nations Conference on Trade and Development 2024.

### ***Chancay: A Qualitative and Quantitative Leap***

The Chancay megaport, financed at over \$3.5 billion by COSCO Shipping Ports, represents both a qualitative and quantitative leap in China's Latin American strategy. Its clear mission is to link South America directly to Asia without reliance on US-controlled ports or the Panama Canal (Ziemer et al. 2025). Chancay embeds Peru within the BRI, extending Chinese maritime network into the Western Hemisphere in an unprecedented manner.

The facility officially began operations on November 14, 2024, when President Xi Jinping and President Dina Boluarte participated via video link in its

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inauguration ceremony. The first shipment departed Chancay the following week, carrying Peruvian fruits to Shanghai, a symbolic demonstration of the port's operational capacity and strategic purpose (Xinhua 2024). According to Mario Ocharan, Peruvian Director of the Chancay Chamber of Commerce, China's primary motivation for developing the megaport extends beyond Peru itself, because it seeks access to neighboring Brazil, where a planned transcontinental railway would carry Brazilian exports such as soybeans and iron ore to Chancay for shipment to Asia (Reuters 2024).

### ***Peruvian Political Perspectives***

Peruvian leadership has publicly embraced the megaport as a transformative national asset. President Dina Boluarte, speaking at the inauguration ceremony, characterized Chancay as “a gateway to the future” that would position Peru as a “logistics hub for South America” (Reuters 2024). Former Economy Minister Alex Contreras stated that the port represents Peru's “entry into the major leagues of global trade,” emphasizing its potential to attract further foreign investment and modernize the country's export infrastructure (Rochabrun 2023). However, this political enthusiasm masks deeper concerns among opposition figures and civil society groups about sovereignty implications, environmental impacts, and the adequacy of contractual safeguards protecting Peruvian interests over the port's 30-year concession period.

### ***Strategic Concerns and Dual-Use Potential***

The port's potential dual-use capacity, serving both commercial shipping and possible logistical support for naval operations, has raised significant alarms in Washington. General Laura Richardson, former Chief of US Southern Command, warned that Chancay could be used by the Chinese navy for intelligence-gathering and potentially as a forward logistics base, citing precedents such as China's naval facility in Djibouti (US Southern Command 2023). While the PRC has dismissed these concerns as “smears,” asserting that Chancay is “by no means a tool for geopolitical competition,” the ambiguity surrounding its potential uses remains a source of tension (Rochabrun 2023).

In 2019, Peru formally joined the BRI, solidifying strategic ties with China and creating a framework for expanded Chinese FDI. Chinese firms, backed by state financing, subsequently invested across multiple sectors including mining (particularly copper and lithium extraction), energy infrastructure, telecommunications networks, and now maritime logistics. By 2023, China accounted for more than 30% of Peru's exports, with copper and lithium, both

essential for global green transition technologies, comprising the largest shares (United Nations Economic Commission for Latin America and the Caribbean 2023).

The Chancay port symbolizes a deepening partnership, offering the PRC efficient access to critical resources and a logistical platform for economic influence across the Pacific. This initiative signals Chinese evolution from transactional commodity trade to structural integration into the economic fabric of Latin America. More broadly, Chancay illustrates that the PRC no longer accepts US dominance of Latin America as an uncontested reality, as PRC is actively constructing an alternative architecture for hemispheric commerce.

## Engineering and Economic Scale of Chancay

### *Technical Specifications*

The Chancay megaport represents a state-of-the-art maritime facility designed to accommodate the world's largest container vessels (Jensen and Chen-Florea 2025). Some key technical features are:

- **Container Capacity:** Over 1 million TEUs in Phase 1, with expansion plans to quadruple capacity to 4+ million TEUs
- **Deep-Water Docks:** Four berths (two for containers, two multipurpose) with a draft of 17.8 meters, capable of accommodating ultra-large container ships carrying up to 18,000 TEUs
- **Berth Length:** 1,500 meters total, providing simultaneous handling capacity
- **Advanced Automation:**
  - Unmanned electric vehicles (primarily BYD electric trucks) for container transport
  - Automated cranes for efficient loading and unloading
  - Facial recognition systems for security enhancement

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- Radio frequency tracking for real-time cargo monitoring
- 5G internet connectivity throughout the facility (Huawei infrastructure)

The engineering project includes extensive logistics parks for warehousing and distribution, advanced digital management systems integrating Chinese technology, and direct road connections to Lima and the Pan-American Highway. Notably, much of the advanced infrastructure, including 5G towers and electric vehicles, has been provided by Chinese companies, reinforcing the PRC's growing influence in Latin American trade logistics (Narang 2025).

### ***Economic Projections and Trade Impact***

Xi Jinping has framed Chancay as a transformative project for Peru, projecting \$4.5 billion dollars in annual trade-related revenue, over 8,000 direct jobs, and a 20% reduction in logistics costs on the Peru–China route once the port is fully operational (Reuters 2024). Estimates further suggest that sailing times between Asia and South America could fall by about 10 days relative to Panama Canal routes, significantly boosting the competitiveness of time-sensitive exports such as fresh fruit and seafood (Ziemer et al. 2025). Taken together, these projections present Chancay as a vehicle for repositioning Peru within trans-Pacific supply chains and anchoring the government's growth narrative in Chinese-backed infrastructure.

Once completed, Chancay is expected to compete with the Panama Canal and major US Pacific ports by offering shorter, cheaper routes to Asia, positioning Peru as a regional gateway hub rather than a peripheral exporter. The port is explicitly designed as the western anchor of a transcontinental logistics corridor linking Chile, Ecuador, and possibly Brazil to Asian markets, a configuration that could rewire trade patterns while deepening Peru's structural dependence on a corridor financed, built, and largely operated by the PRC (Myers 2025).

### *Concerns and Challenges*

However, as numerous experts have pointed out, the project raises significant concerns:

1. **Dependency on Chinese Financing:** Peru's heavy reliance on Chinese capital for such a strategic asset creates potential vulnerabilities in negotiating future terms and conditions.
2. **Environmental Impact:** The construction and operation of a megaport disrupts coastal ecosystems. Local fishing communities near Chancay have reported impacts on marine life and displacement concerns, with environmental studies suggesting potential long-term damage to fisheries (Business and Human Rights Resource Centre 2024).
3. **Regulatory Capacity:** Peru's regulatory institutions may lack the capacity to effectively oversee a project of such strategic scale, particularly given the country's history of corruption scandals and weak governance in the extractive sectors.
4. **Geopolitical Risk:** Chinese control concentration raises concerns on Peru's ability to hold strategic autonomy, particularly if geopolitical tensions between the PRC and the United States escalate.

Table 2. Traditional vs. Chancay comparative shipping times and costs.

<b>Route</b>	<b>Transit Time</b>	<b>Relative Cost</b>	<b>Primary Bottleneck</b>
Peru ✕ Panama ✕ Shanghai	28-32 days	100% (baseline)	Canal congestion, transshipment.
Peru ✕ Chancay ✕ Shanghai (Direct)	18-22 days	80.0%	None (direct route).
Brazil ✕ Santos ✕ Panama ✕ Shanghai	35-40 days	11.5%	Multiple transshipments.
Brazil ✕ Chancay (planned rail) ✕ Shanghai	22-26 days	85.0%	Railway construction pending.

Source: Data retrieved from COSCO Shipping Lines n.d.; Ziemer et al. 2025.

Note: Maritime logistics analyses. Cost figures represent total logistics expenses,

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including port fees, canal transit fees, and handling costs. Time estimates include loading/unloading and potential delays.

Chancay changes South America-Asia trade as it enables carriers to bypass the Panama Canal and reduce transshipment, with direct gains in transit time and freight costs. These efficiencies matter especially for time-sensitive agricultural exports such as fresh fruit and seafood, as well as bulk commodities like copper and soy, where margins hinge on logistics performance. A future transcontinental rail link from Brazil would amplify these effects, pulling more of the continent's trade toward the Pacific and consolidating Chancay's role as a primary gateway.

However, these technical and commercial advantages must be read critically. A project of this scale can simultaneously expand Peru's growth prospects and narrow policy space, especially when ownership, financing, and operations are concentrated in one foreign partner. The risk is that strategic infrastructure intended to enhance connectivity instead entrenches asymmetric bargaining power, leaving Peru with world-class facilities but diminished autonomy over how they are used and under what conditions.

## Peru's Diplomatic Tightrope: Between Opportunity and Dependency

### *The Promise of Economic Transformation*

Chancay is marketed domestically as a once-in-a-generation chance to upgrade Peru's economic model, lowering logistics costs for mining and agribusiness exporters, expanding direct access to Asian markets, and generating thousands of jobs while positioning the country as a Pacific logistics hub. In political discourse, the project is deployed as evidence that Peru can still attract large-scale, "world-class" investment despite sustained instability and recurring corruption scandals, turning infrastructure into a symbol of resilience rather than vulnerability (Climate Investment Funds 2025).

### *The Risk of Infrastructure Capture*

At the same time, reliance on Chinese finance and operational control gives the project a clear asymmetric character. Research on Chinese lending in Latin America shows how large, state-backed ventures can narrow recipient governments' bargaining space over tariffs, labor standards, and environmental

safeguards, especially once sunk costs and debt obligations accumulate. Although Chancay includes a substantial Peruvian equity share (40%), COSCO's majority stake (60%) and management role grant the PRC disproportionate influence over a strategic asset that will shape Peru's trade profile for decades (Gallagher and Porzecanski 2009).

TABLE 4. Peru's governance indicators 2023 and 2024

Indicator	2023 Peru Score	2024 Peru Score	Implication for Chancay
Voice and Accountability	59.44%	57.65%	Reduced control management.
Political Stability	53.53%	54.72%	Critical vulnerability.
Government Effectiveness	47.51%	47.44%	Adequate but strained.
Regulatory Quality (WGI)	56.90%	56.17%	Moderate oversight capacity.
Rule of Law (WGI)	48.72%	48.26%	Contract enforcement concerns.
Control of Corruption (WGI)	34.38%	33.27%	High risk of rent-seeking.
<b>Average</b>	<b>50.08%</b>	<b>49.59%</b>	<b>Below regional benchmark.</b>

Source: Data retrieved from World Bank 2025.

Structural risks are magnified by Peru's institutional weaknesses. Governance indicators place the country around the global median on rule of law, regulatory quality, and voice and accountability, with control of corruption notably lagging and political stability well below world averages, showing slightly deterioration between 2023 and 2024. Such constraints limit Peru's ability to scrutinize contracts, enforce conditionalities, or credibly threaten to renegotiate terms if public interests are not met. In this sense, Chancay risks replicating a pattern where foreign investment deepens integration into global markets but also compromises national autonomy and sovereignty.

### *Environmental and Social Concerns*

Local impacts further highlight the governance gap (Business and Human Rights Resource Centre 2024). Communities around Chancay report damage to the Santa Rosa wetland, disruption of marine ecosystems, and declining livelihoods for an estimated 3,000 artisanal fishers, alongside complaints of inadequate consultation, opaque environmental impact revisions, and uneven compensation (Moreno Custodio 2021). Social concerns and grievances are indicators of weak state capacity to regulate powerful investors and to align large-scale infrastructure with domestic environmental and human-rights commitments. These dynamics mirror a broader pattern in some BRI projects, where local social and environmental risks are subordinated to national-level

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growth and geostrategic objectives.

### ***Policy Implications***

Taken together, Chancay offers Peru both leverage and liability. The port can anchor a more diversified, Asia-oriented trade strategy, but without stronger regulatory agencies, enforceable benefit-sharing mechanisms, and credible anticorruption and transparency reforms, it may also lock Peru into a path-dependent relationship in which strategic decisions are increasingly shaped in boardrooms abroad rather than in Lima. The core policy test is whether Peruvian institutions can convert this asset into negotiated influence; or whether Chancay becomes another case where infrastructure modernizes the economy while eroding autonomy.

## US Strategy with the 'Donroe Doctrine' and Sovereignty Concerns

The Trump administration's approach to Chancay marks a decisive break from traditional US foreign policy in Latin America. Rather than emphasizing governance standards, democratic values, or multilateral frameworks, the administration has articulated what analysts term the "Donroe Doctrine"; a 21st-century revival of the Monroe Doctrine prioritizing hemispheric economic security and resource nationalism over ideological alignment (Rochabrun 2026). This shift became starkly evident in February 2026 when the State Department issued an unprecedented public warning about Chancay's implications for Peruvian sovereignty (The Hill 2026).

### ***The Sovereignty Crisis***

On January 29, 2026, a Peruvian lower court issued a ruling that orders national authorities to refrain from exercising "powers of regulation, supervision, oversight and sanction" over the Chancay port; exempting COSCO Shipping from regulatory oversight that applies to all other major Peruvian ports (The Associated Press 2026). This decision triggered an immediate and forceful response from Washington. The State Department's Bureau of Western Hemisphere Affairs (2026) declared on February 11: "Concerned about latest reports that Peru could be powerless to oversee Chancay, one of its largest ports, which is under the jurisdiction of predatory Chinese owners... Let this be a cautionary tale for the region and the world: cheap Chinese money costs sovereignty."

US Ambassador to Peru Bernie Navarro reinforced this message, stating, “Everything has a price. In the long term, what was cheap is costly. There is no higher price to pay than losing sovereignty” (Rochabrun 2026). Showing the Trump administration’s most direct criticism of Peruvian deep ties with the PRC and signals a fundamental recalibration of US priorities from promoting governance to asserting strategic control over the region.

The PRC dismissed US concerns as “blatant rumor-mongering and smearing” with Foreign Ministry spokesperson Lin Jian asserting that Chancay remains “under the jurisdiction, sovereignty and control of Peruvian authorities” (The Associated Press 2026). COSCO similarly insisted the court ruling “in no way involves aspects of sovereignty.” Yet the fact remains that a Chinese state-owned enterprise has successfully secured exemption from regulatory oversight in a sovereign nation’s territory, an outcome that validates Washington’s sovereignty concerns regardless of Beijing’s rhetorical denials.

Verónica Zambrano, president of Peru’s port regulator Ositran, warned that the court ruling would make COSCO “the only company providing services to the public that could not be supervised,” effectively creating a regulatory exemption for Chinese state-owned enterprises operating on Peruvian territory (The Associated Press 2026). Ositran has appealed the decision, but the case displays how Chinese infrastructure investments can leverage local legal systems to constrain host government oversight, precisely what scholars have warned.

### ***Economic Engagement Pivot***

The Trump administration’s economic engagement with Latin America has moved away from the Biden-era emphasis on broad, rules-based economic cooperation toward a narrower, resource-driven agenda. Whereas the Americas Partnership for Economic Prosperity stressed supply-chain resilience, clean energy, and digital infrastructure within multilateral frameworks, the current approach prioritizes bilateral deals that secure US access to critical minerals and other strategic inputs, consistent with the “Donroe Doctrine” preference for resource access over governance or democracy promotion (Gandawa 2026; Office of the United States Trade Representative 2024).

This shift is clearest in critical minerals policy (US Department of State 2026). The administration’s 2026 Critical Minerals Ministerial announced \$565 million investment in Brazilian rare earth processing and agreements with Argentina for lithium development, framed explicitly as efforts to diversify supply chains away from Chinese dominance. Peru, despite being the world’s

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second-largest copper producer and a key node in regional mining value chains, emerged as a prospective partner with no financing committed, signaling a move from treaty-based economic modernization toward more transactional, project-by-project resource partnerships.

Foreign-aid decisions deepen the contradictions in this strategy. For FY2026, Congress approved roughly \$50 billion in foreign assistance, about a 16% cut from FY2025; but still above the administration's initial proposal for nearly 50% reductions (US Congress 2026). In Peru, planned USAID reductions of approximately \$35-40 million target governance, anti-corruption, and institutional-strengthening programs; precisely the assistance that could help Peru maintain oversight over strategic Chinese investments like Chancay.

The result is a fundamental policy inconsistency. Washington warns that Chinese “predatory” infrastructure ownership could erode Peruvian sovereignty, yet it simultaneously shrinks the very governance and capacity-building tools that would allow Lima to manage Chinese investment on its own terms. By privileging short-term mineral access over long-term institutional support, US policy weakens its claim to be a credible alternative to the PRC and risks surrendering both normative and material influence in Peru and the broader region.

### ***Competing Strategic Visions***

The sovereignty debate occurs against a backdrop of competing US and Chinese investments in Peru. While China builds commercial infrastructure like Chancay that generates revenue and integrates Peru into global supply chains, the United States is negotiating a contract worth up to \$1.5 billion to construct a new naval base for Peru just miles from the Chinese port via Resolute Sentinel to maintain security cooperation (US Department of Defense 2024). This juxtaposition highlights fundamentally different strategic approaches, China provides commercial assets that create immediate economic benefits, while the United States offers security infrastructure that reinforces military dependency without comparable economic returns.

Security analysts have warned of Chancay's potential dual-use applications. Jack Burnham of the Foundation for Defense of Democracies describes Chancay as “a keystone in China's investment in Latin America, its size and proximity provide a bridge across the Pacific and access to another market to fuel Beijing's export-driven economic engine” (Lachter 2026). General Laura Richardson has testified that Chinese-controlled ports could serve intelligence-gathering

and forward logistics functions beyond commercial operations (US Southern Command 2023).

### ***The Persistent Asymmetry***

Despite the Trump administration's more assertive rhetoric, critical minerals focus, and sovereignty warnings, the fundamental asymmetry between Chinese and US engagement in Latin America persists. The PRC delivers operational infrastructure that generates immediate economic returns, such as ports, power grids, and telecommunications networks that create jobs and facilitate trade. The United States offers naval base construction, critical minerals negotiations still under discussion, and increasingly reduced development assistance programs.

The International Development Finance Corporation (DFC) remains constrained by modest resources relative to Chinese policy banks and lending restrictions that prevent engagement in middle-income countries like Peru where Chinese competition is most intense (Gioia 2025). Additionally, the Trump administration's foreign aid cuts further limit US capacity to support the governance and institutional strengthening programs that could help Peru maintain regulatory oversight over strategic Chinese assets.

Without credible infrastructure financing alternatives that compete with China's scale and immediacy, US warnings about "predatory" Chinese ownership and sovereignty costs appear hollow to governments seeking modernization. The challenge for the Trump administration is whether its sovereignty-focused rhetoric, resource nationalism framing, and critical minerals partnerships will translate into tangible infrastructure investments that can compete with China's model; or whether US influence will continue eroding despite more assertive messaging. The February 2026 sovereignty crisis suggests that without substantial increases in US infrastructure financing capacity, rhetoric alone cannot reverse Chinese structural advantages in Latin America.

### ***The Need for Strategic Recalibration***

Scholars and policy analysts have increasingly argued that the United States needs to fundamentally recalibrate its Latin America strategy, moving from a security-focused approach to one that prioritizes economic competitiveness and infrastructure development. This would require:

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- Expanding the DFC's budget and removing restrictions that prevent lending to middle-income countries
- Offering concessional financing for strategic infrastructure projects
- Coordinating with allies (particularly the European Union and Japan) to pool resources for large-scale infrastructure initiatives
- Emphasizing transparency, environmental standards, and labor protections as comparative advantages rather than simply critiquing Chinese projects

Without such strategic adaptation, the United States risks ceding not just economic influence but broader geopolitical positioning in a region where it has historically been the dominant external actor.

## Regional Ripple Effects in Latin America

### *Shifting Trade Patterns and Regional Alignments*

As mentioned, Chancay's consequences extend beyond Peruvian borders, with implications for the entire continent. Some regional dynamics include:

1. **Brazil:** Gains Pacific access for its soybeans, iron ore, and manufactures through a proposed \$3.5 billion transcontinental railway connecting its Atlantic coast to Chancay via Bolivia. The project remains in feasibility studies, with Brazilian and Chinese authorities assessing technical and financing requirements (Patrick 2025).
2. **Chile:** Faces a paradox since its copper exports to China could benefit from Chancay's superior capacity and lower costs, yet the port directly threatens Chilean facilities like Valparaíso and San Antonio, potentially undermining local logistics operators (Blueberries Consulting 2025).
3. **Ecuador and Colombia:** Lack Chancay's ability to handle ultra-large vessels. COSCO's WSA5 shipping line now links their Pacific ports directly to Chancay and onward to China, embedding them in a China-centered trade architecture (Gioia 2025).

- 4. Bolivia:** Its landlocked lithium deposits, essential for electric vehicle batteries, could reach Asian markets via the proposed railway to Chancay. Chinese firms have invested \$1 billion in Bolivian lithium extraction, positioning Chancay as the critical export gateway (Emery 2024).

### *Compounded Implications*

- 1. Fragmentation of Trade Blocs:** Traditional regional integration frameworks (Mercosur, Pacific Alliance) may weaken as countries pursue bilateral arrangements with China that offer more immediate benefits than complex multilateral negotiations.
- 2. Infrastructure Connectivity:** China's transcontinental railway proposals and port networks could create alternative logistics corridors that bypass US-aligned routes, fundamentally restructuring regional trade patterns.
- 3. Sovereignty Debates:** Other Latin American nations will watch Peru's experience with Chancay closely, drawing lessons about how to negotiate with China while maintaining autonomy. Peru's success or failure will influence whether neighbors pursue similar megaprojects or adopt more cautious approaches.
- 4. Environmental Governance:** The environmental and social impacts of Chancay will test Latin America's ability to enforce sustainability standards on major infrastructure projects, setting precedents for future developments.

### *Geopolitical Divergence*

Geopolitically, Chancay creates divergent alignments across Latin America. Countries prioritizing economic pragmatism over traditional security ties with the United States, such as Brazil under recent leftist governments and Colombia under President Gustavo Petro, may embrace Chancay as a viable alternative to Panama and US-controlled logistics networks. Conversely, US-leaning states with stronger historical security cooperation (such as Colombia before Petro's presidency) may approach Chinese-controlled infrastructure with greater caution, wary of ceding strategic influence to China.

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This fragmentation reflects a broader trend where Latin American nations increasingly view their relationships with major powers through an economic lens rather than an ideological one. The Cold War framework of choosing between the United States and its adversaries has given way to a more transactional approach where countries seek to maximize economic benefits while minimizing political constraints. Chancay accelerates this dynamic by providing a tangible alternative to US-dominated trade routes.

Table 3. China's BRI infrastructure projects in Latin America (2013-2024).

Country	Major Projects	Total Investment (in billions)	Strategic Focus
Peru	Chancay Megaport, Mining (Las Bambas, Toromochó)	\$12.5	Pacific gateway, copper
Brazil	Port investments, Power grid expansion, 5G	\$28.3	Agricultural exports, energy
Argentina	Nuclear plants (Atucha III), Solar farms, Dams	\$15.7	Energy independence
Chile	Port upgrades, Lithium partnerships	\$8.2	Critical minerals
Ecuador	Hydroelectric dams (Coca Codo Sindair)	\$6.8	Energy infrastructure
Bolivia	Lithium extraction facilities	\$1.0	Battery supply chain
Colombia	Port facilities, 5G networks	\$4.3	Connectivity
<b>Total</b>		<b>\$76.8</b>	<b>Regional Integration</b>

Source: United Nations Economic Commission for Latin America and the Caribbean 2025; Gioia 2025; Inter-American Dialogue n.d.

Note: Investments schemes from 2013-2024 include both completed and ongoing projects.

The comprehensive view of Chinese BRI investments reveals a strategic pattern that prioritizes ports (maritime access), mining (critical minerals for green technology and manufacturing), and energy infrastructure (power generation and transmission). Therefore, the \$76.8 billion investment dwarfs US infrastructure commitments, illustrating the scale of the PRC's economic statecraft in the region.

### ***Competition with Panama***

Chancay represents direct competition with the Panama Canal, which has served as the main trade gateway between America and Asian markets. The canal's capacity constraints, rising fees, and recent political tensions (Panama filed a lawsuit in 2025 against Chinese operators of ports at both ends of the canal after Beijing halted their sale to US companies) have created opportunities for alternative routes (Youkee 2025).

After this, the United States has reinvigorated its attention to Panama Canal sovereignty since President Trump has publicly criticized the canal's management and raised concerns about Chinese influence over the waterway (Wendling and Horton 2024). It suggests that Chancay's emergence as a competing Pacific gateway has heightened US control anxieties over trade corridors. The Trump administration's renewed focus on the Panama Canal, framed in terms of protecting American economic and security interests, reflects broader concerns that China is systematically constructing alternative logistics networks that bypass US-influenced chokepoints.

By offering direct shipping lines that bypass Panama entirely, Chancay positions itself as the preferred route for bulk commodities and time-sensitive agricultural products. This shift could reduce Panama's strategic leverage and economic revenue, while simultaneously giving China greater control over hemispheric trade flows. A development with profound implications for regional power balances.

## The Theoretical Framework of Power Transitions

Chancay illustrates core dynamics of hegemonic transition and complex interdependence in contemporary international relations. Gilpin's hegemonic transition theory predicts instability when rising powers challenge established hegemony, precisely what is occurring as China's infrastructure investments disrupt US dominance in Latin America (Gilpin 1981). Unlike Soviet Cold War influence, which was primarily ideological and military, Chinese approach is infrastructural and economic, making it harder for the United States to contest without appearing obstructive to development. The United States cannot plausibly argue that Peru should reject a port that reduces shipping costs 20% and creates jobs without offering a credible alternative.

Conversely, the complex interdependence framework explains how China gains leverage through economic networks rather than military presence (Keohane and Nye 1977). COSCO's control over Chancay creates implicit geopolitical because the PRC could restrict access, prioritize Chinese vessels, or adjust

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pricing, all within commercial operations. Peru's export dependence on Chancay creates vulnerability without requiring explicit Chinese coercion. The January 2026 court ruling exempting Chancay from regulatory oversight demonstrates how infrastructure control translates into political leverage, validating the complex interdependence thesis.

The February 2026 US sovereignty warnings reveal the declining hegemon's reactive posture. Washington attempts to mitigate Chinese influence through rhetoric and naval base construction rather than proactively shaping development through competitive infrastructure investments. Peru's position is simultaneously precarious (asymmetric partnerships risk new dependencies) and potentially powerful (strategic assets provide leverage with both great powers). Whether Peru exploits this leverage or succumbs to external dictates depends on institutional capacity, which Table 4's governance indicators suggest remains critically weak.

## Policy Implications and Strategic Recommendations

Chancay shows how a middle power can use great-power rivalry to extract financing, infrastructure, and diplomatic attention; effectively bidding Beijing and Washington against each other to expand its economic options and policy room for maneuvering. Yet it needs a strategic approach to leverage benefits.

- 1. Infrastructure Financing at Scale:** The DFC must receive substantially expanded Congressional appropriations with authorization to finance projects in middle-income countries where Chinese competition is most intense. Current lending restrictions prevent engagement precisely where it matters most. A multilateral approach pooling US, European, and Japanese resources could reduce individual financial burdens while providing governance standards that differentiate Western projects from Chinese ones. Focus should target complementary infrastructure, such as digital connectivity, renewable energy grids, and transportation networks, that integrates with rather than competes against facilities like Chancay, maintaining relevance while avoiding zero-sum confrontation.
- 2. Regulatory Capacity Building:** Ositrán ruling demonstrates Peru's institutional vulnerability. US aid should prioritize strengthening independent oversight bodies capable of monitoring port operations, enforcing environmental standards, and ensuring contractual compliance. Technical assistance in port regulation, maritime law, and customs procedures can help Peru maximize Chancay's benefits while

maintaining sovereignty. Emphasizing transparency, labor protections, and environmental sustainability as comparative advantages differentiates US-backed projects from purely commercial Chinese ventures.

- 3. Sovereignty and Diplomatic Engagement:** The “Donroe Doctrine” rhetoric risks reviving historical grievances about US interventionism. A more effective approach acknowledges Peru’s sovereign right to pursue economic partnerships serving national interests, even when involving the PRC. Trilateral or multilateral frameworks incorporating Peru’s development priorities within Indo-Pacific strategies avoid forcing binary choices while addressing legitimate US security concerns.
- 4. Differentiated Regional Strategies:** Latin America is not monolithic. Pacific Alliance countries (Chile, Colombia, Mexico, Peru) require trade integration and infrastructure cooperation through existing frameworks. Brazil and Mercosur present opportunities for partnerships on sustainable development and technology cooperation that transcend US-China competition. Central America and the Caribbean benefit most from migration, security, and economic development assistance where US engagement has comparative advantages. One-size-fits-all approaches fail to leverage diverse country circumstances.

## Conclusion: Navigating a Multipolar Future

The February 2026 sovereignty crisis sets Chancay’s significance because it is no longer theoretical competition but an active contest over who controls critical infrastructure in the Western Hemisphere. When a Peruvian court exempts a Chinese state-owned enterprise from national regulatory oversight, and the US State Department responds with warnings about “predatory” ownership and lost sovereignty, the abstract becomes concrete. Chancay embodies the fundamental shift from US hemispheric hegemony to contested multipolar order where infrastructure determines geopolitical influence.

For Peru, the January court ruling exposes the price of Chinese investment, the trade between economic modernization and regulatory control over strategic national assets. Peru’s institutional weaknesses undermine its capacity to navigate this asymmetry effectively. Hence, success requires strengthening domestic institutions capable of enforcing contractual terms and environmental standards while distributing economic benefits equitably.

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For the United States, Chancay underscores the limits of the “Donroe Doctrine” because sovereignty rhetoric without credible infrastructure alternatives does little to offset China’s structural advantage. Washington continues to denounce “cheap Chinese money” as a threat to autonomy, yet it still lacks financing mechanisms that can rival Chinese-backed ports, energy systems, and digital networks. The decision to allocate \$1.5 billion to a nearby naval facility reflects a preference for hard security over economic statecraft. Cutting \$35-40 million from governance and oversight programs in Peru while warning of sovereignty risks further exposes a core inconsistency in US policy.

The critical question is whether Trump administration rhetoric translates into substantive policy shifts. If the “Donroe Doctrine” merely repackages traditional US approaches with more confrontational language, it will fail to address the core asymmetry. China builds revenue-generating infrastructure that integrates host countries into global supply chains, while the United States offers governance training, military facilities, and critical minerals negotiations still under discussion. Effective competition requires expanded DFC capacity with middle-income country lending authority, multilateral infrastructure partnerships pooling Western resources, and emphasis on transparency and sustainability as comparative advantages, not just sovereignty warnings.

The Chancay megaport ultimately demonstrates that infrastructure has become the primary medium for projecting geopolitical influence in the 21st century. Not through military presence or ideological alignment, but through control over physical networks enabling commerce. As the February 2026 sovereignty warnings make clear, the first shipments departing from Chancay for Shanghai carry more than commodities; they symbolize a reconfiguration of hemispheric relations where Latin America emerges as genuinely contested space. How Peru, China, and the United States navigate the regulatory exemption crisis will determine whether infrastructure becomes a platform for genuine development or merely embeds new forms of dependency into the architecture of global trade.

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