



Chinese Interest in Bolivia

OE Watch Commentary: On 19 June 2018 Chinese President Xi Jinping and visiting Bolivian President Juan Evo Morales Ayma agreed that the two countries would establish a strategic partnership to promote greater development of bilateral relations, as reported in the accompanying excerpted article from *La Razon*. Increased engagement between China and Bolivia is not surprising as the Asian giant initially created diplomatic relations with the country over 30 years ago, but what is notable is that in the past 5 years, China began investing heavily in the country. In the coming years, China is proposing multiple agreements between the two countries, to include increased exportation of agricultural products from Bolivia, development strategies in what is known as the Belt and Road initiative, and expansion of hydroelectric facilities with the end goal of making Bolivia the “energy center” of South America. The accompanying excerpted articles discuss China’s growing need for agricultural products from the region and its interest in making Bolivia the energy center of South America.

China has looked to multiple countries in Latin America for agricultural products to include Brazil and Argentina, both of which are actively working with China to support its increasing need for food commodities. Take for example Brazil. Here, Chinese interest in soybeans is so prevalent that it is investing heavily to upgrade Brazil’s infrastructure to move soybeans from the landlocked Mato Grosso, since half of the country’s soybeans are produced here. To date, an estimated \$20 billion in funds from China are already being used to renovate the railways and roads to bring Brazilian soybeans to port at a lower cost as discussed in the excerpt from *La Prensa*. In Bolivia, the demand for soybeans and quinoa is not as high as in the aforementioned countries, but new agreements stipulate that Bolivia will be expected to increase the export of these products in coming years.

In addition to expressing its desire for agricultural products, China also expressed its willingness to contribute to Bolivia becoming the “energy center” of South America by constructing two hydroelectric plants; the first of which became operational earlier this year as discussed in the excerpt from *Energia Limpia Para Todos*. Two Chinese firms were contracted to construct the \$139 million project. Once both plants are up and running, Bolivia expects to produce 3,000 megawatts of additional energy and hopes to export at least 1,000 megawatts by 2020. President Morales said that with the inauguration of first hydroelectric plant known as San Jose I, 55 megawatts have been added to the 2,100 megawatts generated up to now by the Andean country. The excerpted article further discusses energy currently used by Bolivia and how the second San Jose project will contribute to additional energy production for possible export. While some speculate that China is interested in energy exports, other sources claim financial support to the country is more strategic and is related to the Chinese Belt Road Initiative as discussed in excerpted article from *HKTDC*. Regardless of China’s reasons, large investments and a focused interest in a particular region are something to consider.

End OE Watch Commentary (Fiegel)

Source: “Bolivia y China fortalecen relaciones bilaterales tras encuentro presidencial (Bolivia and China Presidents Meet to Strengthen Bilateral Relations),” *La Razon*, 19 June 2018. http://www.la-razon.com/nacional/Bolivia-China-relaciones-acuerdos-comercio-presidentes_0_2949905027.html

Chinese contracts awarded by Bolivia in recent years include exploration for lithium and mineral salts, the construction of facilities to extract and refine potassium chloride and cast zinc, the construction of a plant for tin ore processing, and significant exportation of both soybeans and quinoa. In terms of electricity, China has expressed its willingness to aid Bolivia in becoming the “energy center” of South America and plans to do so by building hydroelectric plants (one of which is already operational).

Source: “Apetito de China impulsa precios de la soya brasileña (Chinese Appetite for Brazilian Soy Comes with a Cost),” *La Prensa*, 5 April 2018. https://impresa.prensa.com/economia/Apetito-China-impulsa-precios-brasilena_0_5000499969.html

Exporting soybeans from Brazil to China is not a cheap endeavor, but with more than \$20 million in investments, things are finally changing, but the exportation process is still not cheap. Traditionally, exportation has been expensive because for the past 5 decades, Mato Grosso (state which produces largest quantity of soybeans in the country) antiquated railways and roads were used to transverse the 1,300 mile route to get to export sites.

Source: “Bolivia con gigantesca planta de energía solar fotovoltaica e hidroeléctrica (Bolivia Now has Gigantic Solar Energy and Hydroelectric Plant),” *Energia Limpia Para Todos*, 13 April 2018. <https://energialimpiaparatodos.com/2018/04/13/lider-bolivia-con-gigantes-planta-de-energia-solar-fotovoltaica-e-hidroelectrica/>

Bolivia consumes 1,500 megawatts, which means “600 megawatts of reserves,” so the country could export between 200 and 300 megawatts if it so desired. The San Jose project consists of two plants, this one with 55 megawatts, and the second with the capacity to generate another 69, to contribute a total of 124 megawatts to the National Interconnected System (SIN).

Source: “The Belt and Road Initiative,” *HKTDC*, 3 May 2018. <http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/The-Belt-and-Road-Initiative/obor/en/1/1X000000/1X0A36B7.htm>

“China will continue to help Bolivia in implementing its strategy of becoming the ‘energy center in South America’. We will strengthen cooperation in various fields under the Belt and Road Initiative, and push for deeper bilateral relations,” Liang added. Initiated in 2013, the China-proposed Belt and Road Initiative seeks to strengthen connectivity among Asia and other regions in infrastructure investment.

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