

The Price of Chinese Investment in Latin America

OE Watch Commentary: As noted in the excerpted article from *La Prensa*, Chinese enterprises have “reached out” to Central and South America. According to the article, that engagement has taken on a predatory character and potentially increased dependence on Chinese trading. In cases such as Nicaragua, Cuba, and Venezuela, Chinese investment has also provided “a strong support base for China in the region,” as demonstrated in the excerpted article from *NotiEspartano.com*.

While China has greatly increased loans and investments in Latin America and the Caribbean in recent years, some in the region consider that such activities are less about promoting development than about benefitting the commercial goals of Chinese-based companies and advanced Chinese strategic interests in extracting needed commodities and securing access to the region’s markets. Since 2005, Chinese-based banks have lent approximately \$141 billion to Latin America and the Caribbean, and since 2001, Chinese companies have invested an estimated \$113.6 billion there. The loans have almost exclusively financed infrastructure projects performed by Chinese companies (often with a heavy component of Chinese workers), the completion of which facilitates access to the region’s resources and markets. Some 65 percent of Chinese investment in Latin America has been in the mining and petroleum sector, furthering Chinese extraction of the region’s commodity resources. Other projects, such as smaller investments in final assembly facilities for autos and heavy machinery, or sales and service networks for telecommunications companies such as Huawei, expand Chinese access to the region’s markets, as discussed in the excerpted article from *El País*. Some in Latin America view the influx of Chinese cash in the region as helpful in producing short term benefits, but it is still not clear that long term benefits will extend from short term solutions. **End OE Watch Commentary (Fiegel)**

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Chinese President Xi Jinping and Mexican President Enrique Peña Nieto (2013).
Source: By Angélica Rivera de Peña, [https://commons.wikimedia.org/wiki/File:Cena_de_Estado_que_en_honor_del_Excmo._Sr._Xi_Jinping,_Presidente_de_la_Rep%C3%BAblica_Popular_China_y_de_su_esposa,_Sra._Peng_Liyuan_\(8960384656\).jpg](https://commons.wikimedia.org/wiki/File:Cena_de_Estado_que_en_honor_del_Excmo._Sr._Xi_Jinping,_Presidente_de_la_Rep%C3%BAblica_Popular_China_y_de_su_esposa,_Sra._Peng_Liyuan_(8960384656).jpg), CC BY-SA 2.0.

Source: “China y América Latina y el Caribe refuerzan sus lazos comerciales: exportaciones crecerán 30% en 2018 (China, Latin America and the Caribbean Reinforce Commercial Ties: Expected 30% Increase in Exports),” *La Prensa*, 18 Dec 2017. <http://prensacanada.com/exportaciones-latinoamerica-china/>

China’s trade with and investment in the region deepened at around the time of the great recession of 2008. Between 2015 and 2019, it plans to invest \$250 billion in direct investment in the region and about \$500 billion in trade. In 2018 alone, it plans to increase overall exports from the region by 30% and it is well on its way. China is already the largest trading partner of Argentina, Brazil, Chile, and Peru. However, China, as it does in emerging markets throughout the world, offers the appearance of an attractive path to development, but, this often involves trading short-term gains for long-term dependency.”

Source: “¿Cuál es el alcance del apoyo de China, Rusia y Cuba? (What is the Reach of the Support Provided by China, Russia and Cuba),” *NotiEspartano.com*, 10 November 2017. <https://notiespartano.com/2017/11/10/venezuela-alcance-del-apoyo-china-rusia-cuba-mariano-alba/>

China has looked to countries such as Nicaragua, Venezuela and Cuba for multiple reasons. First, it seeks to take advantage of natural resources desperately needed by the PRC. Second, these countries serve as a strong support base for China in the region and enable/support PRC expansion.

Source: “China profundiza su apuesta por América Latina (China Bets Even Further on Latin America),” *El País*, 17 June 2017. https://elpais.com/economia/2017/06/15/actualidad/1497560655_900574.html

Latin American countries have a hard time securing international financing because of poor governance, corruption, and their economic policies. But China goes to them, builds desperately needed roads, railways, and ports, and uses these new facilities to transport raw material to feed its growing economy and population. China is an attractive investor not only because it has a policy of non-interference in the domestic affairs of its partner countries but because its projects are completed at a speed that developing nations are unused to. Furthermore, the region is replete with raw materials desperately needed by China and the country has not wasted time in making deals to secure these materials in exchange for much needed infrastructure that is lacking throughout the region. However, China even benefits through its building contracts because the government brings in its own companies and many of its own workers to complete these projects.