

China-Latin America relations: Trade, Investment, and Politics

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4 July 2023

Why do we care about China-Latin America Relations?

Table 11.2. Shares of Latin American trade with China and the United States, 2019 (%)

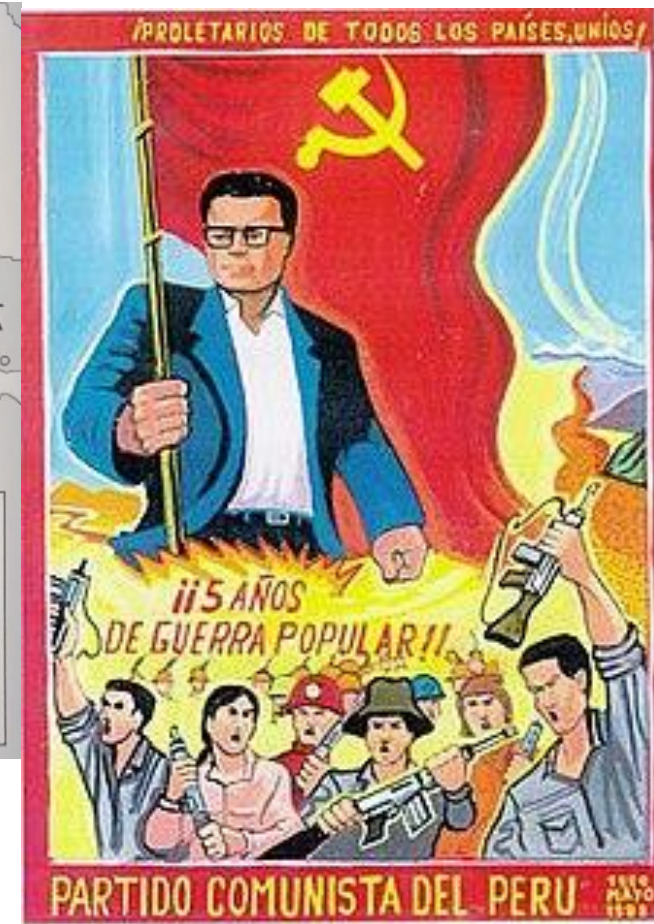
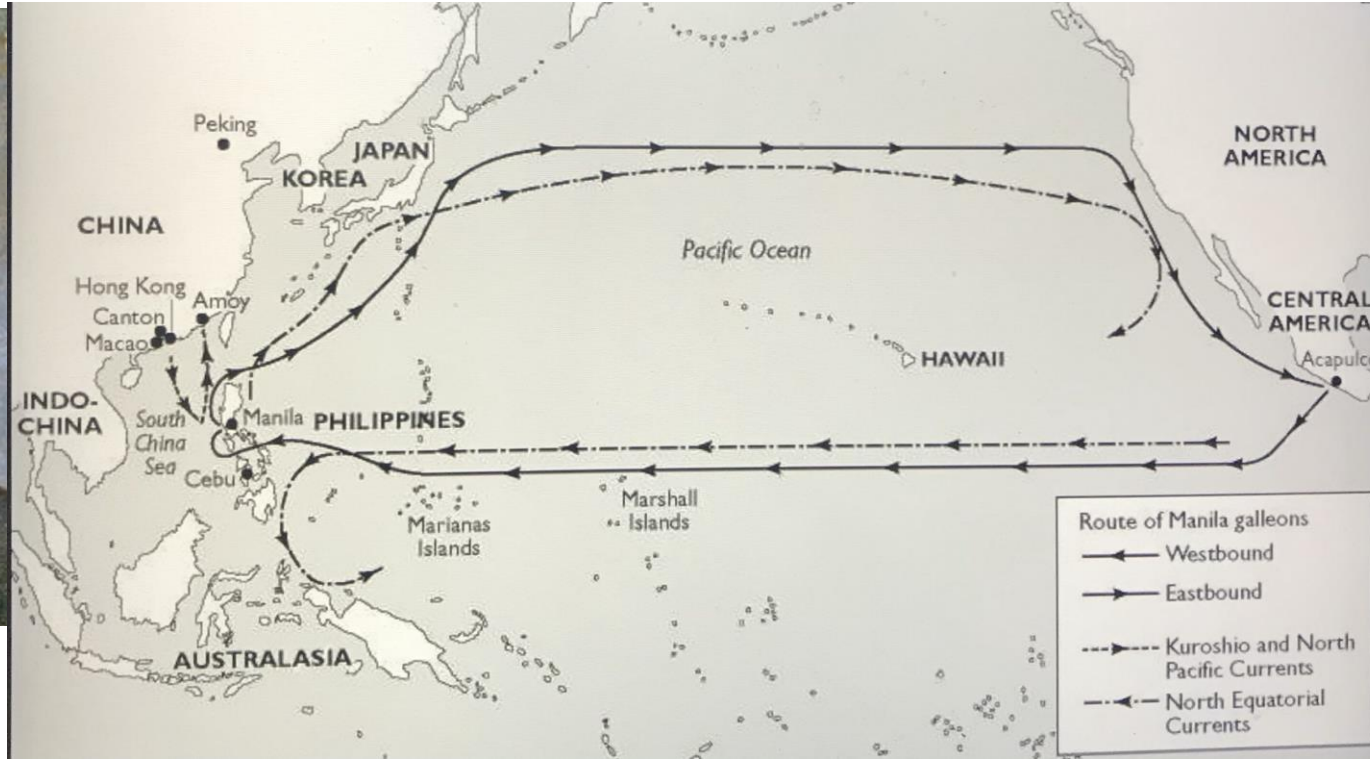
	Exports to		Imports from	
	China	USA	China	USA
Latin America & Caribbean	12.0	43.7	18.3	31.9
South America	23.2	14.7	20.9	18.3
Mexico, Central America, & Caribbean	1.6	70.7	16.4	41.9

Source: Own elaboration from UNCTADStat.

Tables from Jenkins, *How China is reshaping the Global Economy*, pp. 319, 268

Table A9.1. Significance of economic relations with China by country in LAC

	Share of China in Imports 2017–19	Share of China in exports 2017–19	Chinese OFDI stock/ total inward FDI) 2019	Chinese Projects (\$) p.c.) 2005–19	China Debt/ GDP 2017
Antigua and Barbuda	4.8%	0.0%	0.5%	4,839	10.5%*
Argentina	18.5%	8.3%	2.6%	237	2.3%
Bahamas	1.8%	0.6%	0.6%	7,781	20.9%
Barbados	6.9%	3.3%	0.8%	765	3.4%
Belize	9.9%	0.1%	0.0%	274	0.0%
Bolivia	18.2%	4.7%	4.0%	386	9.1%
Brazil	19.1%	25.6%	0.7%	105	1.2%
Chile	23.7%	31.2%	0.4%	95	0.4%
Colombia	20.2%	8.9%	0.1%	62	0.0%
Costa Rica	12.9%	2.8%	0.1%	140	1.6%
Cuba	15.7%	14.4%	N/A	207	0.2%*
Dominica	3.0%	0.0%	1.0%	4,314	19.5%
Dominican Republic	12.9%	2.2%	0.0%	25	0.0%
Ecuador	18.0%	8.2%	3.3%	1,096	11.8%
El Salvador	11.9%	1.6%	0.0%	0	0.0%
Grenada	7.6%	0.1%	2.2%	1,262	7.0%*
Guatemala	11.0%	0.9%	0.0%	29	0.0%
Guyana	8.1%	1.6%	3.1%	1,325	4.7%
Haiti	2.2%	0.8%	0.0%	23	0.0%
Honduras	9.5%	0.4%	0.1%	58	0.0%
Jamaica	6.9%	1.9%	5.3%	1,086	10.9%
Mexico	17.8%	1.6%	0.2%	70	0.1%
Nicaragua	11.7%	1.1%	0.1%	42	0.0%
Panama	19.6%	4.8%	0.8%	424	0.0%
Paraguay	30.9%	0.3%	0.0%	6	0.0%
Peru	23.3%	27.8%	1.2%	194	3.7%
Saint Kitts and Nevis	2.9%	0.6%	0.0%	0	0.0%
Saint Lucia	1.8%	3.9%	0.4%	130	0.0%
Saint Vincent and the Grenadines	8.8%	0.1%	2.9%	429	0.0%
Suriname	13.1%	1.6%	6.4%	1,462	6.2%
Trinidad and Tobago	7.6%	0.6%	7.5%	1,620	1.2%
Uruguay	19.0%	23.1%	0.8%	115	0.1%
Venezuela	15.1%	15.2%	13.9%	1,370	16.4%
Total	18.1%	11.4%	0.8%	214	2.0%



History

- Where was Columbus going?
- 17th century: Triangular trade of the Silver Route
- 1850s Ethnic Chinese come to build railroads
- 1960s-90s: Global Maoism
- 21st century: mining and railroads, again
 - But high-tech business, not low-tech labor

Diplomacy

- No LAC country recognized PRC before 1971
- After 1979: many recognized PRC
- Still many LAC recognize Taiwan as 'China'
- Bilateral 'Strategic partnerships': Brazil 1993, Venezuela 2001, Mexico 2003, Argentina 2004, Peru 2008, Chile 2012
- Regional: OAS 2004, IAB 2008
- China-CELAC 2015
 - (exclude US and Canada)



China model in Latin America?

- China as an alternative source of ideas, financial resources and practices of development in Latin America
- East Asian development model of state-led development: Japan, South Korea, Taiwan, Singapore after WW2
- China: infrastructure-led growth financed by loans
- Ideology: Venezuela, Ecuador, Bolivia: 1-party rule, technocratic governance, left-wing ideology
- China model as an anti-model: provides policy space to not be neo-liberal; to develop in different ways



China-Latin America Trade

- Chinese trade growth:
 - 1990s: US\$5-8bn/year
 - 2019: \$300bn/year
- Balanced trade for the region; but not for countries
- China has trade deficits with Brazil, Chile, Peru, Venezuela, and Uruguay
- Surpluses with other countries, esp. Mexico
- Source: Jenkins, p. 237



Figure 9.1 China's trade with Latin America, 1995–2019 (US\$ Billion)

Source: UNCTADStat.

Development or Dependency?

- What is dependency?
 - Trade natural resources & agriculture for finished goods
- Agricultural products, fuels, and minerals: 90% of China's imports
China exports finished goods
- China can do this because it has mercantilist policies, that protect and promote manufacturing in PRC
- China is more important to Latin America as a trade partner than Latin America is to China as a trade partner
- Source: Jenkins, p. 238

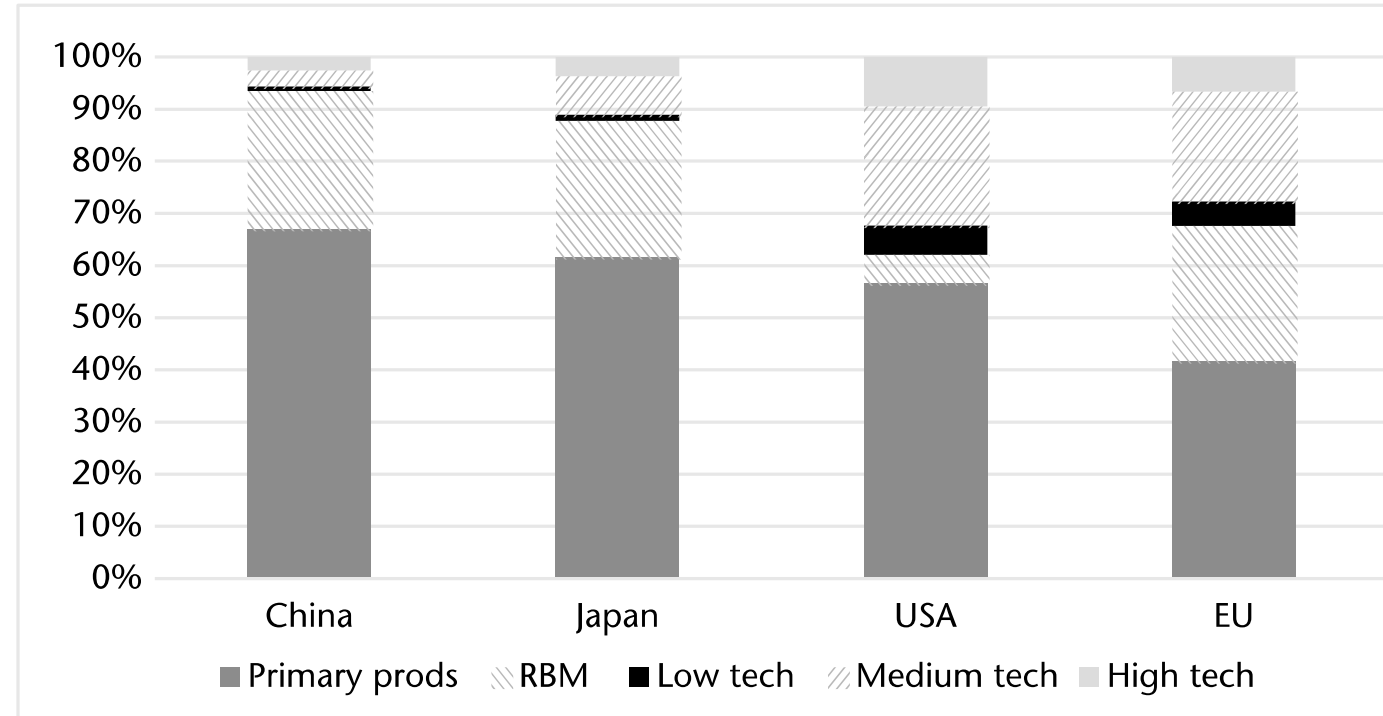


Figure 9.2 Shares of different products in imports from Latin America, 2017–19

Source: UNCTADStat

Investment

- Brazil is the most important destination for OFDI; 1/3 to 1/2 of LAC
- Other top FDI sites: Peru, Argentina, Venezuela
- Mexico: little FDI
- FDI: mostly resource extraction, now diversifying a bit into manufacturing
- Chinese State-Owned Enterprises invest in LAC companies
- LAC companies not allowed to invest in Chinese SOEs
- Source: Jenkins, p. 241

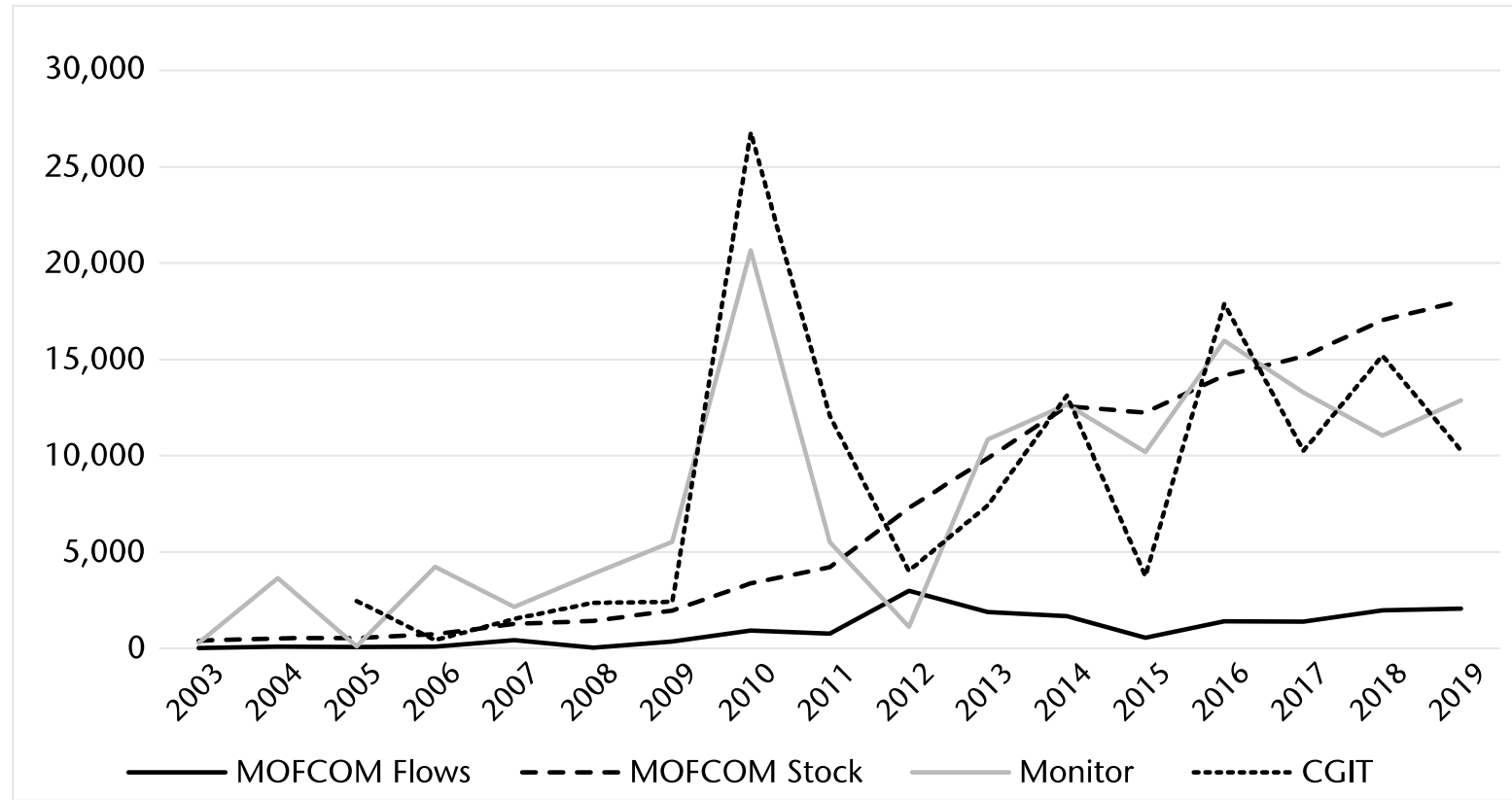


Figure 9.3 Chinese OFDI in Latin America, 2003–19 (US\$ Million)

Source: MOFCOM, 2020, *Statistical Bulletin of China's Outward Foreign Direct Investment*; American Enterprise Institute/Heritage Foundation, *China Global Investment Tracker*; Dussel Peters (2020b).

Development/Security

- Before 2012: Chinese foreign policy dominated by economics
- After 2012: politics in command
- Belt and Road Initiative: political-economic networks centered on China
- Eurasia → world, including LAC
- Use dev't projects to build security network

21 Latin American BRI members

China-Latin America bilateral trade

\$18b
2002



\$450b
2021



\$450b

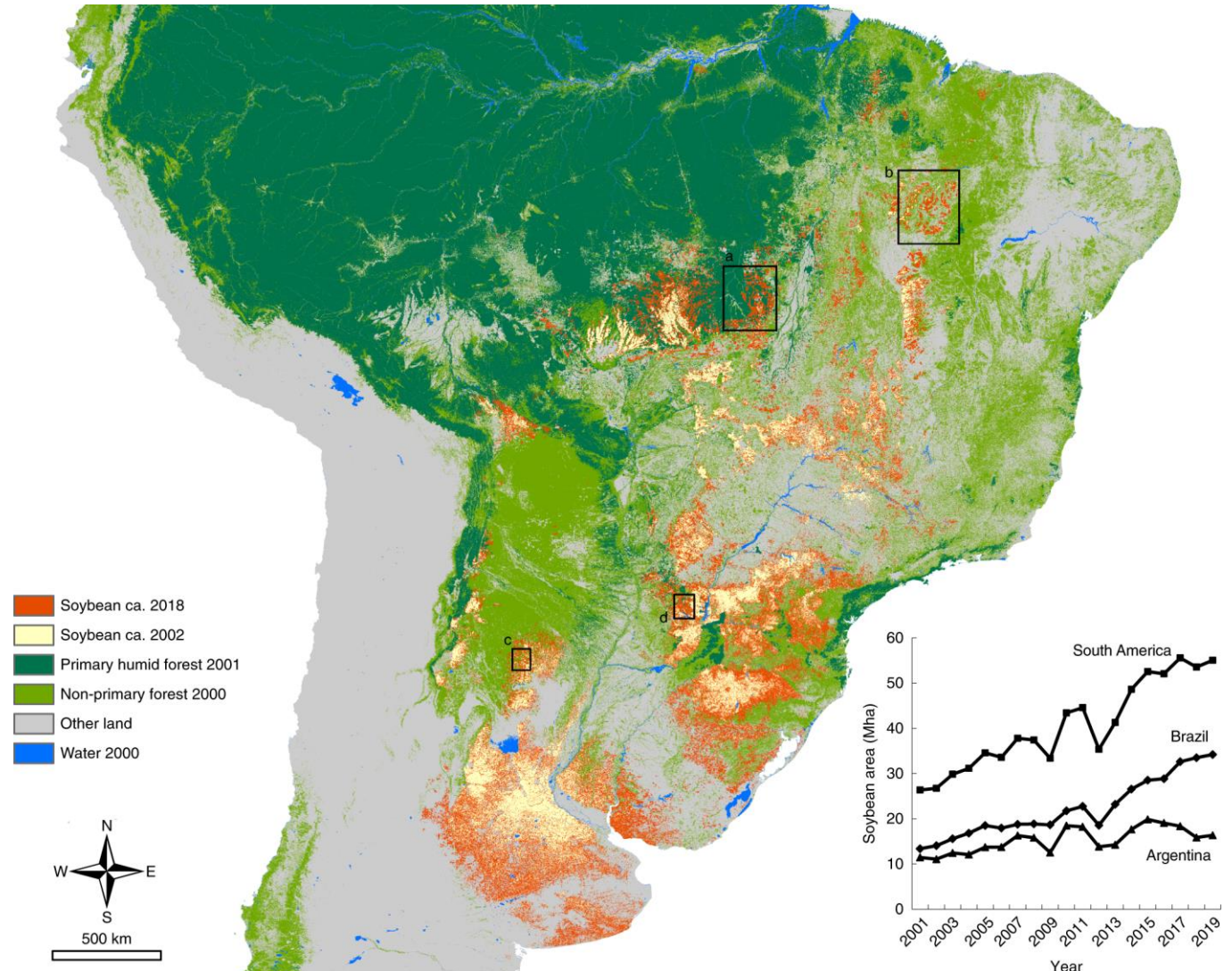
China's investments in Latin America at end-2021

Source: Congressional Research Service report, China's Ministry of Commerce

Graphics: Tang Tengfei/GT

Resource Security, Energy Security, Food security

- Energy and Resource security: oil and minerals
- Food security: soybeans
 - diversify away from the US as its main supplier.
- natural resources and agricultural products account for 90% of China's imports
- Image: massive soil bean expansion since 2000



Diplomacy, again

- PRC-ROC diplomacy: LAC used to have the highest concentration of countries that recognized Taiwan.
- But in 2007 Costa Rica broke off relations, Panama 2017, Dominican Republic 2018, El Salvador 2018, Nicaragua 2012, Honduras 2023
- Now only 13 countries around the world recognize Taiwan and in Latin America and Caribbean 8 countries recognize Taiwan:
- Belize, Guatemala, Haiti, Paraguay, St Lucia, St Kitts and Nevis, St Vincent and the Grenadines
- Beijing has worked hard to block Taiwan's participation in the OAS



Issues/problems

- China and Latin America's relationship is in a new phase now, where both sides recognize that there are some problems.
- For Latin America, deindustrialisation: social impact of loss of manufacturing jobs to China
- Reprimarization: extractive industries' environmental impact of deforestation and pollution
- Development or dependency?
- Bolsonaro (2018): "China is not buying in Brazil. It's buying Brazil!"
- Uncertainty of change of ruling parties after elections
- shifting from optimism of win-win to problems of debt burdens and risk management
- China: economic problems at home
- China: post-hegemonic or new hegemon?
- United front work, civilization, national humiliastion?

