



China and Latin America in 2016

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In July 2014, Xi Jinping, the President of China, toured Brazil, Argentina, Venezuela, and Cuba, all of which had leftist governments at the time.¹ In a meeting with then-President of Argentina Cristina Fernández de Kirchner, Xi declared that Chinese-Argentine relations would reach “unprecedented new horizons.”² A year later, Premier Li Keqiang conducted a five-nation tour in South America, where he was welcomed by leaders such as Chilean President Michelle Bachelet and former Brazilian President Dilma Rousseff, and secured a multitude of investment deals.³ As of two years ago, it seemed that China and many countries in Latin America were moving unequivocally toward a future of closer cooperation and economic affinity.

Since then, however, the situation in Latin America has become less favorable for China. Brazil is suffering from a combination of political instability and economic recession. Recently, center-right, pro-trade governments have been elected in Argentina and Peru. These changes have already begun to show their effects. In April, Argentine President Mauricio Macri announced that he would revise and make adjustments to the contracts signed with China during the Kirchner administration, in which “the current administration found various irregularities.”⁴ However, despite the changes in Latin America that have taken place this year, Latin American countries, including those with center-right governments, are still interested in strengthening trade and investment ties with China. The new administrations in Argentina and Peru both expressed commitments to maintaining strong ties with Beijing, and additionally, the peace deal in Colombia will offer new business opportunities for Chinese companies.

From the Chinese perspective, the government has viewed the China-Latin America relationship as one based on economic benefits rather than an attempt to project political influence—an idea some pundits of international politics have advanced.⁵ China’s recent engagements with Argentina, Peru, and Colombia, in the context of their respective political changes, further corroborates this idea. China will continue to direct its foreign policy under this principle and work with governments across the political spectrum, provided that there is ongoing economic benefit.

Background

In the past decade, China’s economic ties with Latin America have grown significantly. In 2013, the total volume of Chinese-Latin American trade was 24 times larger than it was in 2000.⁶ In 2014, China was the top destination of exports from Brazil, Chile, Peru, and Uruguay.⁷ China has also significantly increased its loans to

Latin American countries; in 2015, China Development Bank and China ExIm Bank offered a total of \$29.1 billion USD in loans to Latin America, compared to the \$4.8 billion USD offered in 2007.⁸ Politically, China has befriended left-wing governments in Nicaragua, Ecuador, Bolivia, Venezuela, and previous ones in Argentina and Brazil. Furthermore, it has become a crucial financier of Venezuela, Ecuador, and Bolivia, whose governments rejected Western institutions such as the International Monetary Fund.

Chinese foreign policy has shifted from a principle of *tao guang yang hui* (roughly, “keep a low profile and bide your time”) in the era of Deng Xiaoping, the President in the 1980s who implemented reforms that lifted China out of poverty, to one of active engagement and power projection under Xi Jinping.⁹ In recent years, China has been much more active in the international arena. It has taken a more aggressive stance in territorial conflicts with its neighbors, created the Asian Infrastructure Investment Bank as an alternative to the World Bank and Asian Development Bank (both supported by the West), and started the One Belt, One Road initiative, which consists of overland and coastal infrastructure projects, economic and financial cooperation, and cultural and academic exchanges across Central Asia, South Asia, and Europe.¹⁰

Although Latin America is not as strategically important to China as East Asia or Europe, cooperation between the two has flourished in recent years. This is primarily propelled by two major factors. First, the sheer size of the Chinese economy generates a huge demand for commodities from abroad, and Latin America fulfills China’s demand through the exportation of petroleum, copper, soybeans, gold, and other primary products. Second, Chinese construction companies, which have risen to the top of the field worldwide thanks to decades of economic boom in China, are suffering from an excess of capacity due to the slowing down of Chinese economic growth.¹¹ Those companies have been expanding abroad to absorb their overcapacity, and Latin America is now becoming one of their major destinations.

Accompanying the trend of growing commodity trade volumes and infrastructure projects, China has been more proactive in engaging with Latin America through both official and unofficial platforms. In January 2015, China hosted the first ministerial meeting between China and the countries of the Community of Latin American and Caribbean States (CELAC) in Beijing, which Xi Jinping hailed as “a new starting point for a new phase of the China-CELAC comprehensive partnership.”¹² The China-CELAC forum has also organized talks among young politicians, infrastructure developers, and regional government officials from China and Latin America.¹³ New opportunities for facilitating academic exchange have also emerged. The Community of Chinese and Latin American Studies (*Comunidad de Estudios Chinos y Latinoamericanos, CECLA*), a private organization based in Beijing, was founded in 2015 to promote dialogue among young researchers and academics in Latin American studies.¹⁴ Its members consist of Chinese and Latin American scholars, entrepreneurs, students, and cultural activists. It has also established a fund for youth exchange.¹⁵ As Chinese interest in Latin America continues to increase, Chinese professionals specializing in Latin America will become more knowledgeable about the region and more motivated to engage with their peers in Latin America.

China's policies toward Latin America will have to adapt to new political realities in the region that have been exhibited in the past year. In order to understand the new dynamics of China-Latin America relations, it is crucial to perform country-specific analyses. The following sections will look at Argentina and Peru, where center-right governments recently came to power, as well as Colombia, where the introduction of a peace agreement that could potentially end 50 years of guerrilla conflict.

China and Argentina: A Delicate Path Forward

Last November, the center-right government of Mauricio Macri replaced the eight-year presidency of Cristina Fernández de Kirchner, whose leftist government had developed an amicable relationship with China. Before his victory, Macri said that he would review and possibly veto the multimillion-dollar contracts that were signed by the Kirchner administration with China in the same year, expressing his concerns that “the technical details” of the contracts were unknown.¹⁶ The contracts included the construction of two nuclear power plants and a space station in Neuquén, which China claimed it would use to track satellites.¹⁷ Argentines have legitimate concerns about several Chinese development projects in Argentina; contracts of such scale deserve scrutiny and meticulous study regarding their social and environmental impacts. Many Argentines, including President Macri, believed that the space station would be operated by the Chinese military and used for military purposes, and questioned the “secret clauses” that were supposedly part of the contract but were never publicly revealed.¹⁸ The contract for the two nuclear plants would give China the exclusive right to find providers to supply uranium, the fuel for nuclear reactors.¹⁹ Previous Chinese projects in Argentina have also generated environmental concerns. In 2013, a consortium led by a Chinese corporation was granted the contract to build the Jorge Cepernic-Néstor Kirchner hydroelectric complex in the Province of Santa Cruz in southern Patagonia. Critics of the project asserted that the complex could damage the wildlife and fragile ecosystem in the Santa Cruz valley, as well as lead to the loss of indigenous archeological sites and fossils.²⁰ They also doubted whether such a project in the sparsely populated southern Patagonia would effectively deliver electricity to the cities in the north.²¹

Despite his caution regarding the contracts signed with China, Macri's administration is not anti-China; instead, it seems that Macri is keeping a delicate balance between maintaining economic connections and establishing a new dynamic in its relations with China. In April, Macri met with Xi Jinping and persuaded Xi to agree to review the contracts signed last year with the Kirchner administration, particularly regarding the nuclear plants and hydroelectric stations.²² Macri also called for diversification of trade and investment with China, encouraged “a greater equilibrium in trade balance,” and invited Chinese businesses to “come to the country, not only in the energy sector, but also to build bridges, trains, and roads.”²³ Macri in no way wants to sever ties with China; he acknowledged that “support (from China) is key to Argentina's return to the world.”²⁴ China echoed his statement: “The two countries should fully tap their cooperation potential and expand cooperation,” said Xi Jinping after the meeting.²⁵

On May 19, shortly after the meeting between Macri and Xi, Argentine Foreign Minister Susana Malcorra ratified the nuclear plant and space station contracts in a meeting with her Chinese counterpart, after five months of review by the Argentine

government.²⁶ China assured Malcorra that the space station would be exclusively for civilian use.²⁷ Malcorra also indicated that China had agreed to reduce the number of turbines installed in the Cepernic-Kirchner complex from eleven to eight, which would reduce potential environmental damages of the project. The budget would also be cut by 18 percent.²⁸ Although these adjustments could not completely assuage the concerns of national security and the environment, they represent the first steps toward transitioning to a more mature and transparent relationship between China and Argentina. Despite the Macri administration's close ties with Washington and its clear policy departure from the Kirchner administration, Macri still seems to regard China as a crucial partner. Chinese businesses will not receive the same warm welcome as they did under the Kirchner administration, but they have little reason to worry.

China and Peru: A Closer Relation with Environmental Sacrifices

On July 28, Pedro Pablo Kuczynski, a center-right former banker and World Bank economist, was sworn in as the President of Peru.²⁹ He has yet to implement any concrete policy, but his rhetoric has been swinging between the left and right. Supported in the election by the center-left party *Frente Amplio*, Kuczynski speaks of sparking a “social revolution,” which includes delivering drinkable water to every citizen, increasing the rate of vaccinations, and boosting education.³⁰ However, he has also proposed tax cuts and welcomed the expansion of the mining sector in Peru.³¹ In a speech to farmers before his inauguration, Kuczynski called Peru's air quality standards “unrealistic” and proposed lowering them to spur investments in smelters that would upgrade the country's mineral exports on the value chain.³²

China has been a key importer of minerals and a major investor in the mining industry of Peru. In 2014, 58 percent of Peru's copper, 48 percent of its gold, and 29 percent of its zinc were exported to China.³³ Chinese corporations have invested in three large-scale mining complexes in Peru—Río Blanco in the northern Piura region, Toromocho in the Central Andes, and Las Bambas in the Apurímac region.³⁴ Given the mutual interests of Chinese investors and Kuczynski's administration to further develop the mining sector, it is unsurprising to see that Kuczynski has sought rapprochement with China immediately since he came to power. The Peruvian president is set to travel to China on September 13 as his first state visit, which will celebrate the 45th anniversary of the establishment of diplomatic relations between the two countries.³⁵ He said that “China is our principal commercial partner” and that “in order to industrialize we will have to collaborate with the big purchasers of our exports, which in a large part is China.”³⁶

Kuczynski's willingness to attract more Chinese investment in the mining sector will undoubtedly lead to further environmental damages. Although Chinese corporations do not have a significantly worse environmental record than other foreign companies, Chinese mining projects have caused detrimental effects on the environment.³⁷ Shougang Hierro Peru, a Chinese company that has been mining iron ore in Peru since the 1990s, has been widely denounced for its environmental and social record.³⁸ In March 2014, the Chinese-operated Toromocho mine was revealed to be releasing contaminated acidic water to lakes in the Andes.³⁹ Kuczynski's trip to China will likely result in the signing of several more deals with Chinese corporations in the mining sector and a major injection of Chinese investment in Peru. While future mining

projects can provide a boost to the economy, they will contribute to more damages to the environment, as well as more disputes with local communities. So far, Kuczynski has not proposed any measure that would mitigate the environmental impacts of mining activities, and his previous statement on lowering air quality standards is indeed worrisome. Interestingly, the Chinese government seems to be aware of the environmental repercussions of mining and is willing to address it in a more proactive way. Chen Jining, the Minister of Environmental Protection, was sent to attend the inauguration ceremony of Kuczynski as the special envoy of Xi Jinping.⁴⁰ It is very likely that China sent Chen, rather than a generic high-level official, in order to discuss environmental topics with Peruvian officials and demonstrate China's readiness to take a more active role in addressing environmental concerns abroad.

China and Colombia: New Opportunities Ahead

In the past, China has invested primarily in countries with left-leaning governments that tend to be amicable toward China. Chinese companies in those countries also faced less competition from their Western counterparts. Colombia, a free-market economy with a government close to Washington, has not attracted much of China's attention. Up to May 2015, Colombia had only received \$75 million USD in investment from China.⁴¹ In comparison, Ecuador, which has a much smaller economy but a leftist government, received \$7 billion USD in 2015.⁴² However, this neglect of engagement with Colombia is very likely to change.

The historic ceasefire between the Colombian government and the FARC will likely attract more Chinese investment to Colombia. Security has been a top concern among Chinese professionals who work in Latin America. Their perception is that the region is a terribly dangerous place, especially in contrast to China, where street crime is almost nonexistent.⁴³ Colombia, with its headlines of kidnappings, extortions, drug cartels, and guerrilla activities, is considered to be a particularly dangerous place by Chinese professionals. However, the ceasefire signed in July and the decline of guerrilla activity will lead to a more positive image of Colombia, which may in turn persuade more Chinese companies to conduct business and invest in the country. In the context of enhanced security in Colombia, both countries have expressed interest in furthering economic exchange. In April, Sun Zhengcai, a senior official of the Communist Party of China, met with the Colombian President Juan Manuel Santos, and stated that China supported the peace process and hoped to strengthen economic and trade ties.⁴⁴ Santos welcomed more Chinese investment, particularly in agriculture and infrastructure.⁴⁵ Chinese interests in Colombia have already increased. For example, China Development Bank will take part in financing the construction of an industrial mega-park in Buenaventura, Colombia's only commercial port on the Pacific Coast.⁴⁶

Despite these promising economic ventures, Chinese companies should be mindful of environmental and societal impacts of the projects in which they are involved. In the past, Sinochem, a Chinese state-owned enterprise, has faced fierce resistance from local residents in Caquetá, who were concerned about possible water contamination due to oil drilling concessions.⁴⁷ The ceasefire will undoubtedly draw interests of foreign companies, including Chinese ones, to areas that were once inaccessible due to guerrilla activity. Increased development and resource extraction in

those areas will have inevitable consequences for the environment and local communities.

Conclusion

China's recent engagements with Argentina, Peru, and Colombia provide further evidence that China sees its relationship with Latin America as primarily economic instead of political or ideological. Center-right governments that are on good terms with the West also welcome Chinese investment and seem unconcerned about China trying to assert global hegemony in Latin America, as some in Washington fear.⁴⁸ Chinese corporations will have to face more scrutiny in Argentina, while at the same time Peru and Colombia have become attractive new fronts. Increasing Chinese investment, particularly in sectors such as mining and petroleum, will potentially lead to more environmental damages and more confrontations between China, Latin American governments, and local communities. In the future, Latin America will witness an increasing Chinese presence and engagement in the region; therefore, it is essential that the respective governments work together to create a mutually beneficial relationship, which will guarantee environmental protections and achieve equitable economic growth.

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