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Let a hundred businesses bloom

China is investing heavily in Latin America, but benefits to the continent may prove negligible

Read this article in German.

Whether it's 'bad, bad Mexicans' or 'shithole countries', Donald Trump's descriptions of the US' southern neighbours are anything but diplomatic. But it's his actions, and not his language, that are raising real alarm bells when it comes to the US' relationship with the south.

Trump has swung an axe at the North American Free Trade Agreement (Nafta), is still trying to build a wall on the border with Mexico, and will likely boycott the Summit of the Americas this April – a gathering of heads of states from both American continents.

Whilst a presidential no-show would be unprecedented, it certainly doesn't indicate Latin America's strategic importance to the US has diminished. Rather, Trump has devolved responsibility for Washington's policy *vis à vis* the south to others, including Senator Marco Rubio (a Republican of Cuban extraction), White House Chief of Staff John Kelly and Evan Ellis, a Latin America expert at the US Army War College.

As they see it, Latin America's chief role is to buy US exports and supply the country with raw materials. It's reminiscent of the Monroe Doctrine, by which America took over from European nations as the supreme power in the western hemisphere. The difference is that today, neither the European colonial powers nor the Soviet Union threaten US influence in the region.

There is, however, another serious strategic threat: China. In a recent paper, Ellis termed China's advance in the Americas 'disturbing', citing the decision by the Panamanian government to break its long-term alliance with Taiwan and to join Beijing's Silk Road initiative instead. This kind of reorientation could erode the US's formerly dominant position in a hub that is strategic both in terms of trade, and militarily.

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At a meeting between Chinese foreign minister Wang Yi and his Latin American counterparts in December, China touted closer security cooperation with the continent, formerly the preserve of the US and its junior partner Israel. A statement by US Secretary of State Rex Tillerson's warning of an 'imperialist threat' from China was met with indignance in China's state-run newspapers, which pointed out that China does not have a single military base in Latin America and has never deployed troops there.

Clearly, however, the strategic jockeying for influence has begun. How it ends will be determined by what diplomatic, economic, and political benefits each side can offer South America's nations.

The real battleground: trade

To date, China has invested more than USD 113 billion in Latin America and authorised 141 billion dollars of loans. In the last ten years, trade between South/Central America and China rocketed from almost nothing to USD 200 billion.

This kind of chequebook diplomacy has been going on since around the millennium, when China upped staffing levels in its Latin American embassies, dispatched Xinhua correspondents across the region, and started to subsidise cultural events and university exchanges.

Next, China sent its top brass to sign trade agreements and sign off on investments. President Xi Jingping has already visited the continent three times during his tenure.

While Europe has long lacked a strategy for Latin America, negotiating a free trade agreement with Mercosur at glacial pace since 1995, the Chinese have tended to follow up statements of intent with action (barring a few projects, such as the now-forgotten Nicaragua Canal and the failed Dragon Mart logistics site in south Mexico). From a Latin American perspective, the economic boom of the noughties was down to strong Chinese demand for raw materials, and when prices nose-dived, China was on hand to offer loans.

China's interests in Latin America are clearly defined: it needs foodstuffs such as soybeans and beef, as well as raw materials from copper to iron ore. That means it also needs to control important trade routes like the

Panama Canal.

However, the cliché that Beijing's offers come with no strings attached is patently false.

For Argentina, Brazil, Chile and Peru, China is now the most important international trading partner. It is also one of Ecuador and Venezuela's biggest sovereign creditors and a key state investor in Panama and Peru.

Over the past year, China has expanded its presence in Argentina, Brazil and Colombia. It has launched major infrastructure projects including a motorway to Buenaventura on the Colombian pacific coast, purchased the São Simão dam, built power lines to the Belo Monte hydropower facility, and produced studies linked with the Angra3 nuclear reactor. It has also taken over Rio de Janeiro international airport. Meanwhile, Chinese brands such as Huawei, ZTE, and Jac have established themselves in markets across the continent.

And what about the US? Free-trade agreements with the world's largest market used to be an attractive prospect, and the United States is still Latin America's most important trading partner.

America's waning influence

Yet taken as a percentage, trade with the US is in decline. In 2001, over half of total exports from South and Central America were destined for the US market. That share has now dropped to 32 per cent. Given President Trump's penchant for protectionism, it's likely to fall further.

Despite these shifting trade patterns, Secretary of State Rex Tillerson's recent trip to Argentina, Colombia, Mexico and Peru focussed mainly on security, including the 'war on drugs', immigration and the crisis in Venezuela. Instead of financial carrots, Tillerson came bearing a variety of sticks, threatening mass deportations and economic sanctions.

Chilean foreign minister Heraldo Muñoz has spoken of a 'leadership vacuum', while Mexican diplomat Jorge Guarjardo complains 'the US are doing everything they can to drive Latin America away: they criticise, insult, and cajole.'

The same cannot be said of US businesses, though, who smell an opportunity in a new wave of privatisations across the continent. Boeing, for instance, is looking to enter into a strategic alliance with the highly successful Brazilian aerospace manufacturer Embraer.

Latin American governments often complain about the 'red tape'

imposed on imports to the US, including strict health and safety standards for imports, high tariffs, and clauses on workers' rights and environmental standards.

However, the cliché that Beijing's offers come with no strings attached is patently false. Whilst the Chinese are blithe about democracy and human rights, their investments come as a complete package, often requiring projects to use Chinese materials and Chinese workers. Generally, there is little transfer of know-how and technology to the host country.

Moreover, while Chinese loans are not tied to human rights or environmental legislation in the same way as credit lines from the World Bank, they often have high interest repayments and stipulate raw materials as collateral. Economists warn this will hamper industrialisation in Latin America.

The Chinese – hardly known for their exemplary record on health and safety – have also disputed the safety of imported products, including soybean imports from Brazil. In addition, the Chinese mafia has gained a foothold. Extortion rackets are operating in Argentina, and the Mexican narcos work in close cooperation with Chinese triads.

There is further speculation that Chinese capital is behind land speculation and money laundering. So much so that Brazil's former president Lula da Silva limited sales of property to foreigners after a succession of big-ticket purchases from China.

Just like Washington, Beijing is keen to get its hands on Latin America's raw materials, export markets and geopolitical influence. As such, the current warm sprinkling of Chinese investment could soon be followed by a cold shower. Uruguayan President Jose Mujica recently warned that Central and South American countries, eager to liberate themselves from economic dependency on the US, may soon find themselves bound just as closely to China.



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