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Road trip

What will be the environmental, economic and social footprint of Chinese involvement in Latin America?

China's global expansion is making international headlines, in particular its Belt and Road Initiative (BRI). Critical opinions range from acclaim for this massive programme to develop and modernise infrastructure, to apprehension of a new imperialism with geostrategic objectives. And Latin America has not escaped its attentions. The inclusion of the region in the BRI may serve to consolidate and even increase China's engagement there.

Relations between China and the Latin American nations are developing dynamically, with Chinese policy banks providing more than $120 billion in loan commitments to Latin America in the past decade. From the recipients' point of view, the conditions are favourable: so far, Beijing has not involved itself in the domestic affairs of Latin American states and has not set any conditions with regard to transparency or austerity, as Western financiers so often do. This makes China an attractive partner. The state-to-state financing is aimed at boosting commerce in both directions.

In addition to trade, the Chinese are focusing on expanding infrastructure; their investment focuses on dams, roads and ports, while power generation is another preferential sector. But many of the investment contracts provide for Chinese contractors or machinery suppliers. Critics of this promotion within the state-to-state investments have become more vocal in recent years.

Railway could drive change

Another source of criticism is the lack of governance standards, with negative consequences for labour conditions and environmental protection. There is undoubted need for infrastructure investment – the long-standing deficits are enormous – but a massive dilemma presents itself: infrastructure development is urgent, but the region's geography and biodiversity are such that projects quickly entail huge costs to the environment. A solution to this conflict between economic development

and environmental protection remains to be found.

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With its infrastructure investment and its need for agricultural and mining imports from the region, China is a major player when it comes to solving – or worsening – this dilemma, and the inclusion of Latin America in the BRI will be a major driver. In the past, many projects have been announced but comparatively few have been implemented. This could change.

A proposed rail connection between Brazil and Peru appears to be a key objective. If realised, it would be one of the largest infrastructure projects in Latin America in recent decades. Currently, transport of agricultural products and raw materials to the loading ports is tedious and cumbersome and road conditions are generally poor. The railway connection would cut shipping costs, secure raw materials and ensure food security, and the Latin American governments hope its construction will provide a significant economic boost.

Environmental and human costs

At the same time, China is blamed for the poor record in environmental protection and working conditions in Latin America. Without a doubt, the mining of raw materials and the industrialised production of agricultural goods are major drivers of environmental degradation. Sensitive natural areas are used for mining and agriculture, the soils overused and leached out. Billions of cubic metres of water has been expended in Latin American exports to China. Biodiversity is dwindling; social conflicts in the affected areas are increasing. Pursuing higher returns, governments are relaxing social and environmental protection programmes as an increasing share of GDP is generated by hydrocarbons and agricultural products.

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This tendency is reinforced by the fact that most Latin American countries are ruled by right-wing governments, for whom environmental protection, workers' rights and respect for native communities are traditionally less important. One example is Brazil, where many environmental and social standards have recently been relaxed. One product with a devastating environmental balance is soybeans, which are exported to China mainly from Argentina, Brazil and Paraguay. In particular,

soybean cultivation is rapidly driving the extinction of forests in favour of an expansion of farmland.

But the export of soybeans is a good example of why we Europeans should not be quite so arrogant with regard to the environmental consequences of Latin American-Chinese trade and its deleterious effects on local communities. After all, a large proportion of Latin American soybean production is also shipped to the European Union, where it greases the engines of agro-industrial mass production.

The same interests

Generally speaking, China's demand has consolidated and expanded existing development paths in Latin America. But its interests are not fundamentally different from those of Western corporations and governments.

Chinese companies are not intrinsically worse-behaved than other international corporations or domestic firms. They simply make use of the framework conditions they are confronted with and the leeway granted to them by Latin American legislators and public administrators. The employment of Chinese workers clearly demonstrates this. Latin American states provide different regulations when it comes to the employment of foreign workers. Where it is easy for companies operating in the country to subcontract or outsource to foreign workers, this possibility is widely made use of.

As long as Western governments are reluctant to provide binding rules aiming at protecting human rights and the environment for their transnational corporations operating in the global south, it's difficult to point a finger at China.

Moreover, the Chinese companies are as involved in social conflicts and violations of environmental laws as other foreign and even many domestic corporations. In China's case, indeed, it is true that when violations do take place it is far more difficult to find someone to hold accountable. So far, civil society in Latin America has few possibilities for calling Chinese banks, corporations and regulators to account. Often there is a paucity of information about projects; more importantly, however, there is little access to the responsible institutions and a lack of willingness there to engage in dialogue.

Difficult to point fingers

This applies particularly to the demand for accountability for the negative effects of their investments. In this context it should be the Chinese government's responsibility to intervene as guarantor for compliance with environmental and social standards. The state's economic diplomacy, after all, paves the way for Chinese companies. China, however, fosters relationships nearly exclusively with governments; non-governmental parties usually cannot get through to those responsible. And where, in the case of violations by Western companies, public pressure can often be generated in a corporation's home country through the cooperation of civic organisations, in China's case this is not usually a possibility.

But as long as Western governments are reluctant to provide binding rules aiming at protecting human rights and the environment for their transnational corporations operating in the global south, it's difficult to point a finger at China. Showing true commitment instead of mere rhetoric when it comes to protecting human and workers' rights as well as the environment might be the difference between Latin America's traditional trading and investment partners from the industrialised countries and the region's new buddy with the big purse.

Many Latin American governments might not even care, especially in times when the political right is dominant in the region. Environmental and human rights NGOs, labour unions and affected communities, however, will certainly notice the difference – and they will make their feelings known.



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