

10 YEARS OF
THE BELT AND
ROAD INITIATIVE

BELT AND ROAD CONFERENCES

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AT
UNIVERSITY OF AVEIRO - RECTORY



The BRI at Latin America

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Fundação
para a Ciência
e a Tecnologia



Bom dia a todos! Hello everyone! Ni Hao!

My presentation is about China in Latin America and the project of One Belt One Road in Central and South America.



Belt & Road and Latin America

What is the Belt and Road Initiative (BRI)?



The BRI aims to expand China's overseas investment by establishing land ("Belt") and maritime routes ("Road").

China has promoted the BRI as an opportunity for nations to develop infrastructure and create new trade opportunities with Chinese enterprises.

LAC countries currently with BRI agreements:

- Antigua & Barbuda
- Barbados
- Bolivia
- Chile
- Costa Rica
- Cuba
- Dominican Republic
- Ecuador
- El Salvador
- Guyana
- Jamaica
- Panama
- Trinidad & Tobago
- Venezuela
- Uruguay

Timeline of key events:



Criticisms:



There are concerns over the debt burdens that small or weak economies take on when borrowing for BRI projects and the economic benefits these will deliver

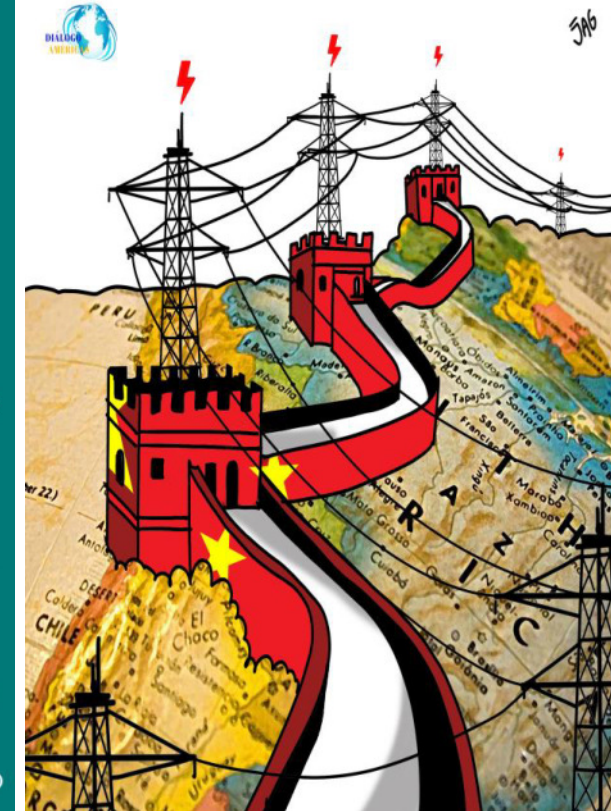


Some fear China's aim to control every link in supply chains and its growing portfolio of key sectors such as energy



BRI investments mostly focus on projects and sectors that carry big risks for the environment and the rights of indigenous communities

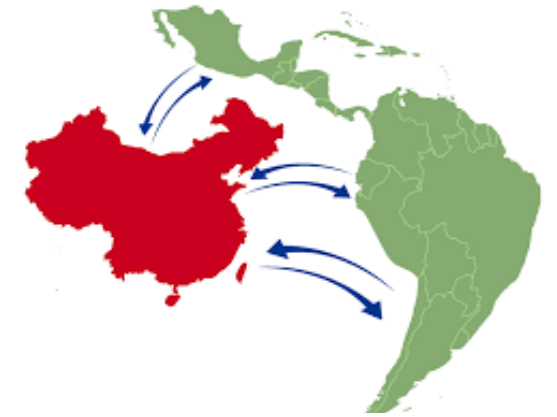
 Diálogo Chino



Initial framework

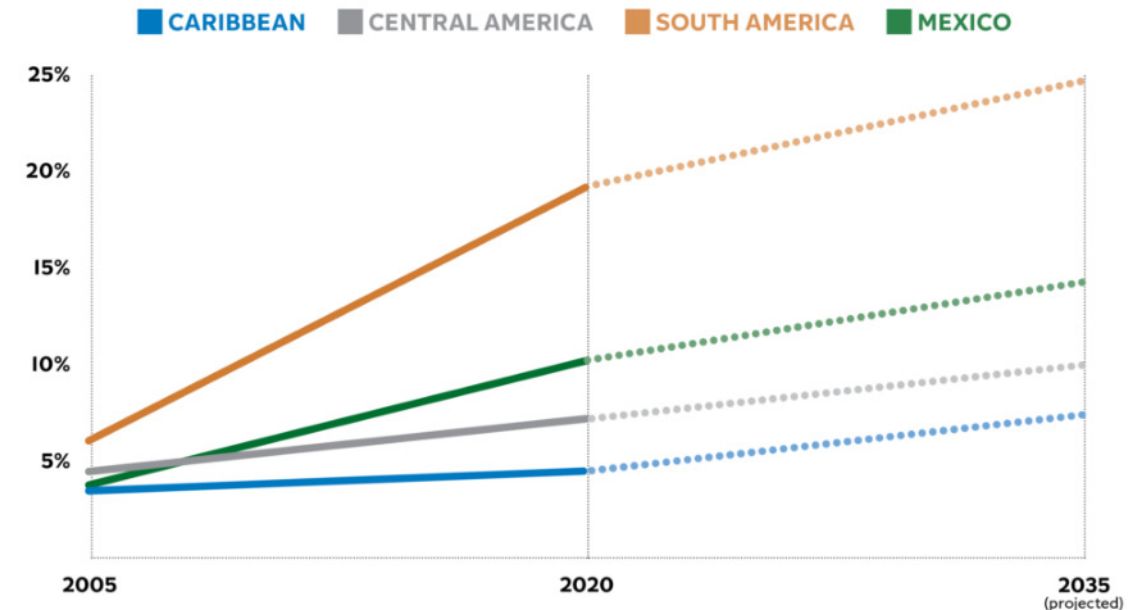
«From 2005 to 2016, Chinese outward investments focused on sectors related to energy (38%), metals (14%), real estate (9%), and transport (8%). Africa, Latin America, Australia and certain Asian countries received most of the investments in the areas of energy and natural resources. Europe and the United States, which in the previous years were the general focus of the Chinese State Companies, became the focus of investments in services, telecom technology and high-end manufacturing. On average the geographical distribution of Chinese global investments from 2005 to 2016 was 23% to Europe, 17% to the United States, 11% to East Asia and another 30% equally distributed among Australia, South America and West Asian countries.» (Gilmar Masiero, sep. 27, 2018 – ReVista – Harvard Review of Latin America)

<https://revista.drclas.harvard.edu/china-and-latin-america-relations/>



Trade with China is projected to increase across the region

Exports to and imports from China, as a percentage of overall trade, continue to grow



Source: China-LAC Trade: Four Scenarios in 2035 (Atlantic Council, 2021)

<https://www.americasquarterly.org/article/china-is-here-to-stay-in-latin-america/>

China/Latin America



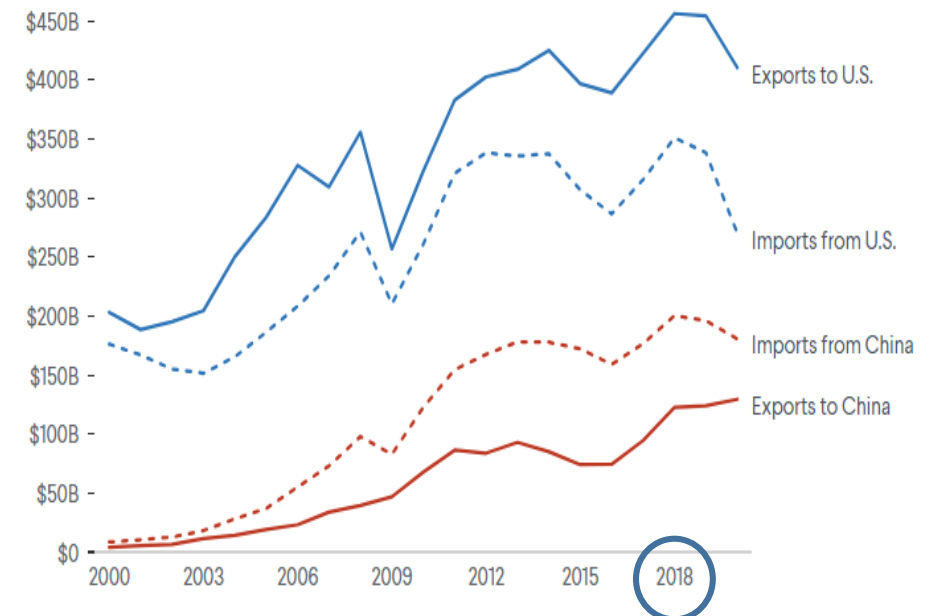
- «China's ties to Latin America date to the XVI century, when the Manila Galleon trade route facilitated porcelain, silk, and spices between China and Mexico.
- «By the 1840s, hundreds of thousands of Chinese immigrants were being sent to work as "coolies," in Cuba and Peru, often on sugar plantations or in silver mines.
- «In the XX century, China's ties to Latin America were largely migration-related, as Beijing remained preoccupied with its own domestic upheaval.»
- «Most Latin American countries recognized Mao Zedong's communist government following U.S. President Richard Nixon's trip to China in 1972.
- «But it was not until after China's entry into the World Trade Organization in 2001 that they began to form robust cultural, economic, and political ties.»
- «In 2000, the Chinese market accounted for less than % of Latin America's exports, but China's rapid growth and resulting demand drove the region's subsequent commodities boom. Over the next eight years, trade grew at an average annual rate of 31 percent, reaching a value of \$180 billion in 2010.
- «By 2021, trade totaled a record \$450 billion, a figure that remained largely unchanged in 2022, and some economists predict that it could exceed \$700 billion by 2035. China now ranks as South America's top trading partner and the second-largest for Latin America as a whole, after the United States.»

China and the US as competitive players in Latin America

- «Trade relations between China and Latin America have been transformed over the last 20 years.»
- China has become one of the main economic players in Latin America, challenging the traditional influence of the US in this strategic region since the Monroe Doctrine of 1823
 - James Monroe was President of the US between 1817 and 1825. He was against the colonization of the American continent by Europeans or against interference in the affairs of newly independent countries by the former metropolises.
- US wants to expand its 'Build Back Better' project in Latin America, which originated as a plan to reconstruct the US after the Covid-19 pandemic, trying to outperforming China with higher-quality products and a better track record of delivery.
- «Latin American countries are the focus of competing trade pressures and incentives from US and China. Some governments have aligned themselves ideologically with one power over the other, but most Latin American countries look pragmatically to balance their political interests with the need to develop long-term economic opportunities.»



Latin America's trade in goods



Source: World Integrated Trade Solution.

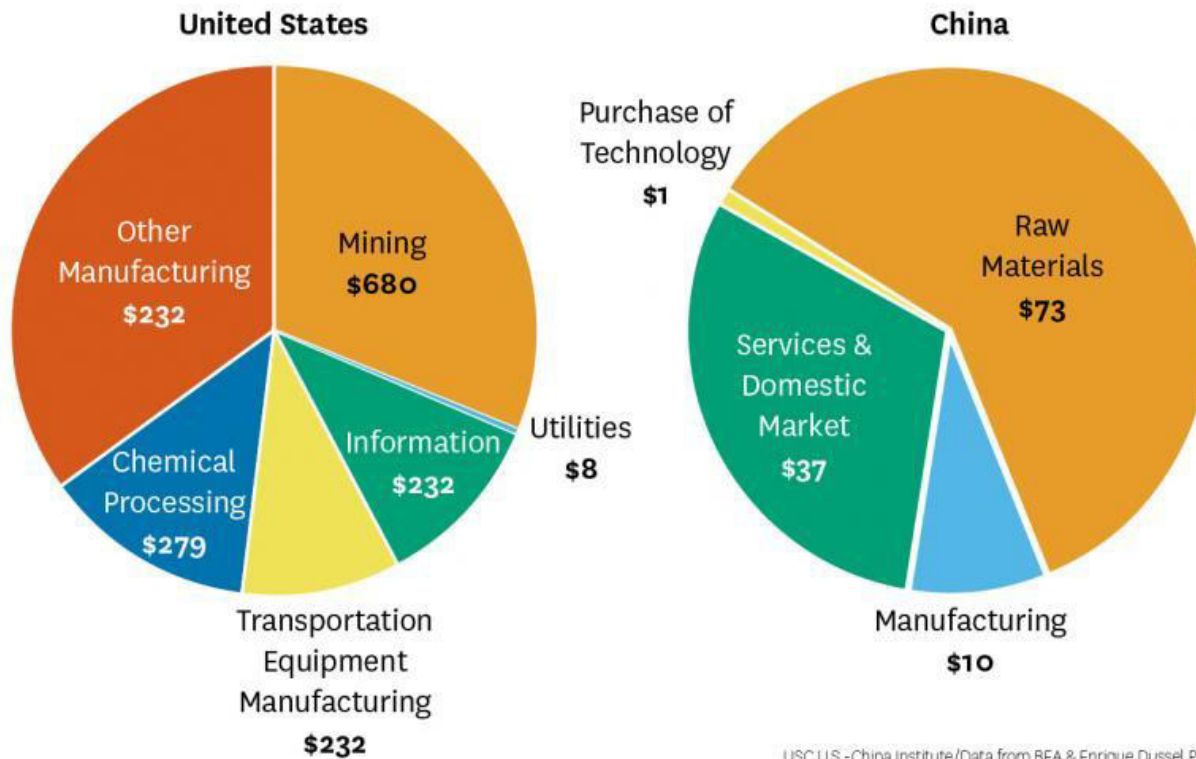
COUNCIL on
FOREIGN
RELATIONS

<https://www.cfr.org/background/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>

China and the US as competitive players in Latin America

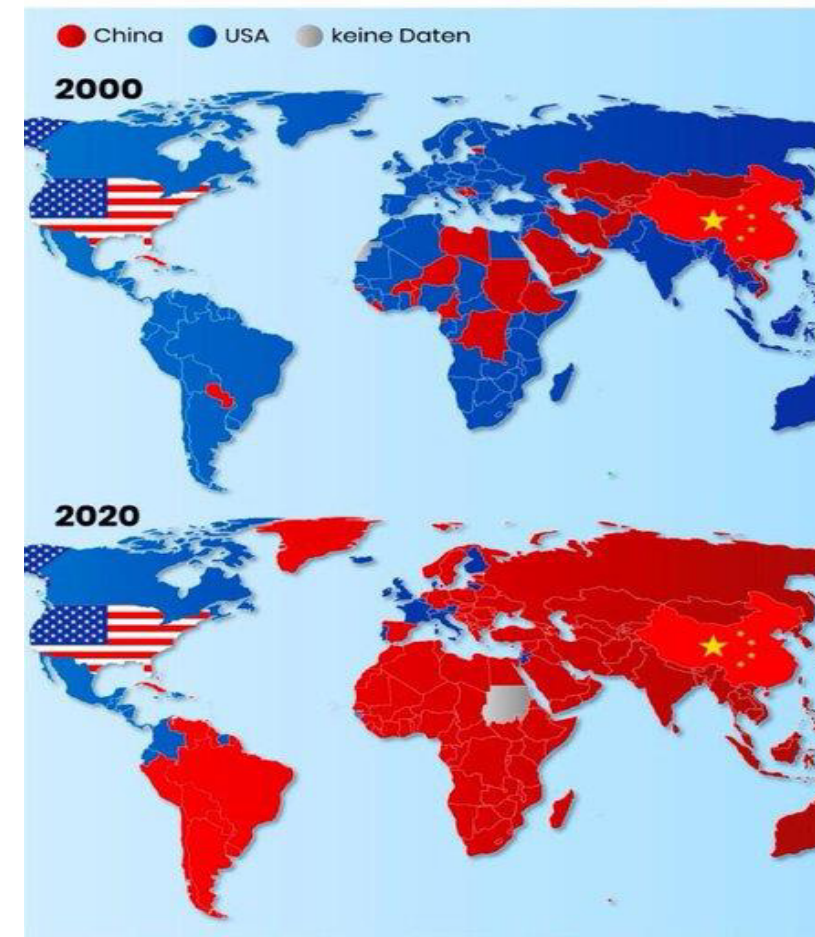


Foreign Direct Investment by Sector, 2000-2018
(in US\$ Billions)



USC U.S.-China Institute/Data from BEA & Enrique Dussel Peters

<https://china.usc.edu/investing-latin-america>



ThePioneer

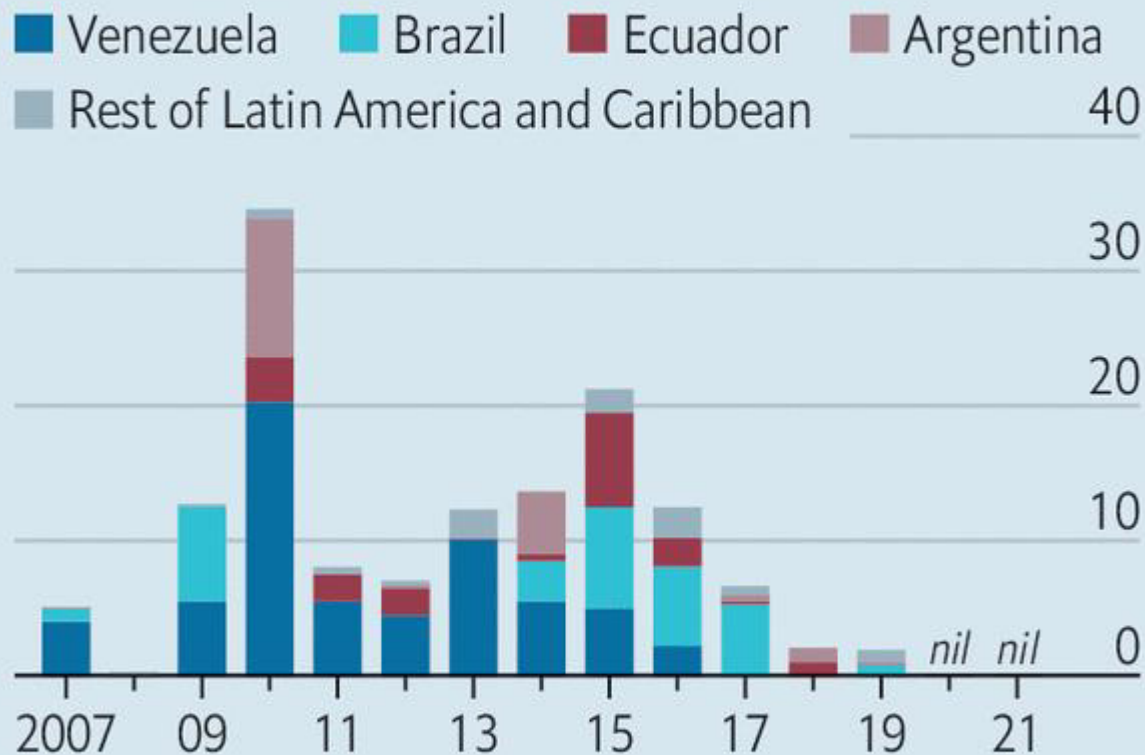
Quelle: The Economist, IMF Direction of Trade Statistics

powered by statista

<https://www.nakedcapitalism.com/2022/11/chinas-making-new-big-moves-in-latin-america.html>

Cooling off

Chinese policy-bank* lending to governments and state-owned enterprises, \$bn

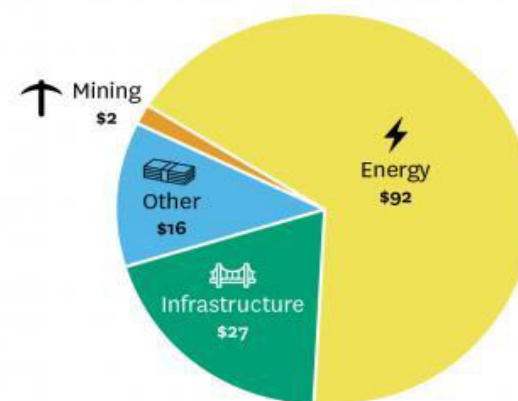
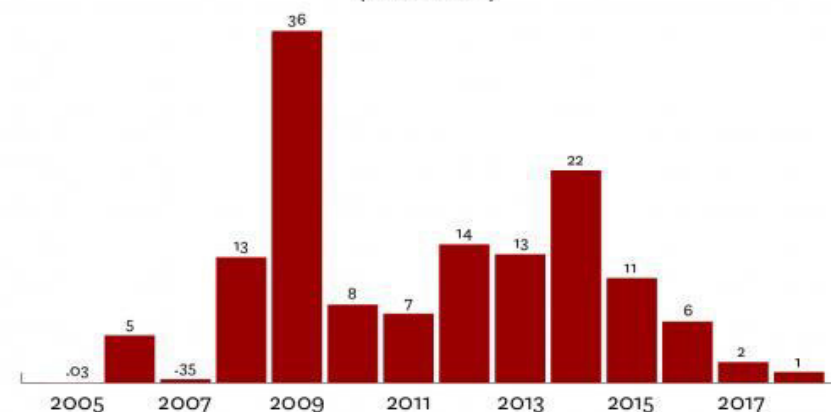


*China Development Bank and China Export-Import Bank
Source: Inter-American Dialogue

«Chinese investment and loans to Latin America have declined in the last few years, but the region remains important to China as a market for goods and a source of essential energy and products.»

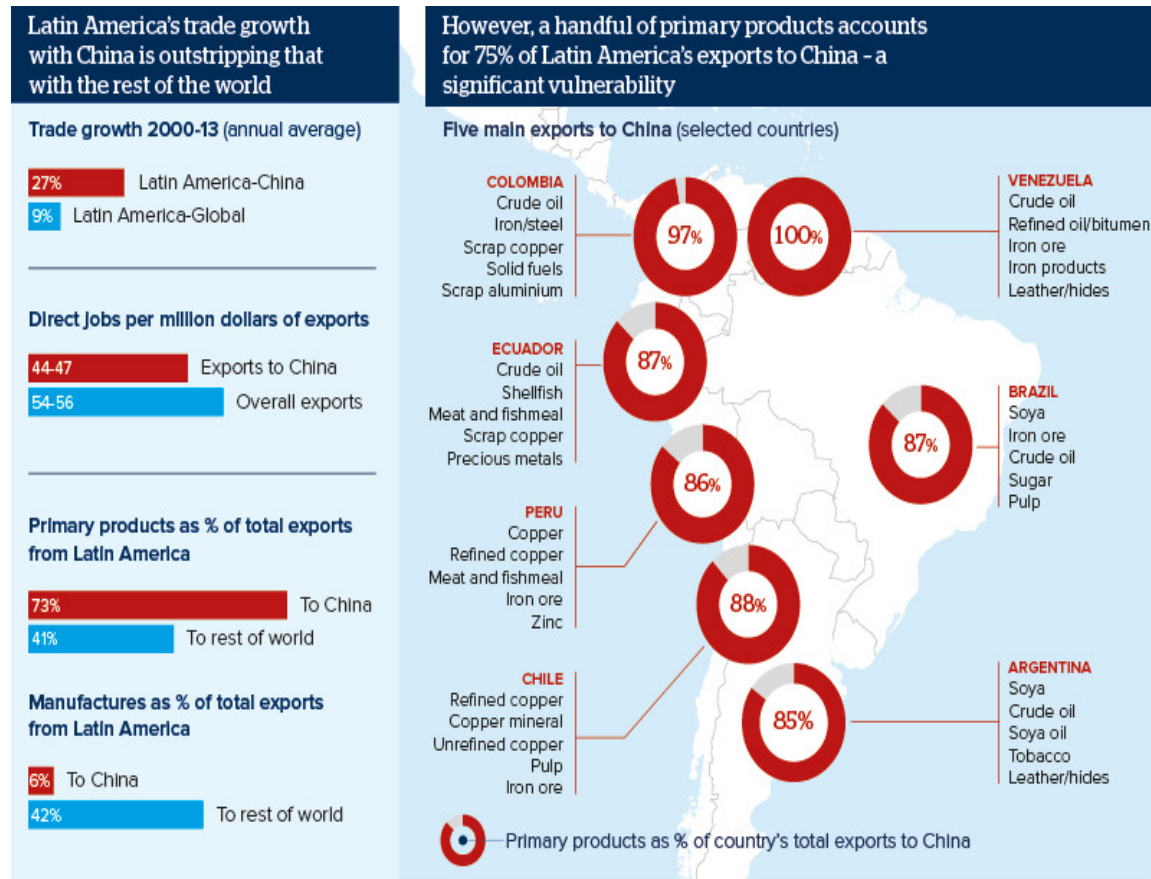


Chinese Loans to Latin American Countries, 2005-2018
(in US\$ Billions)



USC U.S.-China Institute/Data from The Dialogue

Exports between China and Latin America



- China invests mostly in Latin America in «utilities, transportation infrastructures and shipping».
- «Six products (soybeans, copper and iron ore, crude oil, copper cathodes and beef) represent 72% of the Latin America's exports to China, and they are concentrated mainly in South America (93%).»
- «As of 2018-2019, 60% of China's soya imports originated in Latin America. To date, almost 50% of Chinese FDI in Latin America has been heavily concentrated in extractives. Less than 1% of its investment was destined for the agricultural sector between 2003 and 2016. Latterly Chinese investment in the region has been diversifying to include, particularly, the agro-industry.»

Oxford Analytica, Daily Brief, June 4, 2015

<https://dailybrief.oxan.com/Analysis/GA200031/Latin-America-China-development-faces-reversal>

<https://www.maplecroft.com/insights/analysis/latin-america--china-to-take-trade-war-to-us-backyard/>

<https://www.cepal.org/en/pressreleases/value-latin-america-and-caribbean-goods-exports-will-fall-2-2023-context-great>

South America

Ecuador

- Ecuador's Minister of Production, Foreign Trade and Investment, Julio Jose Prado, declared that negotiations for a free trade agreement (FTA) between China and Ecuador will conclude in 2022 and will be announced during their joint summit this December. Should Ecuador agree to the present terms of the FTA, they will become the fourth Latin American country to endorse a trade agreement with China, after Chile, Peru, and Costa Rica.
- Ecuador [owes China](#) nearly \$5 billion, equal to 11% of its total external debt, and Ecuador is estimated to repay 42% of it by 2024 with oil.
- China's Sinohydro Corp. [built](#) the \$2.2 billion Coca Codo Sinclair hydroelectric plant in the Napo Province. Since 2016, it hasn't been operating at full capacity and the Ecuador requested arbitration against the PRC through the International Chamber of Commerce to settle the dispute.

Peru

- Since 2019, Peru has been a member of the Belt and Road Initiative, attracting billions in Chinese investments in its mining and energy sectors.
- Peru is China's largest trade partner and has invested \$10.4 billion in Peru's mining sector. The country's mining industry accounts for close to ten percent of Peru's GDP and is the second largest producer of silver, zinc, and copper.
- Recently a Chinese SOE purchased U.S. firm Semptra Energy's Peruvian Assets, which included [83%](#) in the country's Luz del Sur, the largest utility company.

Venezuela

- Venezuela remains the largest debtor nation to the PRC, with an estimated [\\$62 billion](#) in loans taken since 2007.

Brazil

- China Merchants Port Company [bought 90%](#) of the Brazilian TCP Participacoes, which manages the port of Paranagua. This is Brazil's most profitable and second largest port with operation worth \$1 billion.
- In areas such as the city of Campinas in the state of São Paulo, the Brazilian government uses smart city technology provided by Huawei and other blacklisted companies to control crime. These surveillance technologies, such as facial recognition capabilities, have come under intense scrutiny for the civil liberties implications.

Chile

- Between [2013-2022](#), China has invested more than \$13.2 billion in Chile.
- In 2020, China-Chile bilateral trade amounted to \$44.3 billion – [more than double](#) the bilateral trade between Chile and the United States.
- In 2021, China remained Chile's largest trading partner and principal buyer of Chilean products, purchasing [38.4% of Chile's total exports](#).

Argentina

- Argentina [joined](#) the Belt and Road Initiative (BRI) in February 2022, which could pave the way for increased Chinese investment.
- In the Patagonia region, the PLA operates a space station in Argentina with no physical oversight by the Argentinian government. It can be used for satellite surveillance and has assisted China's moon missions.



China's Investment in Latin America

BRI-participating countries*

*BRI-participating countries as considered by China per Belt and Road Portal, <https://eng.yidaiyilu.gov.cn/>

<https://clas.osu.edu/news/rise-chinese-influence-latin-america>

Mexico and Central America

Mexico

- While the United States and Canada are Mexico's leading trading partners, as of 2021, bilateral trade between China and Mexico was valued at \$100 billion.
- China remains the principal source of precursor chemicals used by Mexican drug cartels, supplying chemicals to produce methamphetamine, fentanyl, and other synthetic opioids.

El Salvador

- Shortly after taking office El Salvador's President Bukele signed several agreements with new diplomatic partner China where [Beijing committed to provide El Salvador](#) with a host of funding for projects including \$500 million for development projects, \$200 million for Bukele's pet "Surf City" projects and funds for water treatment facilities.

Panama

- Since severing ties with Taiwan in 2017, Panama and China have increased economic ties, including officially joining the Belt and Road Initiative.
- China is increasing its strategic influence over the [Panama Canal](#) through various infrastructure projects and a Chinese backed consortium controls ports on both ends of the canal.

Nicaragua

- In December 2021, Nicaragua broke off diplomatic relations with Taiwan and recognized the PRC as the legitimate Chinese government.
- With Nicaragua's decision to sever ties with Taiwan, Taiwan is now left with 14 diplomatic allies, 9 of which are in Latin America and the Caribbean.
- [On June 7, 2022](#), the PRC and Nicaragua announced a new trade deal that will be initiated in two phases. In the first phase, the PRC agreed to purchasing Nicaraguan goods that covered 90% of the total exports Taiwan previously sent to Nicaragua. In phase two, both countries committed to open negotiations to a more robust trade agreement that concentrates on opening Nicaragua's economy to PRC-based infrastructure companies.



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Caribbean



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China's Investment in Latin America

New Areas of Interest between China and Latin America



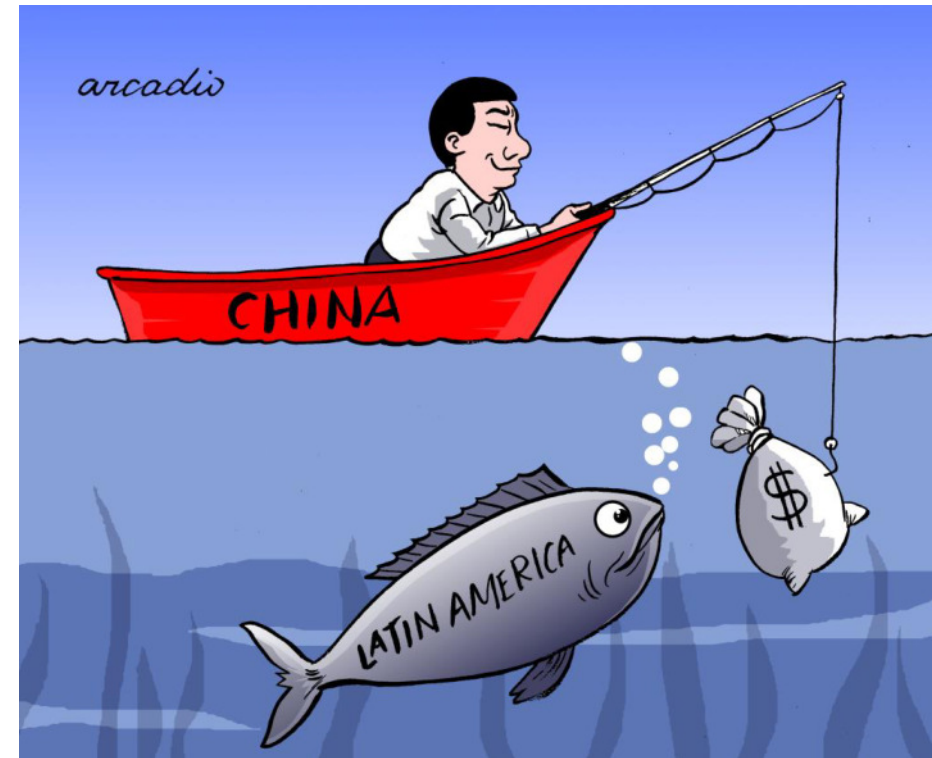
- January 2022. New deal. China wants to share «nuclear technology, build 5G and communications networks, help develop space programs and pump cheap infrastructure loans into Latin America. The Joint Action Plan for Cooperation in Key Areas', was signed last month between China and CELAC, an alliance of Latin American and Caribbean States that encompasses almost all the countries in the region including major players such as Brazil, Argentina, Colombia, Venezuela, Uruguay and Chile.»
- «It sets out a broad roadmap for relations between China and countries in the region up to 2024, committing them to deepening ties between governments, banks, companies and educational institutions. Most of the commitments appear routine (such as pledges to preserve the environment, develop green tech, and promote equality and sustainability). Others are a commitment to exchange nuclear technology and promote 'relevant practical projects' including the training of nuclear scientists to 'bring into play advantages offered by nuclear technology and nuclear energy'. The deal specifies that this will be 'peaceful' and elsewhere commits the parties to pursuing 'nuclear disarmament', but the technology used to enrich nuclear fuel can be repurposed to make weapons-grade material for use in bombs. And some Chinese firms have provide assistance to the military in recent months. Likewise, China's pledge to help develop space programs for the 'peaceful exploration of space' is also likely to be a cause for concern.»
- «China and Latin American countries have also agreed to establish direct military cooperation, reportedly to combat terrorism and dismantle organized criminal networks. Both sides stated that they will share knowledge, policies, technology, and experiences, implying some level of collaboration and intelligence sharing between their troops and police forces.»

<https://www.dailymail.co.uk/news/article-10364663/China-plots-Latin-America-new-action-plan.html>

Conclusion

- China is pragmatic that supposedly wants *win win* policies.
- «China has strengthened its presence in Latin America:
 - Latin America has an abundance of natural resources and raw materials that China can use to meet its massive demand for crude oil, iron, and copper.
 - Amid rising concerns over Chinese food security, Latin America's agricultural goods are crucial for China; Brazil and Argentina are two of China's largest soybean and oilseed exporter.
 - Latin America has a large population and geographical area which offers a large market for Chinese electrical, mechanical, and high-tech products.»

<https://clas.osu.edu/news/rise-chinese-influence-latin-america>



<https://theglobalamericans.org/2019/11/china-in-latin-america/>

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Thank You!

Obrigada!

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