

**SINO-LATIN AMERICAN RELATIONS 2.0 (I):
EVOLUTION OF RELATIONS**

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Executive Summary

1. Chinese trade with the world has increased considerably since the 21st century, reaching new markets such as those in Latin America. China has moved from a marginal trading partner to one of the two most important trade partners for most countries in the region.
2. In the 1970s, Latin American countries began to establish diplomatic ties with China, but overall political and economic relations were still relatively superficial.
3. Between 2003 and 2011, Chinese relations with Latin America benefitted from an “Era of Low Hanging Fruit” during which Chinese demand led to more trade and higher commodity prices. This helped Latin American countries restore growth rates and pursue more ambitious domestic redistributive programmes and more autonomous foreign policy vis-à-vis the United States.
4. During this period China published its first White Paper on Latin America. Massive increases in trade led to greater familiarity with Latin American markets and a gradual shift towards more Chinese overseas foreign direct investment and greater activity in terms of mergers and acquisitions since 2009.
5. Since 2012, the Chinese has lowered its targeted growth rate, commodity prices have declined and Latin American markets and governments have faced significant pressures. This led to a reversal of the previous wave of Leftist governments, more austerity politics and, in some cases, greater political instability.
6. Latin American leaders began to reengage the United States. The climate has also become more propitious for criticism of the Chinese government and Chinese companies’ strategies and operations in the region.
7. Such criticisms include the ease of Chinese investments in Latin America and the difficulties faced by Latin American firms in China, and the continual

concentration of Chinese purchases in primary sectors which have been deleterious for Latin American industry and development.

8. The Chinese has tried to diversify investments in Latin America towards the service sector though a preference, especially in loans, remains for primary sectors and construction.
9. In 2016, China's second White Paper on Latin America did not sufficiently reflect nor respond to Latin American concerns of problems arising from the engagement with China.