SINO-LATIN AMERICAN RELATIONS 2.0 (II): NEW RELATIONS, OPPORTUNITIES AND CHALLENGES

Anthony Petros SPANAKOS

EAI Background Brief No. 1334

Date of Publication: 8 March 2018

Executive Summary

1. Chinese economic activities in Latin America suggest that concerns about China becoming overstretched might be premature. Chinese loans and overseas foreign direct investment (OFDI) to Latin America, while substantial, are a relatively small part of a much larger Chinese portfolio. Some loans are also guaranteed by access to natural resources and investments are largely based on profitability.

2. There was also the concern that the leadership required of China for regional integration via China-CELAC (Community of Latin American and Caribbean States) Forum would draw too much attention away from more core concerns of the Chinese state.

3. Despite these challenges, China continues to cooperate with CELAC mainly in the hope of reducing transaction costs from the multiple bilateral deals with Latin American countries.

4. China currently faces more difficult challenges in the perspective of international relations and politics. Its lending has been primarily to countries which had little access to global debt markets because of previous defaults or actual policy choices.

5. Some of these countries, especially Venezuela, face very serious economic crises and Chinese leaders who have personally visited and announced loan packages run the risk of losing face for having lent such substantial amounts to a government that is in a deepening crisis.

6. A greater concern is that Chinese commitment to non-interference may be challenged as relations between Chinese companies and the Chinese government and Latin American partners deepen. This is especially the case with Venezuela where the Chinese government is seen as a critical actor in any possible resolution to a profound political and economic crisis.

7. Finally, this post-2012 era of Sino-Latin American relations is one in which the United States has grown to accept Chinese presence. Some of the initial concerns of an overlap in Chinese and US interests have largely been quelled.

8. The Trump administration is likely to be less concerned about threat or intervening in domestic politics than his predecessors. However, it remains unclear how the United States would perceive Chinese action or inaction in the Venezuelan crisis.