The Maldonado Institute for International Security and Global Leadership
Claremont Graduate University
Yi Feng and Miriam Sierra

China's Financing in Latin American Countries

Though not on the routes of the Belt and Road, China views metaphorically its involvement in Latin America's construction as an integral part of its worldwide infrastructure buildup. Next to the Antarctica, Latin America is the continent farthest away from China, but its abundant resources have attracted Chinese attention. These resources have become increasingly valuable and crucial for China's sustainable growth. At the same time, the Chinese see tremendous opportunities in the deficiency of infrastructure and untapped commercial market in the region, both for the opportunities of direct investment and contractual projects. The involvement of China in Latin America has not only implications to the economies of China and Latin America, but also holds political and security implications to the 21st century international relations.

The ongoing China-Latin American project is divided into two categories, one analyzes the contributions of Chinese loans, and the other one concentrates on understanding the impact of public and private companies' investments in the region. To investigate Chinese financing in Latin countries, we are in the process of collecting information about the composition, characteristics and volume of the loans, as well as its direction. So far, we have a dataset composed by Argentina, Bolivia, Brazil, Ecuador, Mexico, Peru and Venezuela with observations between 2006 and up to 2018.

Our preliminary findings suggest that this type of credits carry more stringent terms than other international financial institutions, such as the World Bank. Despite this fact, Chinese banks provide financing to countries that are not able to borrow as easily in global capital markets. Also, Latin countries can get more financing for infrastructure and industrial projects to enhance long-run development. However, borrower countries generally pay a higher premium for loans.

Regarding the public and private investment of China in Latin America, we are compiling case studies to examine and better understand the different economic, political and cultural barriers encounter during and after the setting process of the companies in the host Latin country. Up to date, we have a collection of fifteen case studies of companies stablished in six countries: Argentina, Brazil, Peru, Mexico, Uruguay and Venezuela.

The initial outcomes of our case studies collection suggest that Chinese companies are starting to shift its interest in the extractive sector, to focus on transportation, finance, electricity, information and communication technology, and alternative energy sectors. Also, we could see that this type of investment has brought about more jobs, higher wages and knowledge transfer. It has also increased productivity trade for the recipient countries.

This ongoing project sheds light on the fact that China financing in Latin American countries has deepened over years, showing potentials of influence over Latin American countries and shaping policies in the region. At the same time, domestic politics and change in government also critically affect the relations between China and Latin America. Chinese investment and loans could give the region more leverage when negotiating with traditional partners, such as the United States and the European Union; however, failures in these projects may also generate negative consequence, negating the possible gains in Latin America's economic relations with China.