SISTEMA ECONÓMICO
LATINOAMERICANO
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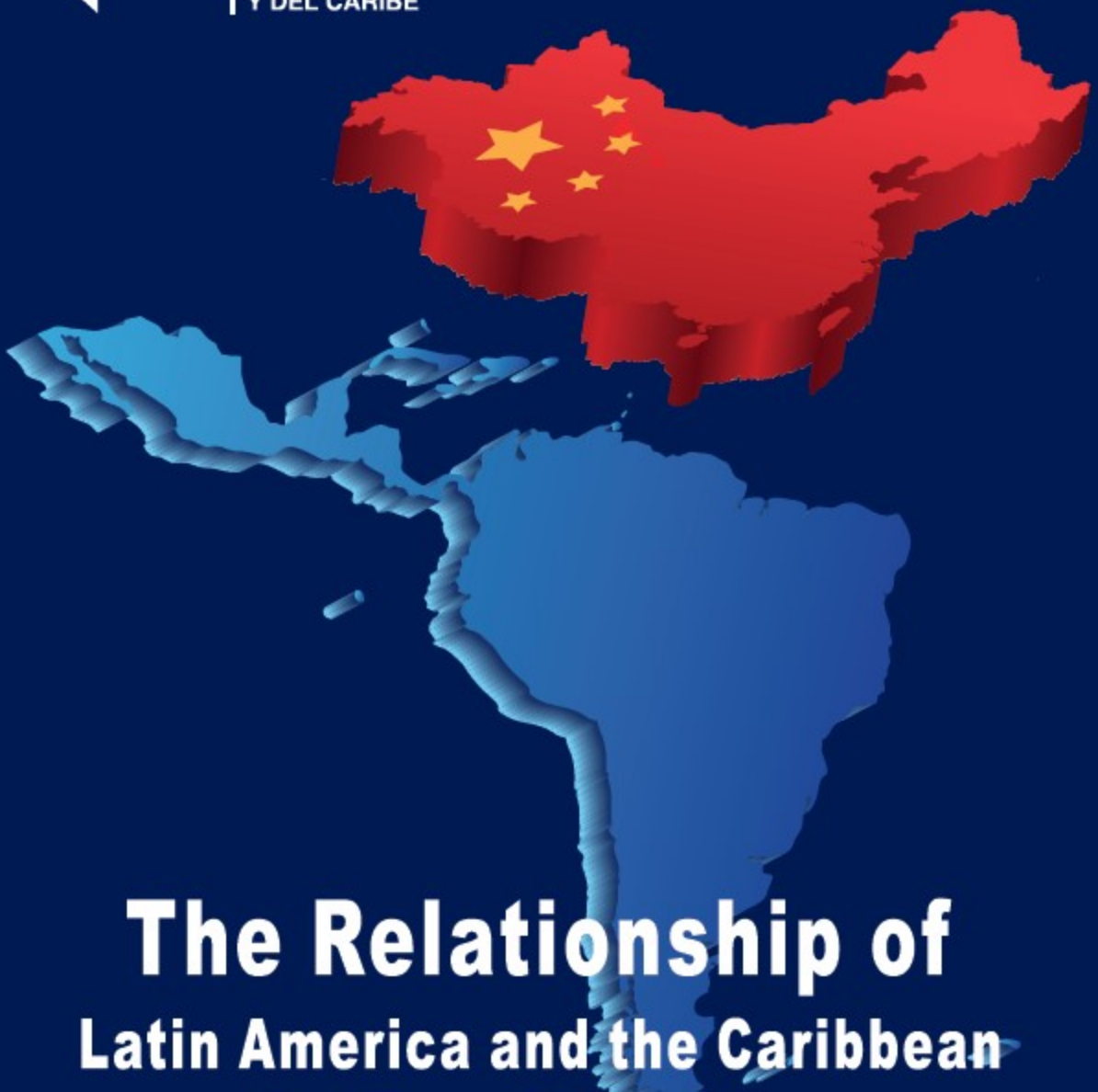

The Relationship of Latin America and the Caribbean with China:

notes for a development agenda

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The Relationship of Latin America and the Caribbean with China: Notes for a Development Agenda
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Content

Introduction

In an increasingly interconnected world, China has become a major global player in trade, investment, financing, cooperation and cultural exchange with a profound impact on the economic dynamics of our region. In this book we will explore in detail the relationship of Latin America and the Caribbean with China, examining both the challenges and opportunities presented by this interaction. This book offers a broad overview of the relationship between the two regions and proposes recommendations to strengthen and make the most of this strategic partnership.

This editorial effort brings an analysis of the complex interaction of Latin America and the Caribbean (LAC) with China, through a detailed and exhaustive look at this relationship in different areas, highlighting both the opportunities and challenges it presents for both parties. Thus, we understand that betting on more and better integration also depends on strengthening the bi-regional relationship between LAC and Asia, with emphasis on the relationship with China, conceived as one of the incubators of opportunities available for growth, development and well-being in our region.

From the analysis of Chinese trade, investment and financing in the region, to the exploration of economic cooperation, cultural exchange and the challenges and policy proposals to strengthen this relationship, this book provides a comprehensive and rigorous overview of a matter of vital importance for the economic and social development of Latin America and the Caribbean, especially when considering the fact that LAC

is positioned as the second most important destination for foreign investment from China, with more than 2,700 Chinese companies operating in the region, mainly in transportation and energy infrastructure (SELA, 2022).

It also highlights the fact that the relationship between LAC and China has experienced significant growth in recent decades, making its study a fundamental element in the economic and political context of the region, which is discussed in greater detail in the following pages.

One of the main advantages of the relationship between LAC and China is the boost to bilateral trade. China has become one of the region's main trading partners—it is the first in South America with a trade exchange in sustained growth. Chinese demand for Latin American products, such as food, minerals, oil and agricultural products, has generated significant income for the countries of the region, contributing to their economic growth and to the diversification and sustainability of their exports.

In addition, the relationship with China has enabled LAC to diversify its trade relations and boost its integration into the global economy. The opening of new markets and the diversification of exports have helped to reduce dependence on traditional markets and strengthen the region's competitiveness in the international arena, with a view to this partnership gradually helping to overcome the low participation of LAC countries in international value chains in terms of technological content and innovation (SELA, 2023).

Another important advantage of this bi-regional relationship is the attraction of Chinese investments to our region. China has increased its presence in LAC through direct investments in key sectors such as energy, infrastructure, agriculture, technology and telecommunications. These investments have created employment, technology and knowledge transfer and infrastructure development, and have contributed to the sustainable

development of the region; their impact in the short and medium term is linked to the signing of treaties by China with 21 LAC countries for the Belt and Road Initiative, and to currency swap agreements with Argentina and Brazil. These initiatives will have a positive impact on increasing bicontinental trade and will facilitate logistical and commercial connectivity from LAC to Asian markets, expanding distribution channels for its products at the global level. As a result, this relationship has generated a number of advantages and opportunities for LAC.

In the region, we are convinced that the influx of Chinese capital, trade and investment also acts as an important catalytic factor that will foster greater convergence, coordination and regional integration. In other words, as we face the joint challenge of linking ourselves strategically and productively with China, Latin American and Caribbean nations will join efforts, rules and negotiations as blocs in order to maximize the benefits of this partnership.

The promotion of Chinese investment in LAC countries cannot be an isolated factor in a more global strategy of linking with China and the Asia-Pacific region. For the time being, literally the whole world is seeking to attract Chinese investment. Most Asian and Western governments tend to do so with more conviction and resources than most countries in the region.

Based on this, financing from Chinese institutions has also represented an opportunity for Latin America and the Caribbean, facilitating the execution of projects as an alternative for accessing international financing—through loans and investments in infrastructure projects such as ports, energy, agriculture and fisheries, transport and telecommunications.

This relationship is particularly important in terms of social and cultural integration. The human dimension of bi-regional integration, which is also part of our goal of more and better integration, finds its maximum expression in the ties of cooperation between Latin Americans and Caribbeans and the

Chinese. Cultural and educational cooperation between China and LAC has also provided opportunities for the exchange of knowledge, experiences and best practices in various fields.

Each of the five chapters in this book invites us to reflect on the challenges and opportunities that arise in the relationship with China, as well as to explore new avenues of cooperation and collaboration that will allow us to fully take advantage of the potential of this relationship.

Chapter I addresses the trade issue, highlighting China's predominant role as a major player. It explores the intense agenda of trade negotiations and presents a decalogue of LAC's foreign trade with China, focusing on the gap between trade and investment, the importance of China as a trading partner and the region's export and import dynamics.

Chapter II makes a comparative analysis of Chinese investments globally, and in Latin America and the Caribbean in particular. It examines Chinese Foreign Direct Investment (FDI) in the region, its sectoral and geographic distribution, as well as its relationship with China's domestic strategies, such as "Made in China 2025" and the "Dual Circulation Economy", among others.

Chapter III analyzes Chinese financing to the region, both through official and commercial banks, providing a comprehensive view of the sources of Chinese financing and their impact on the region.

Chapter IV delves into the cultural exchange and cooperation between China and Latin America and the Caribbean, highlighting the presence of the Confucius Institute, cultural activities, student exchanges and cultural joint ventures, as well as participation in the orange economy as a reference of good practices.

Finally, Chapter V presents challenges and proposed guidelines for the development of policies to strengthen the eco-

nomic and trade relationship between the two regions, including trade, investment, green growth, trade and investment facilitation and market intelligence, among other areas. The chapter concludes with a message emphasizing the importance of taking advantage of the economic link with China to promote productive transformation, economic diversification and multilateralism—challenges that, in our opinion, can be effectively addressed through the convergence and institutionality provided by regional integration.

This book outlines the opportunities for Latin America and the Caribbean to promote economic, social and technological development, as well as investment and financing. At the same time, between the lines, it reflects on the challenges in terms of competition, environmental impact, export reprimarization and sustainable development, which must be addressed jointly. Therefore, taking advantage of these benefits is believed to require appropriate public policies, as well as a strategic vision to maximize the benefits of this relationship for the integral development of the region.

In this case, deep integration between LAC and China must transcend the trade or customs dimensions and move towards the consolidation of a truly integrated bi-regional economic space, with coordinated policies on productive, technological, financial, labor, environmental and social issues in order to make the existing complementarities bear fruit, enhance economies of scale, develop regional value chains and increase the joint bargaining power of our region. In such way, this book leads us to a reinterpretation of the relationship between Latin America and the Caribbean and China as a bridge linking two distant worlds, with a constant flow of ideas, resources and shared opportunities for development.

A key challenge for the region is to move towards a more concerted approach to China and the Asia-Pacific region. For this to happen, it will be essential for the countries of the region to start understanding the meaning and prospects of the econom-

ic reforms underway in China. It is also necessary to face this challenge in a more coordinated manner. National initiatives, which have prevailed until now, are certainly necessary, but they are clearly insufficient. Insufficient not only because of their scale, but also because they show a limited awareness of the global nature of the initiatives that need to be undertaken in terms of climate, energy and digital transition.

In this regard, it would be helpful to have more coordinated action not only at the level of the region's governments but also at the level of its cooperation and integration forums. For this greater coordination to be effective, it is essential that it be supported by national efforts to structure public-private alliances, at least in a limited number of relevant projects.

I am confident that this book, under an innovative approach, will become a valuable tool for all those interested in deepening the relationship of Latin America and the Caribbean with China, and contribute to strengthen the ties of cooperation and understanding between the two regions, thus becoming a valuable tool to understand and address the challenges and opportunities posed by the economic, commercial and cultural relationship of Latin America and the Caribbean with China.

Clarems Endara
Ambassador
Permanent Secretary of the Latin American and Caribbean Economic System (SELA)

CHAPTER I: COMMERCE

1. China as an Emerging Global Power

Following the economic reforms initiated in 1978, described as "reform and opening up", China embarked on a long pilgrimage characterized by a threefold transition from a closed to an open economy, from a planned to a market economy and from a rural to an urban society. This triple transition, which took place in the world's most populous country, could not but influence the world economy as a whole. Since its entry into the WTO in 2001, China has ended up influencing the very characteristics of globalization.

In just a few years, China became the world's leading producer of manufactured goods, displacing Germany; then, the Asian giant turned into the world's leading exporter of goods since 2009, relegating the United States to a second place. After joining the World Trade Organization (WTO) in 2001, China managed to increase its share of world exports of goods from 3.9% in 2000 to 14.4% in 2022, becoming the leading global exporter in 2009. In the period 2000-2022, its share of world imports of goods tripled from 3.4% to 10.6%, making it the second largest importer after the United States, and the world's largest exporter by 2009.

In almost two decades, between 2000 and 2022, China went from a marginal exporting position to the first place in the world as a goods exporter, increasing its relative presence in global exports more than three times. The 10.5 percentage points that China gained in that period were due to relative declines in Japan (44%), the United States (38%) and Germany

(19%). These are unprecedented changes and rearrangements in the global economy in such short periods of time. These changes are certainly at the root of the current tensions in the world economy.

Table 1: Share of large economies in world exports of goods, 2000-2022

(% of world exports)

	2000	2010	2015	2022
United States	12.1	8.4	9.1	8.3
Germany	8.5	8.2	8.3	6.6
Japan	7.4	5.0	3.8	3.0
China	3.9	10.3	13.7	14.4

Source: ECLAC (2023)

China as a Key Trading Partner

China is currently the largest trading partner of around 128 countries[1]. Until 2022, it was also the largest trading partner of the United States and the EU, but in 2023 Mexico displaced China as the second largest trading partner of the United States.

1 China would be the first trading partner of 128 countries. See: Xataka.com/magnet/como-china-se-ha-convertido-mayor-socio-comercial-planeta. February 2022. The same publication indicates that in the early 2000s, i.e. before China joined the WTO, about 80% of the countries traded more with the United States than with China; today this figure does not exceed 30% of the countries.

Table 2: China's main trading partners, 2022
(% of total exports and imports)

	Exports destination (%)		Imports origin (%)
United States	16.2	South Korea	7.4
H. Kong, SAR, China	8.3	Japan	6.8
Japan	4.8	United States	6.6
South Korea	4.5	Australia	5.2
Vietnam	4.1	Russia	4.2

Source: santandertrade.com/portal/analizar-mercados/china/cifras-comercio-exterior. Accessed on May 8, 2024.

China's top five exports are computers, broadcasting equipment, telephones, office machine parts and integrated circuits. China is the world's largest exporter of computers, broadcasting equipment, telephones, office machine parts, insulated cables, video screens, rubber tires, low-voltage protection equipment, valves and semiconductor devices, among other technology items. Other important exports include electrical transformers, furniture, knitted sweaters, chests and cases, video screens, spare parts for vehicles, seats and video recording equipment.

China's top five imports are crude oil, integrated circuits, iron ore, gold and automobiles. Other major imports from China include soybeans, refined petroleum, LCD screens, refined copper, coal briquettes, vehicle parts, computers, petroleum gas and copper ore.

As shown in Table 3, China's main exports include telephones (7.7%), automatic data processing machines (5.2%), integrated electronic circuits (4.3%), semiconductors (1.8%) and electronic accumulators (1.6%). China mainly imports electronic integrated circuits (15.3%), petroleum oils (13.5%), iron ores (4.7%), petroleum gas (3.3%) and gold (2.8%).

Table 3: China's main exports and imports, 2022

Main exports		Main imports	
Electrical, telephone and telecommunication devices	7.7%	Integrated circuits and electronic microstructures	15.3
Automatic data processing machines	5.2	Crude petroleum oils	13.5
Integrated circuits and electronic microstructures	4.3	Iron ores and concentrates	4.7
Diodes, transistors—semiconductor devices	1.8	Petroleum gas and other gaseous hydrocarbons	3.3
Electric accumulators	1.6	Rough and semi-finished gold	2.8

Source: COMTRADE

An Ambitious Trade Negotiations Agenda

After joining the WTO in 2001, China has deployed an intense agenda of international negotiations in the areas of trade and investment. As of May 2024, China had 22 free trade agreements signed or in force with 29 countries and regional blocs. It was negotiating another ten and evaluating eight more agreements. Several of the agreements signed in the first decade of this century have been updated or are in the process of being updated.

China has also negotiated 107 Bilateral Investment Treaties (BITs) and 17 are under negotiation. Among the BITs in force in the EU are those with Austria, Belgium-Luxembourg, Canada, France, Germany, Italy, Spain and, in Asia, those with Japan, South Korea and Thailand. A BIT is also in force between China and the United Kingdom.[2]

2 http://china-briefing.com/doing-business-guide/china/why-china/china-s-international-free-trade-and-tax-agreements

The Importance of Geography and Geopolitics

ASEAN+Japan+Korea absorb 25% of China's exports and supply 31% of its imports. In export destination, Vietnam is more important than any European country. Japan+South Korea virtually double China's relative trade with the BRICS. Hence the importance of framing decisions on economic rapprochement with China by considering China's close ties with the Asia-Pacific economies.

Table 4: China—Trade Agreements in Force

2024	Early Harvest Agreement—Honduras	Signed
2023	FTA Serbia	Signed
2023	FTA Ecuador	Signed
2023	FTA Nicaragua	Signed
2022	FTA RCEP	In force
2022	FTA Cambodia	In force
2021	FTA Mauritius	In force
2018	FTA Georgia	In force
2017	FTA Maldives	Signed
2015	FTA Australia	In force
2015	FTA South Korea a/	In force
2014	FTA Switzerland	In force
2014	FTA Iceland	In force
2011	FTA Costa Rica	In force
2010	FTA Peru d/	In force
2009	FTA Singapore b/	In force
2007	FTA Pakistan e/	In force
2006	FTA Chile e/	In force
2006	FTA New Zealand c/	In force
2003	FTA ASEAN f/	In force
2003	CEPA Hong Kong SAR g/	In force
2003	CEPA Macao SAR	In force

a/ 2nd FTA phase in negotiations, 4th round held in 2019

b/ 2nd phase in force since 2023

c/ 2nd phase in force since 2022

d/ 2nd phase in force since; 2nd round in 2019

e/ 2nd phase in force since 2019

f/ 5th round of negotiations for the 3.0 version of the agreement was held in February 2024. ASEAN includes Brunei, Cambodia, the Philippines, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand, and Vietnam.

g/ CEPA = Closer Economic and Partnership Arrangement

Source: China FTA Network, Ministry of Commerce, People's Republic of China

http://fta.mofcom.gov.cn/english/index.shtml

Table 5: China—Trade agreements under negotiation

Gulf Cooperation Council (GCC) a/	FTA China- GCC	9th round of negotiations in December 2016
Israel	FTA China-Israel	7th round in 2019
South Korea	FTA China-Korea	4th round in 2019
Japan-South Korea	FTA China-Japan-Korea	16th round in 2019
Moldova	FTA China- Moldova	Negotiations announced, 2017
Norway	FTA China-Norway	Start: sept 2008; 16th round in 2019
Panama	FTA China-Panama	5th round in 2019
Sri Lanka	FTA China-Sri Lanka	5th round in 2017
Palestine	FTA China-Palestine	1st round in 2019

a/ Saudi Arabia, United Arab Emirates, Kuwait, Oman, Qatar, United Arab Emirates and Bahrain.

Source: China FTA Network, Ministry of Commerce, People´s Republic of China

http://fta.mofcom.gov.cn/english/index.shtml

As of the end of May 2024, China was in the phase of joint assessment of the feasibility of free trade agreements with Colombia, Fiji, Nepal, Papua New Guinea, Canada, Bangladesh, Mongolia and Switzerland (intensification of the agreement).[3]

2. The Decalogue of Latin America and the Caribbean (LAC) foreign trade with China

The evolution of LAC's foreign trade with China can be summarized in 10 key points:

1. High dynamism in bilateral trade
2. A marked gap between trade and investment still remains.
3. China is already South America's largest trading partner and the second largest in LAC.
4. With the exception of Mexico and Costa Rica, countries in the region basically export raw materials to China and import manufactured goods. This is particularly marked in South America
5. That is why an "export reprimarization" is believed to be taking place in South America.
6. LAC exports to China are concentrated in just a few products.
7. Few countries account for the bulk of these exports.
8. Countries in the region face generalized trade deficits with China, except for Brazil, Chile and Peru.
9. Deficits are concentrated in Mexico (by far, the largest) and Central America. In recent years, deficits have also appeared in the rest of South America.
10. Deficits in manufacturing trade can be quite high (up to 5-6% of GDP).

Discussion on these ten topics follows.

a) Strong commercial dynamism

Prior to the start of the economic reform process in China in 1978 - known as "reform and opening up" - the region's trade with China was practically marginal. Between that process

3 The Asia Pacific Trade Agreement—a preferential agreement that includes Bangladesh, India, Laos, South Korea, Sri Lanka and Mongolia, besides China—adds to this trade dynamics.

and the year 2000, bilateral trade began to grow slightly, and by the year 2000, China was the destination of 2% of the region's exports. Following its accession to the WTO in 2001, and with its high rate of economic growth in the first decade of this century, China has been strengthening its trade ties with LAC in search of agricultural products and, mainly, mineral and energy resources—areas in which South America, particularly, has significant comparative advantages. As an exporter of raw materials and oil, China has also become the world's largest importer of these products and has, therefore, sought to strengthen its commercial ties with Latin America and Africa, areas with abundant supplies of such resources. In 2015, out of a total of US $1.68 trillion of imports, China imported US $103.8 billion from Latin America and US $70 billion from Africa, which, together, accounted for 10% of total Chinese imports. (National Bureau of Statistics of China, 2016)

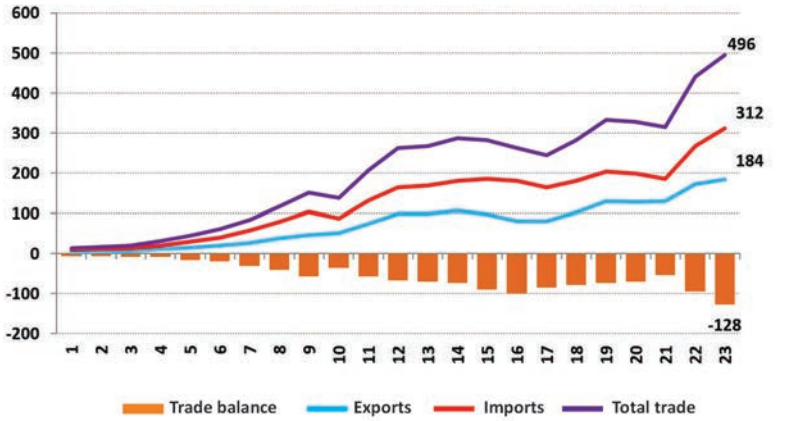
In the last ten years, trade in goods between China and LAC has almost doubled from US$ 260 billion in 2013 to US$ 495 billion in 2022. China is the second largest trading partner for LAC and the largest for South America, particularly for Brazil, Chile, Peru and Uruguay. Between 2023 and 2024, China added free trade agreements (FTAs) with Ecuador and Nicaragua to the three already existing in the region (Chile, Peru and Costa Rica). At the same time, the second round of negotiations for an FTA with Honduras took place, as the fifth round of negotiations for the modernization of the FTA with Peru was held. Uruguay has expressed its willingness to enter into similar negotiations with China, although this has been subject to more global decisions between China and Mercosur.

Table 6: LAC—Evolution of trade with China
(millions of US$)

	2000	2010	2015	2022	2023
Exports	3,794	74,512	81,219	183,944	193,996
Imports	10,278	131,775	181,050	311,881	268,316
Bilateral trade	14,072	206,287	262,269	495,825	462,312

Source: ECLAC, 2023. Year 2023 is a projection.

Figure 1: LAC Trade with China, 2000-2022 (billions of US$)



Source: ECLAC (2023)

The region's trade with China was marginal by 2000. Since then, this has become the region's fastest growing trade relation. In 2010, this bilateral trade had already increased 14-fold, and between 2010 and 2022, it more than doubled. Between 2010 and 2022, the region's exports to China multiplied by 2.4 times, an expansion similar to that of imports from China.

This remarkable trade dynamic has led to significant changes in the regional ranking of export destinations and import origins.

Figure 2 shows that, in 2000, the region directed 60% of its exports to the United States and only 1% to China. Twenty years later, the region directs 13% of its external sales to China and 40% to the United States.

Figure 2: Destination of Latin American Exports
Main destinations (% of total exports)

Source: ECLAC (2023)

China's commercial irruption has been vertiginous in LAC, particularly in South America. From being an insignificant partner in the early 2000, in little more than two decades it has become LAC's second largest trading partner, displacing the European Union since 2013. It constitutes the first trading partner of South America and, especially, the first trading partner of Argentina, Bolivia, Brazil, Chile, Peru, Uruguay and Venezuela. It also constitutes the first source of imports for Paraguay, the only South American country that does not maintain diplomatic relations with China, and the second for Colombia. In the Caribbean, it is Cuba's largest trading partner.[4]

The data is eloquent. While in 2000 bilateral trade was around US$ 12 billion, in 2022 that figure multiplied by 40, reaching US$ 500 billion. It is interesting to note that the latter figure was quite close to the bilateral trade goal established at the first CELAC-China Forum, held in Beijing in January 2015.

4 Cuba was the first country in the region to establish diplomatic relations with the P.R. of China in 1960, becoming the first Western country to do so. The second was Chile in 1970, a few months into the government of Salvador Allende.

Table 7a: Destination of LAC exports (% of total exports)

	2000	2010	2015	2022
United States	60.7	40.1	44.9	40.4
European Union	10.3	11.3	9.1	7.9
China	1.0	8.5	8.9	13.2
LAC	15.9	19.2	16.9	11.5
Rest	12.1	20.9	20.2	27.0

Table 7b: Origin of LAC imports (% of total imports)

	2000	2010	2015	2022
United States	48,8	30,6	31,7	30,9
European Union	12,8	12,4	12,8	11,3
China	2,8	15,6	18,0	21,9
LAC	19,6	23,0	15,8	16,0
Rest	16,0	18,4	21,7	19,9

Source: ITID database, ECLAC[5]

China's leap as a destination for the region's exports has been remarkable. As noted above, from receiving barely 1% of these exports, by 2022 it was already receiving 13% of them. The loss of relative participation of the North American market is notable; the regional market also loses relative presence and, in addition to China, other Asian and African economies gain it. In terms of the destination of LAC exports, two years are relevant: 2017, because in that year exports to China exceeded those to the EU, and 2020, because exports to China exceeded those to the regional market itself.

5 We thank the International Trade and Integration Division of ECLAC for their kindness in making their database available to us.

In imports, 2009 is relevant because that year imports from China, for the first time, exceeded those from the EU as 2015 stands out because Chinese imports exceeded those from the same regional market. The best year for intraregional trade was 2009 (25.1% of total imports were intraregional) while in 2022, only 16% of LAC imports came from the regional market.

The dynamism of regional exports to China slowed markedly in the decade 2013-2022, as its economy moderated its pace of expansion[6] and, consequently, its demand for commodities. However, in that period, exports to China continued to grow at a much higher rate than the region's total shipments (6.4% per year and 2.3% per year, respectively). In 2022, the region directed 13% of its exports to China and purchased 22% of its imports from China.

The region has also gained importance in China's foreign trade over the past two decades. Since 2018, its weight in China's total imports have exceeded that of the United States. Indeed, in 2022, 8.5% of China's imports came from the region, while the United States supplied it with only 6.6%.

Between 2000 and 2012, while the value of the region's exports to the world expanded at an annual rate of 9.6%, exports to China more than tripled that variation, with a remarkable annual growth of 31.2%. Shipments from all subregions and Mexico expanded at double-digit annual rates between 2000 and 2012. However, the largest increases occurred in South America, since a significant part of that period coincided with the commodity "supercycle", a type of product in which the subregion has clear comparative advantages.

The so-called "supercycle" was closely linked to China's policy of reactivation in the face of the impact of the subprime crisis on the world economy and trade. After facing severe declines in foreign trade in late 2008 and early 2009, both fiscal and monetary policies were aligned to generate a demand

6 Between 2000 and 2012, China's GDP grew at an average of 10.1% per year, while between 2013 and 2022 it grew at 6.2% per year.

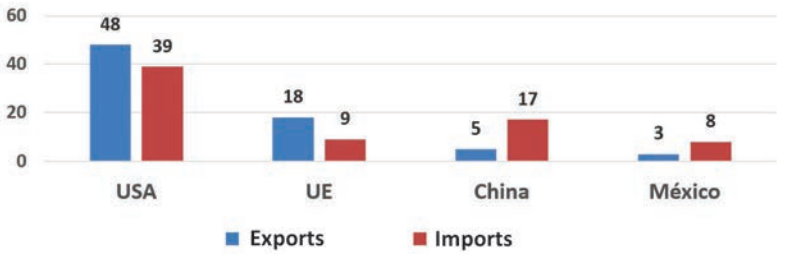
shock that would prevent China from falling into recession. This was more than achieved, although this policy approach would have future consequences on the evolution of public debt, particularly at the local and regional levels, and would also affect the main thrust of the economic reform aimed at limiting the excessive weight of investment in the product. This sharp acceleration in Chinese growth during 2009 and 2010 led to a significant jump in international demand for minerals, energy and agricultural products, driving the "commodity supercycle" that so benefited the region, particularly the South American economies, which were able to cushion the impact of the subprime crisis and quickly resume significant growth rates.[7]

Between 2012 and 2022, foreign trade as a whole slowed down. Shipments from the region to the world grew at an annual rate of 2.3%, while the value of sales to China grew at an annual rate of 6.4%. Comparing the three-year periods 2000-2002 and 2010-2012, average annual shipments increased from US$ 4.5 billion to US$ 84 billion in South America. In Mexico, Central America and the Caribbean, the respective average annual values, although starting from much lower levels than those of South America, increased 18, 10 and 12 times, respectively. In all cases of the subregional areas, the increase in exports directed to China far exceeded the increase of those oriented towards the rest of the world. (ECLAC, 2023)

The direction of export destinations and the origin of imports in Central America is quite different from that of South America. The United States continues to be by far the main destination of the subregion's exports, accounting for almost half of the isthmus' exports (48%). The second destination is the EU and China is only the third largest exporter, slightly surpassing Mexico. China has been gaining ground in imports, accounting for 17% of Central America's imports, still far behind the USA (39%), but almost double European sales to the subregion.

7 After facing a moderate recession in 2009, the region resumed growth of 5.8% in 2010 and 4.3% in 2012, supported by strong improvements in terms of trade, induced by increased Chinese demand for commodities (See: ECLAC, Economic Survey of Latin America and the Caribbean, several years). It should be recalled that China's average annual growth rate between 2008 and 2012 was 9.4%.

Figure 3. Origin and destination of foreign trade in Central America (% of exports and imports in 2022)

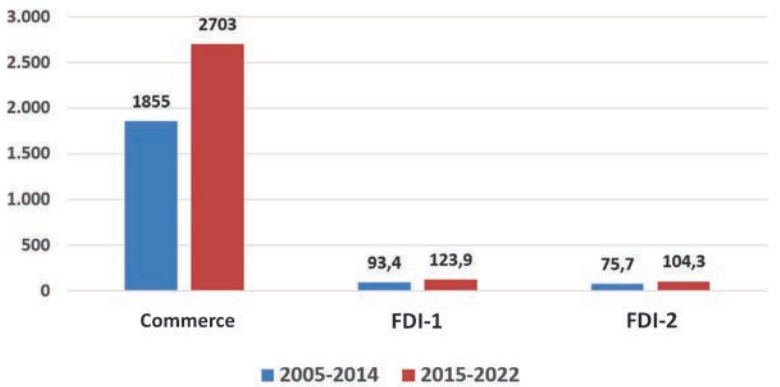


Source: Secretariat for Central American Economic Integration (SIECA, Sapnish acronym) (2023)

b) A significant gap between trade and investment remains

Beyond the offers of a significant flow of investments from China into the region and the effective revival of these investment flows in the period 2015-2022 compared to 2005-2014, the flow of bilateral trade actually remains between 20 and 25 times higher than that of Foreign Direct Investment (FDI).

Figure 4: A high trade and investment gap persists (2005-2022; US$ MM)



Source: Own construction based on data from China Global Investment Tracker (FDI-1) and Monitor 2023 (FDI-2). The differences between the two measures are explained in the Investments chapter.

Figure 4 relates the cumulative values of bilateral trade with China (exports plus imports) to the cumulative stock of Chinese FDI that entered the region in each period. Two investment series have been used: the China Global Investment Tracker, produced by the American Enterprise Institute and the Heritage Foundation, and the series developed by the Monitor of China's OFDI in Latin America and the Caribbean—Academic Network of Latin America and the Caribbean on China, based in Mexico. The differences between the two series are minor and, therefore, it can be reasonably argued that China's economic link with the region is more about trade than about investment and that, in both trade and investment, the relevant sub-zone is, by far, South America, especially Brazil. The Investments chapter documents recent features of such investment, related less to natural resources and more to resources linked to the digital and energy transitions. The amount of such investment, at least associated to the volume of bilateral trade, remains an unresolved challenge. In fact, Chinese FPI as a percentage of total FDI received in the region has evolved from 5.7% to only 7.7%.

c) China, South America's largest trading partner and second largest in the region

One of the fundamental changes in the region's foreign trade matrix is the dramatic increase in the presence of China, both as a destination for exports and as a source of imports. This change is generalized but is much more dramatic in South America. In this subregion, in 2000, China was the 14th largest export destination and the sixth largest import source. For some years now, it has ranked first in both indicators. Dramatic changes can also be seen in all other cases—China is now the fourth largest export destination for Mexico and Central America while in the Caribbean it jumped from the 54th to the 11th place. Regarding imports, China is now not only the first origin for South America but also the second for Mexico and Central America. Given the high weighting

of Brazil and the rest of South America in the regional figures, China is now the region's 2nd largest trading partner and South America's 1st largest.

Table 8: China's ranking as LAC's destination for exports and source of imports

	Destination	Exports	Origin	Imports
	2000	2022	2000	2022
Latin America and the Caribbean	14	2	6	2
South America	11	1	7	1
Mexico	19	4	6	2
Central America	46	4	19	2
Caribbean	54	11	39	3

Source: ECLAC (2023)

In 2022, China was the 1st destination for exports from Brazil, Chile, Panama, Peru, Uruguay and Venezuela and the 1st origin of imports from Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Venezuela. In Central America, it is the 2nd origin of imports and the 4th destination of exports. China is the 4th destination of Mexican exports, but it is already the 2nd origin of its imports. It is clear, then, that the South American narrative on the link with China tends to emphasize exports, while for Mexico, Central America and the Caribbean the theme is more associated with the dynamics of imports.

As shown in Table 8, China is a major player in trade with South America, both exports and imports, and is becoming the second largest source of imports for several Central American and Caribbean economies.

Table 9: China's growing importance as a trading partner for the region

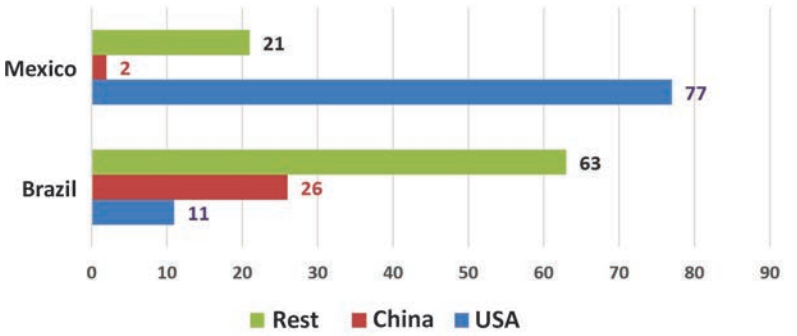
(China as LAC's destination for exports and origin of imports)

Exports		Imports	
1st destination	**2nd destination**	**1st origin**	**2nd origin**
Brazil	Argentina	Argentina	Antigua and Barbuda
Chile	Colombia	Bolivia	Belize
Peru	Cuba	Brazil	Costa Rica
Panama	Ecuador	Chile	Cuba
Uruguay		Colombia	El Salvador
Venezuela		Ecuador	Dominica
		Paraguay	Guatemala
		Peru	Jamaica
		Venezuela	Nicaragua
			Dominican Rep.
			St. Vincent and the Grenadines
			Saint Lucia
			Uruguay

Source: ITID database, ECLAC. Average values for the three-year period 2020-2022

When comparing the cases of Brazil and Mexico, the region's two main economies, the contrast between their trade orientations is striking. Brazil directs 26% of its exports to China, while Mexico directs 77% to the United States. Diversification in destination markets is much greater in the case of Brazil. Such a wide disparity in the orientation of the trade flows of the region's two main economies reflects one of the difficulties in making progress in the region's productive integration.

Figure 5: Destination of exports—Brazil and Mexico, 2022 (% of total)



Source: ITID database, ECLAC

Table 10: Trade link with China—main exporting and importing countries

(% of regional total, 2020-2022)

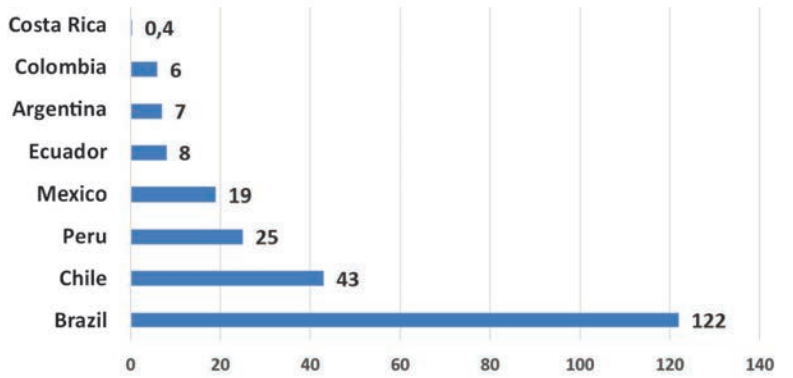
	% imports from China		% exports to China
Mexico	38	Brazil	51
Brazil	21	Chile	21
Chile	9	Peru	10
Colombia	6	Mexico	6
Peru	5	Argentina	4
Argentina	5	Ecuador	3
Others South America	6	Others South America	3
Central America	7	Central America	1
Caribbean	3	Caribbean	1

Source: ECLAC (2023)

Brazil, Chile and Peru account for 82% of the region's exports to China, while Mexico, Brazil and Chile account for 68% of

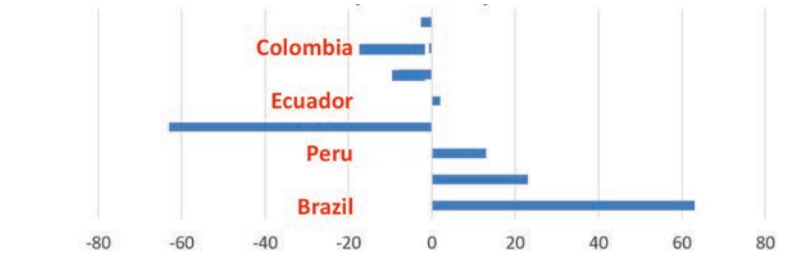
imports from China: in other words, all the countries in the region have increased their export and import links with China, but in aggregate, no more than three countries account for 70% of such flows

Figure 6: 8 Main exporters to China, 2023 (US$ billions)



Source: Statista

Figure 7: Trade balance of main exporters to China,



	Brazil	Chile	Peru	Mexico	Ecuador	Argentina	Colombia	Costa Rica
Series1	63	23	13	-63	2	-8	-16	-2,6

Fuente: Statista

Among the region's main exporters to China in 2023—after Brazil, Chile and Peru—are Mexico, Ecuador, Argentina, Colombia and Costa Rica. Of the latter, only Ecuador has a trade surplus with China.

d) The region exports mainly raw materials and imports increasingly sophisticated manufactured goods

A little more than two decades ago, the region's export basket to China was dominated by natural manufactures based on natural resources (47% of exports). This was followed by exports of primary goods (36%). In addition, 16% of such sales corresponded to manufactures with varying degrees of technological sophistication. This export pattern has been persistently changing in favor of an increasing weight of primary goods and relative declines in all manufacturing items. The latest available information (2022) indicates that 79% of regional exports to China correspond to primary goods. As for natural resource-based manufactures (manufactures with lower value added), this figure jumps to 95%. Natural resource-based manufactures, which once accounted for 47% of total exports, now represent only 16% (ECLAC, 2023).

The primarization of exports to China is evident, and there are even setbacks in natural resource-based manufactures. Manufactures with higher processing will fall from 12% of these external sales in 2000 to only 4% in 2022. The great potential in commodities, particularly in South America, is undisputed. This potential will continue to exist for decades to come and will have to continue to be tapped. The challenge is to do so in a way that is compatible with carbon neutrality and climate resilience, a challenge that corresponds to domestic public policies, although appropriate cooperation schemes with China could also help. The issue, therefore, is not the amount or destination of these exports, but the need to exploit these resources in a sustainable manner, respecting the limits of nature and incorporating technology and knowledge, which, incidentally, would improve the possibility of strengthening the linkages between extractive activities and manufacturing and services.

Table 11: Structure of regional exports to China, 2000-2022

(% of total, by technological content)

	2000	2010	2015	2022
Primary goods	36	51	70	79
Natural resource-based manufactures	47	48	22	16
Low-tech manufactures	4	3	2	1
Medium-technology manufactures	6	2	4	3
High-tech manufactures	6	2	1	1

Source: ECLAC (2023)

Table 12: Structure of imports from China, according to technological content

(% of total)

	2000	2010	2015	2022
Primary goods	3	1	1	0
Natural resource-based manufactures	10	9	9	12
Low-tech manufactures	38	24	23	21
Medium-technology manufactures	26	27	30	35
High-tech manufactures	23	40	38	31

Source: CEPAL (2023)

The exact counterpart arises in the structure of imports from China, as shown in Table 12—imports of primary goods are virtually non-existent and the relative weight of what the region buys from China is increasing, precisely as the technological component of these purchases grows. The region buys more technology from China every time and pays for it with the foreign currency generated by its natural resources.

Brazil is responsible for 51% of regional exports to China. Brazilian exports to China are mainly mineral and agricultural commodities, while Brazil's imports from China are manufactured products with high added value. In 2018, only three

products—soybeans, oil, iron ore—accounted for 82% of Brazilian exports to China. In contrast, Brazil's imports from China are almost 100% manufactured goods, mainly electronics, chemicals, machinery and equipment.

China is now the main destination of Brazilian exports and the main source of goods that the country buys abroad. In a short period of time, Chinese imports jumped from 2% to 35% of the Brazilian agricultural export basket, making China Brazil's main global customer. Agricultural products account for half of Brazil's total exports to China (Jank, Guo and Miranda, 2020).

Mexico's main export to China in 2023 was copper ores and concentrates (US$ 3,317 million). The main origins of sales to China were Sonora (US$ 2,607 million), Mexico City (US$ 1,992 million) and Puebla (US$ 1,365 million). Mexico's main purchase from China in 2023 was telephones, including cell phones and other wireless networks (US$ 9,059 million). The main destinations for purchases from China were Mexico City (US$ 27.733 million), Chihuahua (US$ 14,767 million) and Jalisco (US$ 12,495 million).[8]

Table 13 shows that, with the exception of Costa Rica, in all other major exporting countries to China, the main export items are primary products. This also includes Mexico, where exports of automotive parts and components to China have been increasing and can be expected to continue growing, given the trade tensions between the United States and China and the additional trade space that this generates for Mexico, via exports to China by U.S. companies based in Mexico.

8 https://www.economia.gob.mx/datamexico/es/profile/country/china-chn#:~:text=Desde%20enero%20de%201999%20a,utilidades%20(US%24225M)

Table 13: The primary character of exports of major exporters to China
(value of exports in US$ billion and % of exports to China)

	Exports	% three main products
Brazil	122	Soy (35), iron (20, petroleum (19)
Chile	43	Copper min (44), ref copper (20), lithium carb (15)
Peru	25	Copper min (58), iron ore (8), precious metal (4)
Mexico	18	Copper min (23), vehicles & autoparts (21), precious metal (4)
Ecuador	8	Crustaceans (70), copper min (20), precious metal (3)
Argentina	8	Soy (36), frozen bovine meat (28), barley (8)
Colombia	2	Petroleum (48), ferroalloys (18), copper scrap (9)
Costa Rica	0,4	Medical instruments (36), frozen and bovine meat (22), semiconductor devices (6)

Source: OEC. https:///world/es/profile/bilateral-country/partner/chin

e) Debate emerges on "export reprimarization" in South America

In the last two decades, there has been a trend towards the reprimarization of the regional export pattern, as basic raw materials went from representing an average of 31% of total exports in the three-year period of 2000-2002 to 80% in the period of 2020-2022.

Trade between the region and China has a clearly inter-industrial structure: while 95% of LAC exports in 2022 corresponded to raw materials and natural resource-based manufactures, 88% of China's shipments corresponded to low, medium and high technology manufactures.

Exports of primary goods grew the most between 2000 and 2022, reaching shares in total shipments of 83% in South

America, 68% in Central America, 51% in Mexico and 46% in the Caribbean by the end of that period. In South America, the share of primary products in exports from Argentina, Bolivia, Ecuador and Uruguay to China exceeded 90% in the three-year period 2020-2022.

The content of more technology-intensive products, mainly low and medium technology manufactures, is higher in exports from Mexico and Costa Rica, the latter a case basically linked to INTEL's experience.

Box 1: INTEL Case in Costa Rica

This multinational company, the world's largest manufacturer of microprocessors, settled in Costa Rica in 1997, with an assembly and test plant. Between 2005-2012, exports of integrated circuits and electronic microstructures came to represent 85% of Costa Rica's exports to China and 21% of total exports (El País, 2014). The plant closed in 2014, maintaining, however, a service and research center and moving the bulk of the plant to Vietnam and Malaysia, for strategic reasons of business realignment, including better access to sources of electric power. As a consequence of this decision, technology-intensive exports declined sharply until 2021, when the plant was reopened. Intel's presence in Costa Rica stimulated the influx of a large number of transnationals in that Central American country, inducing interesting reformulations in university programs, which was expressed in new careers in various areas of engineering and new technologies, as well as in massive English learning programs. That is how a public policy initiative to attract FDI, accompanied by incentives in infrastructure, land use subsidies, labor qualification and language skills, allowed, in addition to Intel, important international companies in the manufacture of medical devices, biotechnology, pharmaceuticals, electromedical instruments, cinema machinery and other sophisticated areas to locate in Costa Rica.

This has been an interesting case of export diversification, with important impacts on the creation of qualified employment. This case sheds light on the opportunities that can arise from a policy that coordinates efforts to attract FDI, export promotion, training of skilled labor, in conjunction with universities and the secondary education system, and policies to support the creation of suppliers for large exporting companies. This experience also yields interesting information regarding the potential and limits for incorporation into global value chains.

Exports of natural resource-based manufactures fell from 48% to 14%. Thus, the region only has a surplus with China in mining and petroleum; agriculture, forestry, hunting and fishing; food, beverages and tobacco; and wood and paper. When bilateral trade is broken down by levels of technological intensity, the region only has a surplus in primary goods. (ECLAC, 2023)

In contrast to regional exports to China, purchases from that country show a high degree of diversification. In fact, the top 20 products imported by the region account for only 26% of total purchases from China—a prominent supplier of parts and accessories for machinery, tools, personal computers, cellular telephones, electronic circuits, photovoltaic cells and optical equipment. Other notable products include cars, plastic goods, herbicides and petroleum oils. The list of the main products imported from China includes consumer goods as well as capital and intermediate goods. Imports of the latter two categories are mainly for use by local industry.

This asymmetry generates concerns and even fears in the Brazilian manufacturing industry. Brazil continues to be an important world producer of manufactured goods and capital goods, therefore, Brazilian manufacturers not only perceive that they are losing presence in the domestic market to Chinese imports, but also that they have lost market share in the region and in exports to extra-regional markets, such as the North

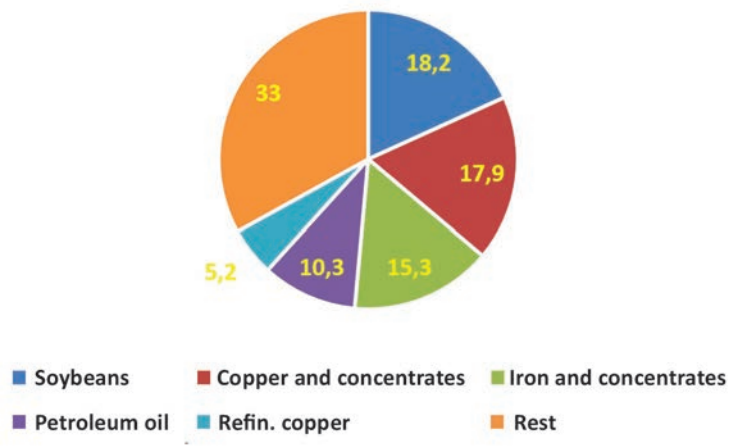
American and European markets. This strong asymmetry in the commercial exchange of goods has induced a debate that suggests some setback in the Brazilian industrial presence, a phenomenon that some refer to as "premature deindustrialization of the Brazilian economy" and others as "reprimarization of the Brazilian economy" (Paulino, 2020).

This high dependence on China for the supply of machinery, equipment and industrial inputs became evident in the Covid-19 pandemic, when industries around the world saw their production compromised due to a lack of imported inputs from China. In Brazil, ABINEE (Brazilian Association of the Electrical and Electronics Industry) estimated that 57% of the associated companies had problems receiving materials, components and supplies from China, due to the outbreak of the coronavirus in the Asian country (Narciso, 2020). With national differences, an important part of this debate is present in several South American economies.

f) The region exports few products to China

Regional shipments to China are highly concentrated in a narrow range of products. Between 2020 and 2022, just five products (soybeans, copper and iron ore, petroleum, and copper cathodes) accounted for 67% of total exports to China. The list of the top 20 products covers 86% of the region's total exports. The list of the main products exported by the region to China shows little variation over the last two decades. Among the products that have entered China in recent years is lithium carbonate, a crucial input for the production of lithium-ion batteries used in electric vehicles. China, the world's largest producer of these vehicles and its main market, is also the largest importer of lithium carbonate.

Figure 8: 5 products account for 2/3 of LAC exports to China, 2020-2022



Source: ITID database, ECLAC

The top 10 export products also include frozen bovine meat (5.1% of the total); non-coniferous chemical wood pulp (1.9%); non-frozen shrimps and prawns (1.9%), lithium carbonate (1.3%) and cane sugar (81%). These 10 products account for 80% of the region's exports to China.

Table 14: Exporting countries and top 5 products exported to China

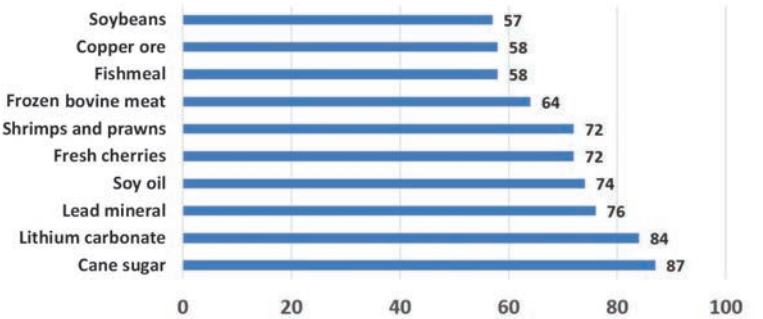
Product	% in exports to China	Exporting countries
Soybeans	18.2	Brazil 91%; Argentina 8%
Copper and concentrates	17.9	Chile 51%; Peru 31%
Iron and concentrates	15.3	Brazil 88%; Chile 6%
Crude petroleum oils	10.3	Brazil 86%; Colombia 12%
Refined copper	5.2	Chile 84%; Peru 15%

Source: ECLAC (2023)

The significant participation in regional exports of products such as soybeans, copper, fishmeal, bovine meat, cherries and some fishery products shows the remarkable link, mainly from South America, with an important group of industries in China—food and agriculture, steel and construction.

Figure 9: The 10 LAC products with the greatest weight in Chinese imports, 2020-2022

(% of total respective imports)



Source: ECLAC (2023)

LAC exports to the region are the most diversified. This is followed by exports to the North American market. The least diversified exports are those to China, also surpassed by those oriented to the European market. In most LAC countries, the largest number of tariff lines exported are directed to the regional market itself, except in the case of Mexico (directed to the United States) and Cuba and Brazil (directed to the EU). (See Tables 15 and 16)

Table 15: The export basket to China is very small
(Number of products exported to China in 2021)

1-50 products	Bahamas, Barbados, Belize, Cuba, Guyana, Honduras, Jamaica, Panama, Trinidad and Tobago
51-100 products	Bolivia, El Salvador, Nicaragua, Venezuela
101-150 products	Guatemala, Paraguay, Dominican Republic, Uruguay
151-200 products	Costa Rica, Ecuador
201-300 products	Colombia, Peru
301-400 products	Chile, Mexico
401-450 products	Argentina (2017)
1,968 products	Brazil

Source: ITID database, ECLAC

Table 16: Number of products exported to major markets, 2021

	China	LAC	United States	European Union
Argentina	409	3,352	1,388	1,479
Bolivia	64	569	240	225
Brazil	1,968	4,358	3,311	3,730
Chile	364	3,260	1,311	1,391
Colombia	234	3,292	2,022	1,380
Mexico	361	1,448	2,858	503
Costa Rica	182	2,869	2,015	950
Honduras	39	1,823	1,083	364
Cuba	46	268	3	373
Trinidad and Tobago	27	1,769	295	508

Source: ECLAC (2023)

The evidence is clear: with the exception of Brazil, which only doubles the number of tariff lines shipped to China compared to those shipped to the region, the other countries in the region export to the region between 6 and 65 times (T. and Tobago) the number of tariff lines exported to China.

In Central American exports to China, we find a high pattern of concentration in a few items that account for the bulk of that exported value. With the exception of Costa Rica and Honduras, in all other cases, three main products account for more than 80% of the value exported to China in 2022. Panama is a borderline case, since a single product accounts for 98% of exports to China in that year.

Table 17: Main Central American exports to China, 2022
(% of total)

Costa Rica	Medical instruments 36%	Frozen bovine meat 22%	Dispos. semi-cond. 6%
El Salvador	Sugar 59%	Electrical condenser 24%	Knitted sweters 4%
Guatemala	Ferroalloys 60%	Sugar 15%	Nickel ore 0%
Honduras	Copper scrap 39%	Knitted T-shirts 21%	Accs, energ. eléct 9%
Nicaragua	Precious metal ore 54%	Salg and ashes 15%	Peanut oil 14%
Panama	Copper mine 95%	Animal meal 2%	Frozen bovine meat 1%

Source: OEC: https:///world/es/profile/bilateral-country/partner/chin

Costa Rica is also notable because its main product exported to China is neither a commodity nor an item closely associated with natural resources. In fact, its main export item to the Asian country is medical instruments, and the third is semiconductor devices. In the other Central American cases, sugar, minerals, slag and ash, animal meal and oils stand out. In the textile sector, several countries export T-shirts, sweaters, men and women suits, knitted and non-knitted.

Smaller exports, but with potential, are present in several of these countries and these are cases where export promotion

could improve its bet, even moving towards joint promotion campaigns in China, that is, companies and governments of several Central American countries promoting a range of similar products, thus improving the scale of supply and reducing promotion costs. For example, in Panama, this potential is detected in crustaceans, wood, coffee, natural pineapple, and meats; in Guatemala, in coffee, rough wood and textiles; in Honduras, in rough wood, coffee, knitted suits for men and women, sportswear; in Nicaragua, in sawn wood and tanned leather; in El Salvador and, finally, in Costa Rica, this potential for expansion is more linked to transmission equipment, electrical resistors and other electrical accessories.

In the Caribbean, exports to China are highly concentrated too. In several cases, a single product accounts for more than 90% of external sales, and in eight cases, one product accounts for more than 60% of exports to China (see Table 18). In contrast to South America and Central America, excluding Costa Rica, the three main products exported by some Caribbean economies include industrial products such as paints, electrical products, medical instruments and some clothing items, among others.

An interesting field arises here to explore the conditions under which these exports have taken place, although their amounts are small, since several of them are replicated in items exported from Central America. In general, these items do not appear in the list of exports from South America to China.

Table 18: Main exports from the Caribbean to China in 2022

Antigua and Barbuda	Crustaceans 84%	Copper scrap 14%	Gas turbines 2%
Bahamas	Nitrogen compound 92%	Carboxylic Acids 3%	Semiconductor devices 2%
Barbados	Electrical resistances 45%	Orthopedic devices 36%	Hard liquor 16%
Cuba	Nickel mattes 38%	Zinc ore 30%	Precious metals 12%
Dominica	Low voltage protection equipment 33%	Copper scrap 32%	Electrical Transformers 8%
Grenada	Paints 83%	Cars 12%	Coats for men 3%
Guyana	Crude oil 94%	Rough wood 2%	Wood stakes 1%
Haiti	Goat hair fiber 34%	Copper scrap 26%	Essential oils 14%
Jamaica	Aluminum ore 31%	Coffee 20%	Scrap 15%
Dominican Republic	Ferroalloys 41%	Medical instruments 19%	Tobacco 12%
S, Kitts &Nevis	Measurement instruments 84%	Electrical transformers 14%	Other electrical machinery 1%
Saint Lucia	Electrical resistances 61%	Hard liquor 38%	
St. Vincent and the Grenadines	Men suits 68%	Knitted T-shirts 20%	Integrated circuits 9%
Trinidad and Tobago	Acyclic alcohols 79%	Iron ore 14%	Petroleum coke 3%

Source: OEC. https:///world/es/profile/bilateral-country/partner/chin

This could indicate that there is potential for exporting these products to China, contrary to the argument that suggests that, given the giant's greater competitiveness in those items, it would only be possible to export natural resource-intensive products there. This issue is to be addressed by business chambers and trade promotion agencies throughout the region—studying in detail about the best Caribbean and Central American experiences in exporting manufacturing products to China, some of them of certain technological complexity, in order to identify opportunities for cooperation and alliances, involving the respective development banks to promote these ventures.

The characteristics of the region's trade with China also favor the presence of a few companies, mostly larger, associated with natural resources and several of them state-owned. These major companies include oil and gas related ones, such as PEMEX, PDVSA, PETROBRAS, ECOPETROL and YPF, and mining companies such as VALE, CODELCO, La Escondida and Antofagasta Mineral. In other areas, CEMEX (cement), EMBRAER (aviation), and FEMSA, BRF, Grupo Bimbo and JBS in food and beverages stand out. This limited group of companies is responsible for a very high share of the region's total exports.

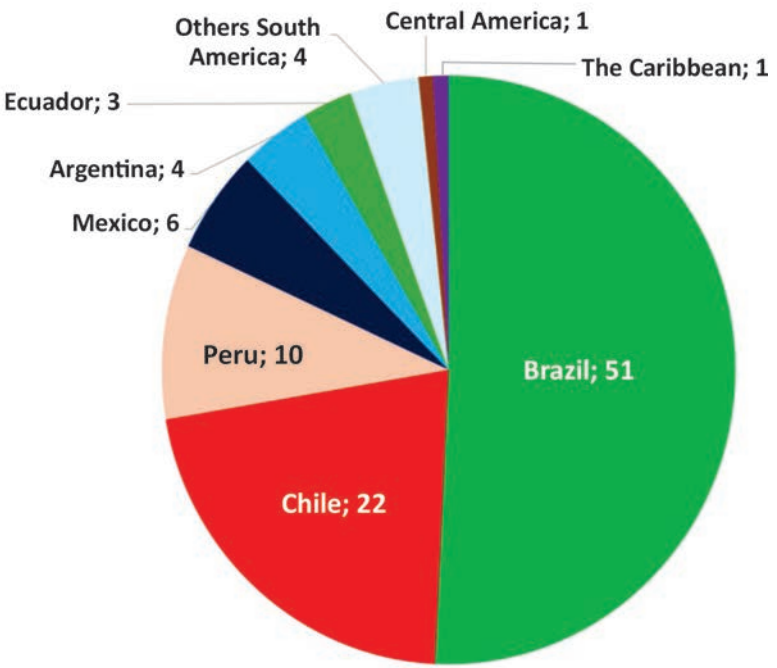
As linkages between those big, medium and small companies are limited, the potential to improve the distributive impact of international trade is reduced, while opportunities for Sino-Latin American business alliances aimed at a more effective insertion in Asia Pacific production chains—increasingly intra-industrial in nature—are limited. Stimulating these linkages is a challenge for productive transformation policies.

g) Few countries in the region account for the bulk of exports to China

Among the main exporters to China are Brazil, Chile and Peru. South America accounted for 93% of regional exports to China between 2000 and 2022, reflecting that subregion's abundant

supply of raw materials. In fact, only three South American countries (Brazil, Chile and Peru) accounted for 82% of shipments. Mexico accounted for 6%, while both the Caribbean and Central America accounted for less than 1%. Mexico is the main regional importer from China, with 38% of the total. South American countries account for 52%, followed by Central America, with, 7% and the Caribbean, with 3%.

Figure 10: Region's exports to China, 2020-2022 (% of total)



Source: ECLAC (2023)

h) The region exhibits generalized trade deficits with China

With the exception of Brazil, Chile and Peru, the region and its various subregions have a persistent trade deficit with China.

Mexico's deficit stands out for its large size and growing trajectory. Mexico has a production and export profile similar to that of China, with which it competes in a wide range of industrial segments (electronics, automobiles and auto parts, machinery, clothing, among others).

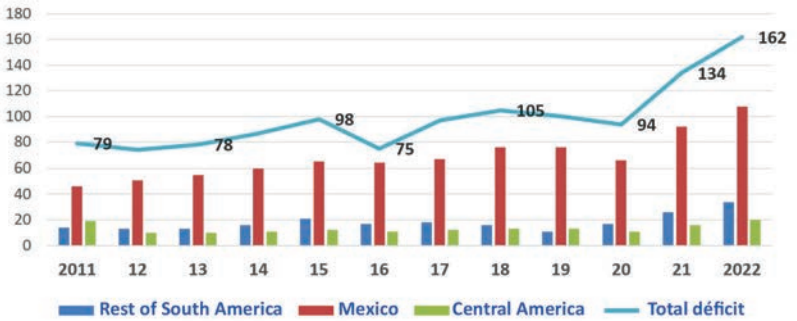
The countries with a trade deficit with China in the 2011-2022 period totaled an accumulated trade imbalance of close to US$ 1,280 billion. Of these, 2/3 corresponded to Mexico, 17% to the rest of South America, 12% to Central America and the remaining 5% to the Caribbean. The deficits are growing in all these cases, although the cases of Mexico and the rest of South America are the most striking. Between the first and second decade, Mexico's deficit quadrupled; that of the rest of South America multiplied by 6.5 times; that of Central America multiplied by 2.5 times and that of the Caribbean grew by 3.7 times. (See Table 19)

Table 19: Cumulative LAC-China trade balances, 2000-2022
(billions of US$)

	2000-2010	2011-2022
Brazil	4	195
Chile	23	71
Peru	4	12
Rest of South America	-33	-216
Mexico	-206	-827
Central America	-61	-157
The Caribbean	-17	-63

Source: ITID database, ECLAC

Figure 11: LAC trade deficit with China by subzones, 2011-2022 (US$ billions)



Source: ITID database, ECLAC. Includes only countries with deficits. For the sake of clarity, the chart excludes the Caribbean, an area that has contributed between 4 and 7% of the deficit during the period considered.

Commercial exchange involve deficit for Argentina, which is limited to exporting food and agricultural products (especially soybeans, bovine meat and soybean oil) and importing machinery and equipment related to the industry. Argentina is an agricultural food power and, therefore, has ample potential to expand its sales to China in areas such as sorghum, non-GM soybeans, barley, beef, pork, seafood, fruits and nuts, and wines. Argentina's significant potential in strategic energy and mineral resources meets China's position as one of the world's largest users of these resources. The search for renewable energies, sustainability and environmental protection is being expressed in joint initiatives in land and river logistics, ports, transportation investments and energy development, all of which should be reflected in a higher level of bilateral trade. There are also possibilities in telecommunications and information technology, evaluating the chances for alliances, as well as the technological and human resources available. Lastly, in tourism, the business community trusts that the Tango-Football-Wine Tourism triangle may generate greater flows of Chinese tourists to Argentina, as the brand-country becomes more consolidated in Chinese society and the necessary investments and negotiations are carried out.

China is Argentina's second largest associate. In 2022, China received 9% of Argentinean exports, behind Brazil, which represented 14% of those sales. The agricultural industry is the key sector in these exports. In 2022, China received 92% of Argentina's soybean exports, 57% of its meat exports and 59% of its fodder barley exports. More recently, lithium carbonate has become another prominent product in the export basket to China: in 2022, 41% of Argentina's lithium carbonate exports went to China. In turn, 21% of Argentine imports came from China, corresponding basically to finished products and inputs of industrial origin—machinery and equipment, chemical products, fertilizers, and inputs for the automotive industry and vehicles. After fifteen years of constant bilateral trade deficit, for the first time in 2022 a surplus of US$ 9.5 billion was recorded. The pattern of trade remains a major challenge in the bilateral relationship with China, as do most of the economies of the region: diversifying its export basket to China and doing so with higher value-added products. (González, 2023)

Colombia seeks to diversify its trade offer with China, its second largest trading partner and Asia's largest investor in the country, with infrastructure and energy projects. In addition to exports of energy products, Colombia is starting to sell meat to China and plans to diversify exports by targeting higher sales of beef, pork, chicken, specialty coffees, flowers, cocoa derivatives, bananas, avocado and tropical fruits such as Tahitian lime, passion fruit, mango and pineapple, among others[9].

Chile exports concentrated and refined copper to China, followed by iron, cherries and wood pulp. Recently, exports of lithium have been added, an item that is beginning to show considerable increases. 90% of the cherries that Chile exports to the world go to China, making it the leading exporter of cherries in that market. Chile imports from China cell phones, automobiles and vans, automatic data processing machines and direct current motors, among the main products.

9 https://www.cancilleria.gov.co/newsroom/news/colombia-busca-diversificar-su-oferta-economica-china-su-segundo-socio-comercial, octubre, 2023

Since the signing of the FTA with China in 2005, Chilean exports have increased almost eightfold, growing from US$ 4.895 billion in 2005 to US$ 39 billion in 2023. China has become Chile's largest trading partner since 2009. An important difference between Chile and the rest of the economies in the region is the direction of its exports to Asia, which in 2023 received 58% of its exports.

Since 2013, Chile has been the largest exporter of fresh fruit in the southern hemisphere. In several products, such as apples, grapes, blueberries and cherries, Chilean fruits rank first in sales of imported fruit in China. In wine, Chile ranks second among exporters to China, surpassed only by France. In exports of fresh grapes and wines with denomination of origin, China is the second largest destination market.

In the period 2019-2021, exports of primary products to China generated a surplus of US$ 27.2 billion for Chile, which allowed it to finance a trade deficit in manufactures of about US$ 17.2 billion. In other words, primary products contributed a surplus with resources equivalent to 9% of GDP, while manufactures imposed a deficit equivalent to about 5.7% of GDP.

Since the middle of the last decade, China has become Peru's main trading partner, the first destination for its exports and the main supplier of its imports. Since 2010, the first year of the Peru-China FTA, Peruvian exports jumped from US$ 543 million (15% of the total) to US$ 23,156 million in 2023 (36% of the total), the thirteenth year of the FTA.

Peru's main exports to China are copper, zinc and gold, followed by fishmeal, natural gas and cotton. Non-traditional exports include frozen squid, blueberries, canned squid, and grapes, while is Peru the biggest supplier of avocado to China. The main imports from China are mobile telephones, USBs, vehicles, computers and televisions.

Finally, the FTA between Ecuador and China came into force on May 1, 2024. This agreement opened up potential entry

space for 4,600 products that could enter the Chinese market duty free. The main export product to China is shrimp, which represents 59% of exports to China. Other products with greater potential include bananas, cocoa, tuna, sardines, roses, preserved flowers, blueberries and quinoa. China is currently the second largest destination market for Ecuadorian exports and the first for non-traditional exports.

i) The deficit is fairly generalized, but almost 2/3 concentrates in Mexico

Table 20 shows a growing trend in the region's trade deficit with China. In parallel to an increase in trade surplus in the cases of Brazil and Chile, there is a significant growth in the deficit in Mexico and Central America. A relatively new fact is that since 2019 there has been a significant jump in the deficit of the rest of the South American economies.

Table 20: Distribution of trade balance with China, 2010-2022 (US$ billion)

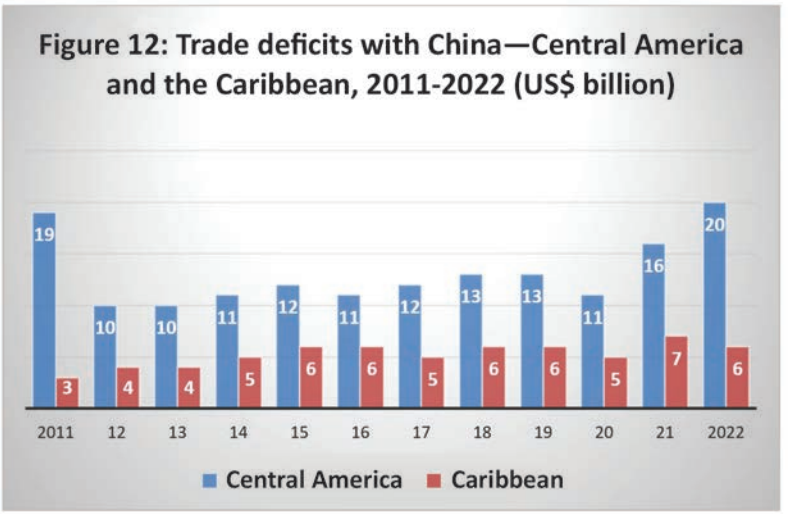
	2010	2015	2022
Central America	-15	-12	-20
Caribbean	-3	-6	-6
Mexico	-41	-65	-108
Rest of South America	-8	-21	-34
Countries with surplus	10	4	40
Latin Amercia's balance	-57	-10	-128

Source: ITID database, ECLAC

In 2022, Mexico absorbed 64% of the regional deficit in trade in goods with China, the South American countries accounted for 20% of the deficit, while Central America and the Caribbean accounted for 12% and 4%, respectively.[10]

10 The relative contribution of deficit countries to the total deficit is calculated here, without including surplus countries.

In absolute terms, the trade deficits of the Caribbean economies are apparently small, accounting for only 4% of the region's trade deficit with China. However, measured against the volume of exports of goods and services, they are still a cause for concern. Indeed, measured in this way, the Caribbean's trade deficit with China in 2020 and 2021 was close to 25% of the value of such exports, a ratio that rose to 46% in 2022, given a sharp drop in the value of services exports.



Source: ITID database, ECLAC

j) The region's deficits grow with the technological intensity of trade

The data show not only a growing trade deficit of the region with China but also a deficit that correlates directly with the technological intensity of the flows, i.e., the higher the technological intensity, the higher the deficit.

The region has managed to increase its surplus in primary products with China from US$ 36 billion in 2010 to US$ 126 billion in 2020-2022. This outstanding news is overshadowed by the fact that, in the same period, the manufacturing deficit jumped from US$ 93 billion to US$ 220 billion, i.e., an in-

crease of 136% in twelve years.

Table 22: LAC trade balances with China by technological intensity

	2010	2015	2020-2022
Primary goods	36	56	126
Manufactures based on natural resources	20	3	-4
Low-tech manufactures	-29	-38	-49
Medium-tech manufactures	-33	-49	-76
High-tech manufactures	-51	-65	-91
Other items	-1	-3	-8
All products	-58	-96	-92

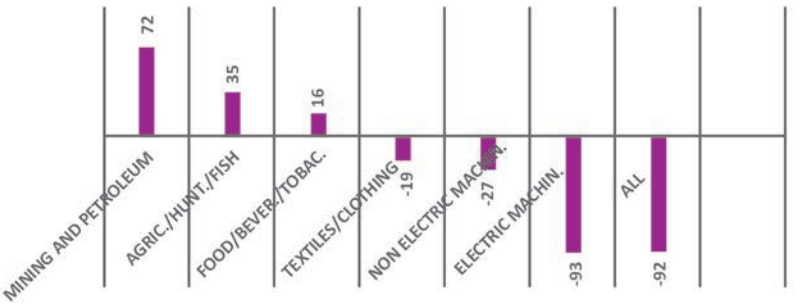
Source: ECLAC (2023)

The trend is very clear: the deficit in manufacturing is growing and is univocally linked to technological content: the higher the technological content, the greater the region's deficit (see Table 22). The concern raised in previous pages is repeated here. Considering the high technological dynamics in the Chinese economy, it is likely that we will continue to import more and more of these items, with rising costs, on account of a trade surplus that is unlikely to continue growing, except for some countries that have natural resources more associated with the digital and energy transition. In the regional aggregate, however, there will continue to be a pressing need for dialogue on this asymmetry in bilateral trade, seeking formulas that will make it possible to attenuate this trend.

As the technology incorporated into the various items becomes more complex, the region's trade deficit increases. For the 2020-2022 triennium, the region had a US$ 126 billion surplus only in primary goods. From then on, in ascending technological scale, the items begin to operate deficits on an increasing scale. The region faced a deficit even in manufacturing items based on natural resources, an area where it had

registered surpluses until 2018. For the last period indicated, the total deficit in manufacturing amounted to US$ 210 billion, almost 70% higher than the region's surplus in primary goods.

Figure 13: ALC-China trade balance in selected productive branches 2020-2022 (US$ billions)



Source: ITID database, ECLAC

In terms of productive branches, in the 2020-2022 period, the region had surpluses with China in Mining and Petroleum (US$ 72 billion), Agriculture, Hunting and Fishing (US$ 35 billion) and Food, Beverages and Tobacco (US$ 16 billion). Deficits were found in all other sectors, with the highest deficits in Textiles, Apparel and Footwear (US$ 19 billion), Chemicals and Petrochemicals (US$ 21 billion), Non-Electrical Machinery and Equipment (US$ 27 billion) and Electrical Machinery (US$ 93 billion).

CHAPTER II: INVESTMENTS

1. China, Global Investor

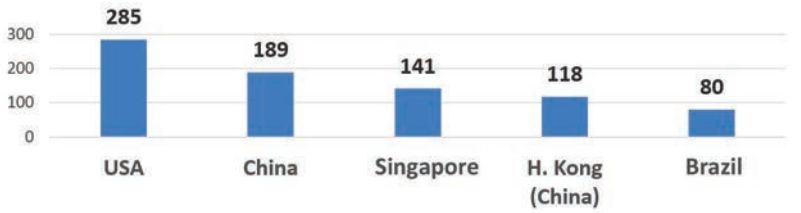
China is the second largest FDI recipient economy in the world, behind the United States. Until 2022, it was also the second largest source of FDI in the world, however, in 2023 it was displaced to third place by Japan. This is a remarkable change because, prior to China's accession to the WTO, Chinese outward investment was around US$ 3 billion—that figure was 63 times higher in 2022 than in 2023.

Following its entry into the WTO, China quickly achieved privileged positions in international trade, becoming the fifth largest exporter of goods in 2002 and the largest in 2009. This led to a notable increase in its international reserves, which tended to be directed basically to the purchase of US Treasury securities. As this generated low profitability, an internal debate arose early on as to the best use of such reserves. This gave rise to the policy known as "Going Out", which sought to stimulate investment abroad, the acquisition of companies and the internationalization of Chinese companies.

At that time, however, Chinese FDI was widely dispersed among countries and in very small amounts. Ministry of Commerce figures indicated that in 2009 there were Chinese investments in 177 countries, including Hong Kong and Macau. Many of these investments did not exceed US$ 10 million and, moreover, tended to be divided into several sectors—each sector receiving much smaller amounts, sometimes as little as US$ 10,000.[11]

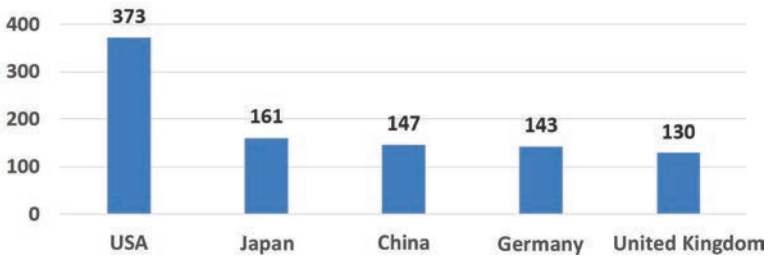
11 US-China Economic &Security Review Commission; "Going Out: An Overview of China's Outward Foreign Direct Investment," March 30, 2011.

Figure 14: Top 5 global recipients of FDI, 2022 (inflows, US$ billions)



Source: UNCTAD, Foreign Investment Review 2023

Figure 15: Top 5 FDI emitters, 2022 (outflows, US$ billions)



Source: UNCTAD, Foreign Investment Review 2023

In just a few years, China became a major player in foreign investment, both in terms of inflows (investments coming into China) and outflows (Chinese investments abroad). The initial Going Out policy was later enhanced with the announcement of the Belt and Road Initiative (2013) and, more recently, with policies aimed at the internationalization of the renminbi (RMB).

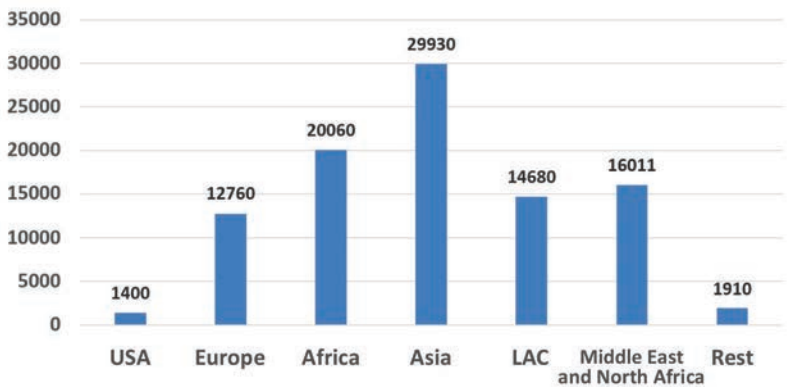
2. Chinese FDI in the World in 2023

Chinese FDI data in 2023, a more normal year after the recovery of Covid-19, show a clear priority for investing in the Asian region, an area to which 30% of Chinese FDI is directed.

This is followed by flows to Africa (21%) and then to the Middle East and North Africa, with 16.5% of total Chinese FDI. LAC only appears in fourth place, slightly surpassing flows destined for Europe. Therefore, the debate about an eventual rain of Chinese investment in the region is not supported by the figures. In terms of destinations for Chinese FDI, the priority is Asia and then Africa. Our region is well behind these figures. (see Figure 16)

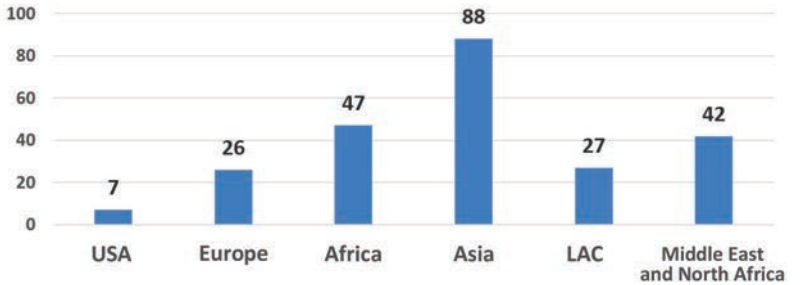
The figures indicate a sharp drop in Chinese investments in the USA, probably as a result of the various obstacles that US legislation has been imposing on these investments. Chinese investments in Europe, on the other hand, are 9 times higher than those in the USA, which indicates that the pressures that have been put on Europe to limit these investments do not seem to be having good results.

Figure 16: Chinese FDI destinations, 2023 (billion dollars)



Source: Own construction based on CGIT (2024)

Figure 17: Number of outflow FDI contracts China, 2023



Source: Own construction based on CGIT (2024)

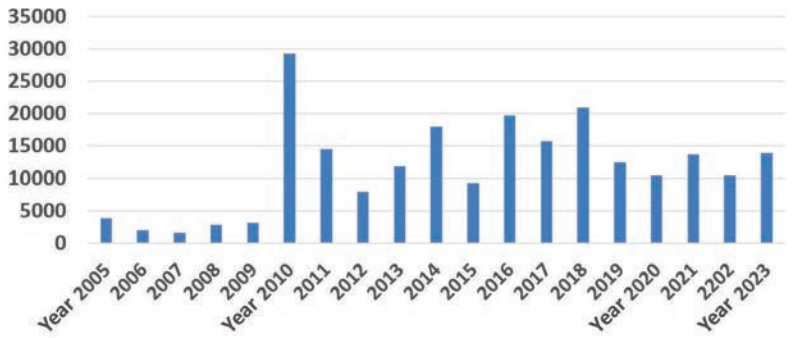
Figure 17 shows the number of investment contracts signed in 2023 by geographical destination. Just as shown in the previous figure, a strong predominance of Asia, followed by Africa and then a virtual parity between Europe and LAC is evident in figures. In other words, the so-called "wave of Chinese investment in LAC" is comparable to that of Europe and is well behind that of Asia, Africa and the Middle East.

3. Chinese Investments in Latin America and the Caribbean

Except for a couple of mining investments in Brazil totaling US$ 3.5 billion in 2004, Chinese investments in the region were almost nonexistent. The best moment of this investment took place in 2010, when it exceeded US$ 29 billion, given an investment of almost US$ 14 billion in Brazil, another one close to US$ 6 billion in Argentina, and one of around US$ 4.5 billion in Ecuador.

Between 2015 and 2023, the annual flow of Chinese investment in the region averaged US$ 14 billion, compared to an annual average of US$ 9.5 billion in the 2005-2014 period, i.e. a 47% variation (CGIT).

Figure 18: Chinese FDI in ALC, 2005-2023 (million dollars)



Source: Own construction based on CGIT's data. Accessed in April 2024.

Difficulties with investment measurement

The data sources that provide information on Chinese investment are varied and the problem is that there are many inconsistencies between them and sometimes the differences are very considerable.

For two decades, the Chinese government has been updating its FDI statistics in order to conform to the international standards of the IMF and the OECD in the collection and publication of FDI statistics (OECD, 2008). However, there is still an important difference in its investment volumes with respect to the amounts compiled by international organizations. Table 21 indicates that, according to UNCTAD (2017), in 2016, Chinese FDI amounted to US$ 183 billion, 16% less than the OECD statistic and 8% more than the MOFCOM statistic for the same year. If such marked differences persist at the aggregate level, there is no doubt that in the case of smaller amounts, such as Chinese FDI flows to our region, these differences must be even greater, since smaller amounts are more difficult to detect.

Table 23: China: total and LAC FDI outflows (2005-2016)
(million dollars)
Destination: World

	2005	2010	2011	2012	2013	2014	2015	2016
OECD	13,730	57,954	48,421	64,963	72,971	123,130	174,391	217,203
UNCTAD	12,261	68,811	74,654	87,804	107,844	120,120	127,560	183,100
MOFCOM	12,261	68,811	74,654	87,804	107,844	123,120	145,667	170,110

Destination: Latin America and the Caribbean

	2005	2010	2011	2012	2013	2014	2015	2016
MOFCOM	6,466	10,538	11,936	6,170	14,359	10,547	12,610	….
ECLAC	-----	13,712	10,174	9,206	5,770	10,915	6,955	…..

Source: Constructed by Ortiz (2017) based on OECD (2017), UNCTAD (2017), Mofcom (2017) and CLAC (2016)

Divergences by country of destination are also high. In fact, while MOFCOM (2017) indicated that the Virgin Islands and Cayman Islands received 86% of Chinese investments in LAC between 2010 and 2015, ECLAC (2015 and 2016) and Pérez (2017) indicated that, in the same period, Brazil and Peru received close to 75% of this FDI. (Ortiz, 2017)

Among the reasons for these discrepancies is a fundamental methodological reason—the difference between the standard methodology that captures the change in balance of payments assets and liabilities versus the complementary measurement that emphasizes the actual impact on the investment of the host country, excluding from the measurement those funds that pass temporarily, through a third economy, to the recipient country[12]. The complementary measurement—the one recommended by the OECD—is confronted with the still widespread practice of some large Chinese companies of channeling most of their investments through third countries, tax havens in several cases. This distorts the measurement, as FDI by Chi-

12 For a more detailed description of the various methodologies of FDI measurement, see Ortiz (2017).

nese companies from that third country may be allocated to that third country. Other reasons are the following: i) the fact that China's Ministry of Commerce (MOFCOM) collects data based on records of approved FDI projects, so outward investment projects undertaken by companies that do not report to MOFCOM are not recorded as outward investment; ii) the differences between the investments announced and those actually made within the time periods indicated; iii) the lack of an up-to-date count of FDI inflows by a number of economies in the region. (Ortiz, 2017)

Measuring Chinese FDI in LAC

The most complete series on this subject, and those open to the public, are the ones carried out by the American Enterprise Institute and the Heritage Foundation in the initiative entitled CGIT (China Global Investment Tracker, CGIT, hereinafter)[13] and the Monitor effort, by the Chinese OFDI[14] in Latin America and the Caribbean (Monitor, hereinafter). Other relevant sources are those provided by the Inter-American Dialogue (Dialogue) through its China-Latin America and the Caribbean Reports and, more recently, the ICLAC Millennium Nucleus (Impacts of China on LAC), which brings together the efforts of the Catholic University of Chile and the Inter-American Dialogue (Dialogue).[15]

The CGIT series includes data on Chinese FDI worldwide between 2005 and 2023. It lists 4,300 major transactions in metals and minerals, real estate, agriculture, technology and other sectors. Along with providing the amount of investment, it indicates the Chinese parent company investor, host country and sector. Excludes investments of less than US$ 100 million.

13 See https://www.aei.org/china-global-investment-tracker/. Curiously—in this source, Central America and the Caribbean are included in "North America".

14 OFDI (Overseas Foreign Direct Investment).

15 This last source, as of May 2024, has detailed and georeferenced information but only for Argentina, Chile and Peru.

Monitor is a database that captures the FDI of Chinese companies in the region, including investments of less than US$ 100 million. The database has the following characteristics: i) covers 22 countries in the region (Argentina, Barbados, Bermuda, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela); ii) classifies investments in the categories of new investments and mergers and acquisitions; iii) distinguishes transactions by type of ownership of the investing company (public or private).; iv) classifies the destination of investments into four types of activity—raw materials, manufacturing, services and domestic market, and technology purchases. In the most recent versions, up to April 2023 it covered data as news as 2022, it incorporated the employment impact of that FDI, as well as the Chinese provinces where that investment originated.[16]

CGIT data tend to capture a higher level of Chinese investment in the region than Monitor's figures, particularly in the period in which it grew the most—2010-2014. From 2019 onwards, the differences become marginal. Based on both data sources, it is possible to detect a cycle of strong investments between 2010 and 2019, particularly in the years 2010, 2014, 2016 and 2018. From 2019 onwards, flows also decline, returning to the levels of ten years ago.

16 See: Ortiz (2017) and Dussel- Peters (2023)

Figure 19: Chinese FDI in LAC, 2005-2022
(US$ millions)

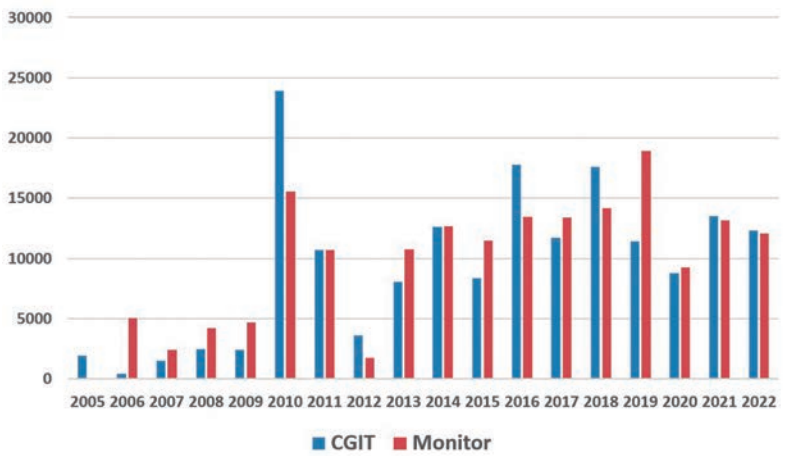


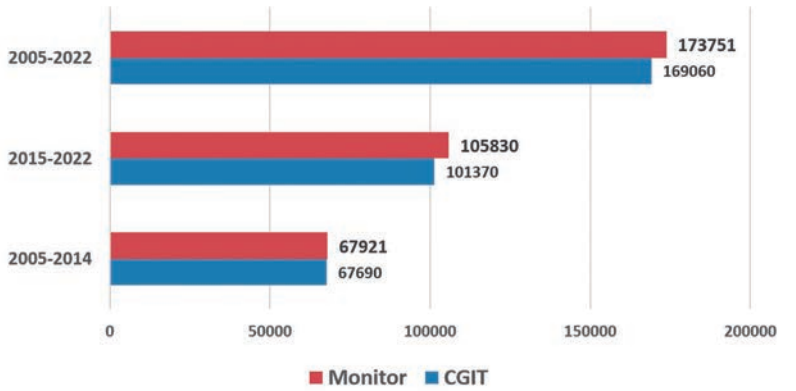
Figure 19 shows that for the 2005-2014 and 2015-2022 periods, CGIT provided higher figures than Monitor for South America and Central America, while the opposite was true for Mexico and the Caribbean. It should be noted that, given the aforementioned methodological differences and the difficulties also mentioned in the detection of direct investment figures, the amounts shown below—which are available online—are reasonable approximations, which are also updated periodically, depending on the availability of the information provided by the respective authorities. Fortunately, and beyond these differences, the figures are sufficiently clear to allow us to detect the main trends in this investment.

Considering the aforementioned methodological differences between the two exercises, the closeness of the data is striking. That is why, it is Monitor's data that will be used for the rest of this chapter—consolidated tables of information, according to different variables, which certainly facilitates consultation.[17] In those cases in which CGIT information offers substantially higher values than those of Monitor, we will use CGIT information, indicating the source.

17 Source data will be indicated in each case.

According to Monitor, Chinese FDI in the region during 2000-2022 amounted to US$ 184.6 billion, with the five-year period 2015-2019 accounting for the largest amount of this investment (38%), followed by the five-year period 2010-2014, which accounted for 32% of total Chinese investment in the period 2000-2022 (see Figure 20).[18] According to this information, average annual Chinese investment in the region grew systematically until 2019. In the period 2020-2002, this investment slows down, although it maintains average annual amounts that are close to those of the 2010-2014 period. (See Figure 21).

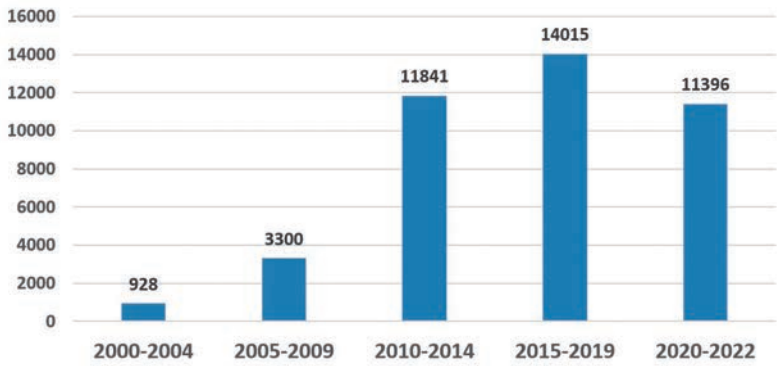
Figure 20: Chinese FDI in LAC, 2005-2022 (US$ millions)



Source: Monitor

18 For CGIT, Chinese FDI in the region in the period 2005-2023 was US$ 221.67 billion and for Dialogue (2024) it was US$ 187.5 billion in the period 2003-2022.

Figure 21: Chinese FDI in LAC—yearly average (million dollars)



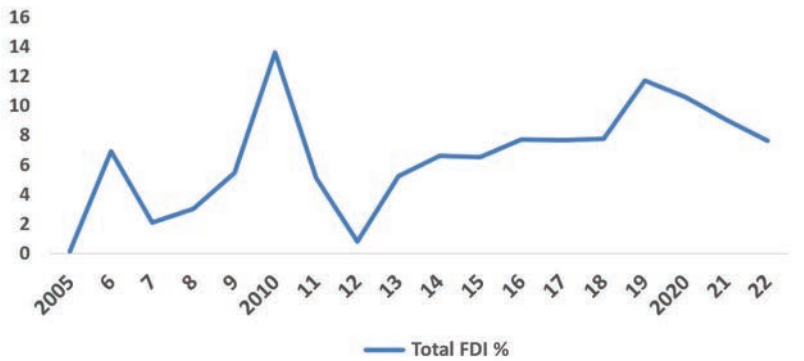
Indeed, in the three-year period 2020-2022, Chinese FDI flows to LAC was reduced, a phenomenon explained by the circumstances of Covid-19 and its impact on the Chinese economy, as well as by the lower dynamism of the world economy during that period. However, the annual average for the three-year period 2020-2022 is practically the same as in the five-year period 2010-2014.

Chinese investment is increasing, but is still a low percentage of total FDI coming into the region

Figure 22 shows that Chinese investment averaged 5% of the region's total FDI in the 2005-2014 period. In the following period—2015-2022—that value rose to 8.5% of the FDI received in the region. It tends to explain between 6 and 7% of the FDI flows entering our region, except for specific and high value projects that raise this figure. The peak years were 2010 and 2019-2020. In 2010, oil investments predominated in Brazil (just over US$ 10 billion) and to a lesser extent in Argentina (around US$ 2.5 billion). There were also energy investments amounting US$ 6.3 billion, located in Argentina, Ecuador and Venezuela. (CGIT)

In 2019, the Chinese FDI revolved around non-oil energies in Peru, Chile, and Brazil, in that order. In 2020, despite the pandemic, Chinese FDI flows were significant and stood out in energy in Chile, oil in Guyana, minerals and metals in Brazil and Peru, and automotive vehicles in Panama.

Figure 22: Chinese FDI in the region (% of total FDI)



Source: Monitor (2023)

Chinese investments concentrate in South America

Chinese investment in the region has tended to be heavily concentrated in South America, since this sub-region receives just over 90% of this investment. Within this sub-region, Brazil is the main recipient of this investment.

Table 24: Destinations of Chinese FDI in the region, 2005-2022
(millions of dollars)

	2005-2014		2015-2022
Brazil	26,481	Brazil	37,421
Peru	16,072	Mexico	18,130
Argentina	10,425	Chile	16,920
Caribbean	4,209	Peru	12,643
Colombia	3,762	Argentina	7,778
Ecuador	3,457	Caribbean	4,487
Chile	3,425	Colombia	2,298
Mexico	3,278	Bolivia	1,210
Guyana	2,789	Central América	1,319
Venezuela	2,380	Venezuela	826
Uruguay	113	Uruguay	421
Bolivia	81	Guyana	418

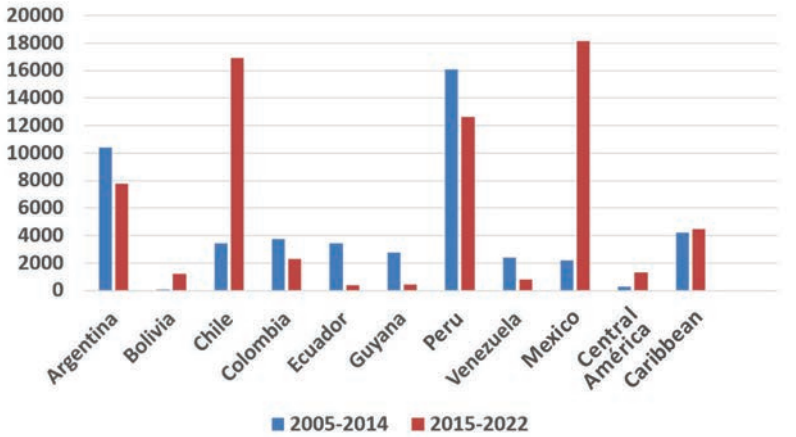
Source: Monitor 2023

Table 24 shows the high attraction of Chinese investment generated by Brazil, practically doubling the second place in the ranking. The main changes between the periods 2005-2014 and 2015-2022 were Mexico's big jump (from 8th to 2nd place) and Chile's (from 7th to 3rd). Argentina dropped two places. The same happened with Peru. Chinese investment flows to the Caribbean far exceed those to Central America and several South American countries. Together with Venezuela, the Central American region, Uruguay and Guyana were the countries or areas with the lowest Chinese investment flows.

Chinese investment increased in the 2015-2022 period mainly in the energy area. In the case of Chile, the increase in these flows responds basically to renewable energies, from photovoltaic parks, wind farms, solar plants to electric transmission and hydroelectric complexes. In the case of Argentina, it was wind and solar farms, gas pipelines, dams, wind farms and an oil refinery. In recent years, FDI in lithium has been present in both Argentina and Chile.

Excluding Brazil from the figure, it is easier to evaluate the destinations of Chinese FDI going to other economies in the region.

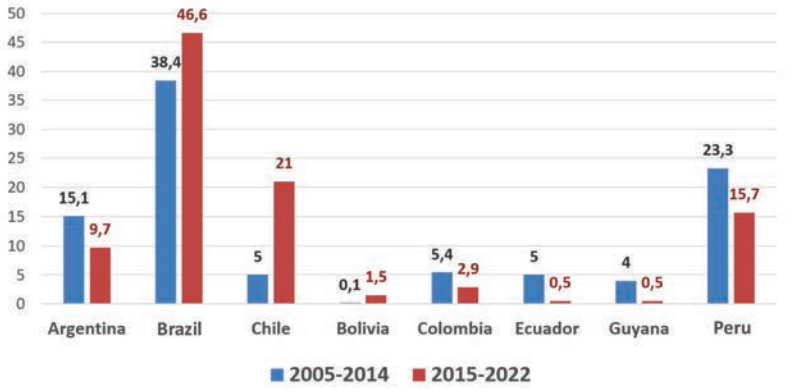
Figure 23: Destination of Chinese FDI in the region (excluding Brazil), 2005-2022 (US$ million)



Source: Monitor (2023)

In South America, in the second period under analysis, Chinese investment tended to move more towards the Southern Cone (Argentina, Brazil and Chile), reducing the relative importance of investment in the Andean area (Bolivia, Colombia, Ecuador, Peru and Venezuela) (see Figure 25). Brazil maintains the first place in the destination of this investment. However, Chile now ranks second in South America, Peru third and Argentina fourth. Thus, Chinese investment going to the Southern Cone amounted to 66% of the investment going to South America. The relative presence of Peru is reduced and much more markedly that of Venezuela and Ecuador. The Andean area, which captured 46% of this investment in the 2005-2014 period, saw its share fall to 26% in the second period. We have already indicated the strong increase in Chinese FDI going to Mexico, to the point that this country, after registering lower amounts between 2005 and 2014, has become the second regional destination for Chinese FDI.

Figure 24: Chinese FDI targets the Southern Cone (US$ millions and % of FDI going to South America)



Source: CGIT

Sectoral allocation of Chinese FDI in South America

In terms of sectoral allocation, there has been an increase in the presence of non-oil energy investments, and a relative reduction in those oriented to oil and mining and metals. Although the natural resources trilogy continues to predominate (energy, oil, mining and metals), it is also true that i) their relative presence fell from 81% of the total in 2005-2014 to a 72% in 2015-2023 and ii) in the energy sector, investments in renewable energies—especially hydroelectric plants—now stand out.

Table 25: Sectoral structure of Chinese investment in South America, 2005-2023
(% of total)

	2005		2023
Energy	30.7	Energy	43.1
Petroleum	26.6	Transportation	17.7
Mining-Metals	24.0	Mining-Metals	17.2
Transportation	6.2	Petroleum	12.0
Others	4.2 a/	Others	3.8 b/

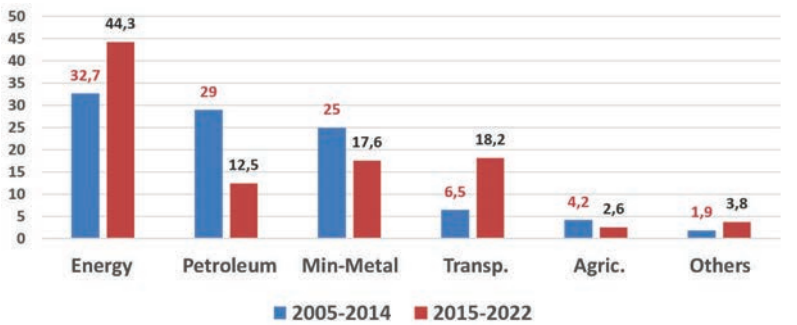
a/ Agriculture; b/ Health, public services, logistics, real estate
Source: CGIT. Accessed in April 2024.

The counterpart of this is a significant increase in investments in transportation, particularly in automobiles and then railways. In fact, there has been a strong incursion of Chinese automotive brands in South America, as well as important investments in rail cars, electric trains and subway cars. Minor investments in health in Chile, Ecuador, and Guyana arise. Investments in public services also appear in Argentina, Bolivia, Brazil, Ecuador, Peru, and Venezuela. Investments in banking and the financial sector have been made in Argentina, Brazil, Ecuador, and Peru. Investments in auto parts are beginning to be relevant, particularly in Mexico and then in Brazil, the two economies in the region with the largest market and the largest automotive production.

Oil investments in the first period reached Argentina, Brazil, Colombia, Ecuador, Guyana, Peru, and Venezuela; and Brazil, Ecuador, Guyana and Venezuela in the second. Energy investments have been more widely distributed: i) they reached Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Guyana and Peru in the first period; ii) and Argentina, Bolivia, Brazil, Colombia, Chile, Peru, Uruguay and Venezuela in the second.

Figure 25, prepared with information from CGIT (2023), shows an increase in energy investments and a significant decline in those oriented to oil, mining and metals, particularly with respect to the first decade of this century.

Figure 25: Sectoral structure of Chinese FDI in South America (% of Chinese FDI in South America)



Source: CGIT

FDI and infrastructure investments

The information presented in CGIT allows to accumulate FDI data with those amounts of Chinese investment that were oriented to infrastructure or construction.

The data in Table 26 add further evidence to what has already been stated. In the period 2005-2022, we see: i) an overwhelming predominance of FDI+ construction joint investments in South America (91% of the regional total); ii) followed far behind by the Caribbean (3.9%), Mexico (3%) and Central America (2.1%). The main destination of these combined investment flows continues to be Brazil (35% of the total), followed by Peru (13%) and Argentina (12%).

In South America, only Uruguay attracted investments in three-digit amounts, as the other cases show four-digit values. These investments reached five digits in the cases of Brazil, Peru and Argentina.

The low amount that this source of information assigned to Mexico is very striking, when we have already seen that Monitor assigns much higher amounts. Likewise, the level of Chinese investment that has reached the Caribbean is striking, given that this amount is almost double the amount corresponding to Central America.[19]

Table 26: Chinese Investment in LAC—FDI and Infrastructure, 2005-2022

(US$ millions)

	2005-2014	2015-2022	2005-2022
Argentina	9,900	16,490	26,390
Brazil	33,380	43,360	77,010
Chile	2,100	16,220	18,320
Ecuador	10,730	3,310	14,040

19 It is worth noting that this source of information does not record Chinese investments in El Salvador.

Guyana	920	5,980	6,900
Peru	15,630	12,540	28,170
Venezuela	14,450	3,700	18,150
Rest of South America	3,150	9,580	12,460
South America	**90,260**	**111,180**	**201,440**
Mexico	**810**	**5,930**	**6,740**
Antigua and Barbuda	1,000	----------	1,000
Bahamas	100	250	350
Barbados	----------	610	610
Cuba	600	140	740
Jamaica	1,270	1,820	3,090
Dominican Republic	----------	490	490
Trinidad and Tobago	1,450	830	2,280
Caribbean	**4,420**	**4,140**	**8,560**
Costa Rica	340	470	810
Guatemala	700	----------	700
Honduras	350	---------	350
Nicaragua	530	----------	530
Panama	----------	2,250	2,250
Central America	**1,920**	**2,720**	**4,640**
Total LAC	**97,410**	**123,970**	**221,380**

Source: CGIT, op.cit. Calculations made in online consultation in April 2024.

Annexes 1, 2, 3 and 4 provide disaggregated information on FDI and infrastructure works in the region in which Chinese companies have participated.

Energy transition and lithium trade and investment opportunities [20]

In view of the energy transition that the world is going through and in which China plays a prominent role, the case of lithium is set to become an increasingly relevant fact in the trade and investment relationship with China. Indeed, China is the main importer of this element, while several South American countries account for a high share of the world production and reserves of this mineral.

Table 27: Distribution of lithium worldwide, as of 2023

	% Resources	% Reserves	% Production
Bolivia	21.9	s/i a/	…a/
Argentina	20.9	12.8	5.3
USA	13.3	3.9	s/i a/
Chile	10.4	33.2	24.4
Australia	8.3	22.1	47.7
China	s/i a/	10.7	18.3
Rest	25.0	10.3	4.3
Total world	100.0	100.0	100 b/

a/ no information
b/ Excludes the Unites States

Source: US Geological Service, January 2024, Mineral Commodities

According to updated information from the US Geological Service, Bolivia is the country with the most lithium resources globally. It does not appear, however, in the figures for reserves and production of the mineral. This is because resourc-

20 Este apartado se basa en las siguientes fuentes: Fuentes: América Economía," Qué se viene para el triángulo del litio en este 2024" 31-enero-2024; Bolsa de Comercio de Rosario, "A pesar de la fuerte caída de precios, el litio argentino sigue rompiendo records de producción", Año XLI, edición No. 2143, 19-abril-2024; Banco Central de la República Argentina "Estimaciones para el comercio exterior de bienes 2024-2030"; Litio Argentina, "Auge del litio en Argentina: impacto laboral, oportunidades y desafíos 2024"; Rumbo Minero, "Bolivia se consolida como el mayor reservorio de litio con 23 millones de toneladas cuantificadas", 20- julio-2023; Ministerio de Economía de la República Argentina, "Informes de cadenas de valor. Minería Litio", año 9, No.32, mayo de 2024.

es are understood to be the estimated amount that would exist in a given area, but that amount has not been discovered or evaluated. On the other hand, reserves correspond to that part of the mineral resources that have been evaluated and whose production is expected to be economically viable in terms of quantity and quality, extraction and processing methods, production cost, and expected prices (See: US Geological Services, op. cit.). This explains, for example, why the Salar de Uyuni, one of the largest in the world, has a tremendous potential, but these resources have not yet been converted into reserves. Some estimates indicate that Bolivia would contain approximately 7% of the world's lithium reserves.

Brazil also emerges as the world's 5th largest lithium producer. Brazil is promoting the renewal of the vehicle fleet towards electromobility through tax incentives and financing lines. Considering, in addition, the large size of its market—in 2022, the sale of electric cars increased 60%, reaching just over 10 million units—there is a high probability that Brazil can attract significant amounts of FDI that will allow it to cover the last link in the value chain, moving from lithium extraction to the local manufacture of battery cells, the missing link in this chain. BYD, VW and Marcopolo already assemble large electric vehicles in Brazil, The Chinese company BYD is considering setting up an EV plant in Brazil, the first outside Asia, covering lithium exploration and processing, including the manufacture of batteries and electric vehicles.

Adding the production of Argentina, Brazil and Chile in 2023, we reach 30% of the world production of the mineral. In 2022, Chile was the world's second largest producer and the country with the largest reserves of the resource, according to the US Geological Survey mentioned above. In 2021, Chilean lithium exports represented 1% of its total exports and, in 2023, they reached 8%. Of these exports, 65% go to China, 25% to South Korea and 4% to Japan (Subrei, 2024).

In Bolivia, the first lithium carbonate industrialization plant was installed in the Salar de Uyuni, Potosí, in December 2023.

The plant is expected to produce 100,000 tons per year in the coming years. The state-owned company Yacimientos de Litio Boliviano (YLB) manages these operations and has just signed an agreement with the Chinese consortium CBC to establish industrial complexes in the Uyuni and Coipasa salt flats, Oruro. An agreement was also reached with a Russian company to install a semi-industrial plant with Direct Lithium Extraction (DLE) technology in Potosí, with an investment of US$ 450 million. A second agreement with the Chinese consortium CBC will allow the installation of a pilot DE plant in the Salar de Uyuni. According to information from Rumbo Minero, by July 2023, Bolivia would have consolidated its position as the world's largest lithium reservoir, with a stock of 23 million tons, given that the 21 million tons already contributed by Uyuni would have been joined by 2 million more from the Coipasa salt flats.

The press tends to speak of the "lithium triangle", based on the high percentages of world production and reserves in Argentina, Bolivia and Chile. The path to coordinate production and/or commercialization policies among these three countries is full of complexities and it is not easy to advance in this challenge in the short term. The three countries have different legislation, exchange and tax regulations and business options for lithium investments.

Argentina has a federal system of government that grants veto power and broad scope of action to the regional governments where lithium deposits are located; there is also a broad debate on the limits to the purchase of land or public property by foreigners, which could complicate government plans to attract FDI in these deposits. Finally, there is a possibility of setting up a federal company made up of the provinces associated with lithium (Jujuy, Catamarca and Salta).

In Bolivia, the institutional framework of a state-owned company was adopted to coordinate production, marketing and international alliances and, in the first instance, domestic financ-

ing was favored to develop the sector, seeking to ensure that all profits went to the public sector in order to increase the margin of social benefits.

Chilean legislation has defined lithium as a non-concessionable activity since 1989 and provides for three modes of operation: the state or its companies, administrative concessions and special operating contracts. A National Lithium Strategy was defined then, which mandated Codelco, the state-owned copper company, to take charge of the issue and to establish a long-term contract with SQM, a national private company, which would cover the period from 2025 to 2060, assigning the state 50% plus one of the shares in the coming years. This strategy seeks to provide a long-term strategic vision to the lithium industry—seeking to add value to the mining resource, facilitating the formation of productive chains that diversify the productive and export base, and ensuring social and environmental sustainability in its operations.

It should not pose major difficulties for the three countries to agree on such objectives. The difficulty lies in the concrete steps to be agreed upon, considering the economic and political moments in each national context, the different legislative, administrative and regulatory instances involved, the environmental characteristics, and the relationship with the local communities in the respective salt flats. It is this complex range of situations that finally defines the context of investments, production and the distribution of benefits in each national experience.

Although coordination between these three economies is not easy, it should be more feasible to move forward in cooperation schemes that allow similar challenges to be addressed. Indeed, the strong increase in world demand for lithium will be reflected in these three countries in greater demand for mining professionals and technicians in areas such as geology, mining engineering, materials engineering, surface chemistry, nanotechnologies, and all this in an increasingly demanding

context in terms of social and environmental sustainability requirements. This is a set of challenges where cooperation instances should be more vigorous and develop joint training and research programs between universities in the three countries, and even appealing to multilateral financing mechanisms to expand the scale of this cooperation.

The territorial impact of the employment generated by the lithium initiatives also opens a relevant space for interaction between the respective policies of training and formation of specialized human resources, as well as between the infrastructure works that can facilitate the interconnection between the different salt flats and between the respective policies of decentralization and productive development with territorial expression. This opens up an interesting space for possible cooperation between the regional governments of these three countries most closely linked to the exploitation of lithium. In other words, the proposal of the "lithium triangle" should not be limited exclusively to the coordination in the commercialization of the resource, but rather in jointly addressing the challenges of social and environmental sustainability that this activity may generate, as well as taking advantage of the potential that this opens up for employment policies, human resource training and decentralization policies.

In any case, considering both the size of the Brazilian automobile market and the government's policies to stimulate electromobility, it seems clear that the possibilities of structuring productive and technological links around the lithium economy involve strengthening the ties between the South American economies and Brazil, on the one hand, and the Pacific Alliance and Mercosur, on the other.

4. A More General View on the Chinese FDI in LAC

The main trends of Chinese FDI in the region can be summarized as follows: (i) between the first and second periods considered (2005-2014 and 2015-2022), Chinese investment in the region increases considerably; (ii) in the 2020-2022 period,

a reduction in those flows can be seen, which seem to rebound in 2023 and 2024; (iii) a significant reorientation in that FDI can be seen, gradually shifting towards activities closer to new technologies, reducing the relevance of those investments oriented to natural resources and extractive activities; iv) in terms of subzones, the bulk of investments go to South America; v) at the country level, Brazil is the main recipient of Chinese investment; vi) there has been a significant upturn in investments directed to Mexico; vii) Chinese investments in lithium have dominated the recent portfolio of these investments in Argentina and Chile; viii) the Caribbean has received a greater flow of Chinese investments than Central America.

Table 28: New investments vs. mergers and acquisitions in Chinese FDI in the region

	Transactions	FDI amount (US$ millions)	New investments (US$ millions)	Mergers and acquisitions (US$ millions)	Employment (number of jobs)
2005-2014	218	75,713	21,564	54,059	128,611
2015-2022	367	104,267	30,763	73,504	487,524
2005-2022	585	179,980	52,417	127,513	616,135

Source: Monitor (2022, 2023)

According to Monitor (2022, 2023), for the first period, the average annual investment was US$ 7.5 billion and for the second, US$ 13 billion, that is, an increase of 73%. In both periods, mergers and acquisitions have accounted for 70% of Chinese investments in the region.

Chinese investments in Brazil

China's relationship with Brazil has been acquiring a strategic sense. This is expressed in diplomatic initiatives such as: (i) the establishment of the Sino-Brazilian High-Level Commission for Consultation and Cooperation (COSBAN), the high-

est instance of political dialogue between the two countries; (ii) the signing, in 2010, of the Brazil-China Joint Action Plan (2010-2014), which defines objectives and goals for bilateral cooperation in various fields; iii) the elevation, in 2012, of Brazil-China relations to the status of Global Strategic Partnership and the establishment of the Global Strategic Dialogue, at the level of foreign ministers; iv) the signing, in 2012, of the Ten-Year Cooperation Plan for the period 2012-2021 (Barbosa, 2020); and v) the creation, in 2015, of the Brazil-China Cooperation Fund for the Expansion of Productive Capacity. (Rosito, 2020)

Scientific, educational and cultural cooperation also occupies an important place in the bilateral agenda, including topics such as space cooperation, biotechnology applied to agriculture and biomedicine, nanotechnology, climate change, renewable energies, bioenergy, agricultural and forestry technologies, information technology, creative industries, among others.

All these topics were part of the Ten-Year Action Plan (2012-2021), which shows that, in the region, the Brazil-China relationship is the most dense in terms of scientific and technological cooperation. In education, academic and educational exchanges were deepened, through the inclusion of China in the "Science without Borders Program" and the installation of Confucius Institutes in Brazil.

In addition to seeking convergence of positions in the main multilateral forums, Brazil and China have agreed to establish new institutions for cooperation with other developing countries, including the formation of the BRICS and two banks, the BRICS Bank and the Asian Infrastructure Investment Bank (AIIB), of which Brazil is also one of the founding partners.

Chinese FDI in Brazil has increased significantly in recent years. Currently, there are more than 200 Chinese companies operating in Brazil, in the most diverse sectors, such as infrastructure, energy, finance, manufacturing, agribusiness,

information technology, transportation and logistics, mining and steel, and trade. In the opposite direction, there are also almost a dozen Brazilian companies with industrial units in China, some with more than 2,000 employees, such as WEG, in addition to several commercial representation offices, legal services and others. The Association of Brazilian Companies in China has approximately 60 members.

In Brazil, the Brazil-China Business Council (CEBC) tracks investment announcements and publishes an annual report on Chinese investment in Brazil. In addition to compiling investment announcements published in the press, CEBC confirms the figures with the companies and also captures information directly from Chinese companies operating in Brazil. The flow of Chinese investments in Brazil has been evolving. Until 2010, investments were concentrated in commodities, to meet, above all, the high Chinese demand for oil, iron ore and soybeans. Between 2010 and 2013, the main investments were directed to the industrial area, seeking to take advantage of the extension of the domestic consumer market, especially in machinery, equipment, automotive and electronics. In more recent years, investments in banking, electricity and infrastructure have been added. (Paulino, 2020)

The modality of these investments has also varied. Initially, they were *greenfield* projects. Between 2012 and 2016, the focus shifted to the purchase of control or minority stakes in established companies (*"brownfield"* investments). From 2017 onwards, investments became more focused on concession programs and privatizations (Wiziak, 2020). Most of the investment is concentrated in energy (oil, gas and hydroelectric) but the presence of Chinese investment has been projecting also to machinery and equipment manufacturing, telecommunications, pulp and paper, agriculture and retail.

An important characteristic of Chinese investments in Brazil is that a few companies concentrate most of the total amount invested. Between 2009 and 2019, only five companies, all in

the oil and energy sector, invested a total of US $ 37 billion in Brazil, corresponding to 61.3% of the total invested in the period. This concentration is also observed in relation to the sectors to which Chinese FDI was directed in the period. Only two sectors, energy and oil, accounted for 66% of the total investments made in that period.

Other Chinese investments in South America

In Peru, according to reports from the Ministry of Energy and Mines, Chinese investments in mining totaled close to US$ 15 billion between 2009 and 2020. The maximum amounts of such investment were recorded between 2012 and 2015, heavily influenced by the Las Bambas copper operation, operated by MMG Las Bambas, a subsidiary of the Chinese company MMG Limited, in what is one of the largest copper mines in the world.[21]

Nearly 23% of national copper production and 100% of iron ore production come from mines operated by Chinese companies. Five projects promoted by Chinese mining companies represent an investment of close to US$ 10 billion: Toromocho Expansion, Pampa de Pongo, Javier, Galeno and Rio Blanco. There have been some tensions between these projects and the local communities, which has required a dialogue approach to facilitate a favorable context for the sustainable development of mining investments in general and Chinese investment in particular.

China consumes close to 50% of the copper concentrates produced in the world and Peru, as the world's second largest copper producer, supplies 27% of its demand. In the case of zinc, China consumes 20% of the world production of zinc concentrates and Peru supplies 19% of this consumption.

21 Information at https://www.gob.pe/institucion/minem/noticias/300881-inversiones-chinas-en-mineria-suman-casi-us-15-mil-millones-en-los-ultimos-11-anos

One of the most important Chinese investments in the region is the port of Chancay, 75 kilometers from Lima. This port aspires to become the first Chinese logistics hub in the South American Pacific. It is the only port in the region owned by the Chinese state-owned shipping company Cosco. The infrastructure represents an investment of US$ 3,000 million.[22]

Box 2: The port of Chancay in Peru

The Chinese company Cosco Shipping Ports established the company Terminales Portuarios Chancay with an initial investment of US$ 1.2 billion, for the construction of new docks to gain ground to the sea, achieving a greater depth (16 meters) and surface area for operations (one million containers). The investment will cover 1,000 hectares and will include a container terminal with two berths, a bulk, general cargo and roll-on/roll-off terminal with two additional berths. A dispute has arisen due to legal interpretations regarding the exclusivity in the operation of the essential services that the Chinese-Peruvian consortium would be demanding, which would be stipulated in the original agreement. In this regard, the national port authority has filed a lawsuit for possible damage to competition or to the public interest in the administration of port services. This issue should be cleared up soon, so that the inauguration of the work in November 2024, on the occasion of President Xi Jinping's visit to the APEC Summit.

The port would reach an annual cargo handling capacity of one million TEUs (Twenty-foot Equivalent Unit). The port complex will have the capacity to unload Triple E ships, considered the second largest container ships in the world. The multi-port is located 75 km north of Lima and will be connected to the center of the country via a highway

22 Pajuelo, G. (2020). China's first port in Latin America is built in Peru, Global Affairs and Strategic Studies, University of Navarra. The remaining information on Chancay comes from this same source.

to Oyón and Ambo, in the Peruvian Andes. This road infrastructure, with a public investment of US$450 million, represents a major fiscal decentralization effort. This infrastructure would position Peru as a major gateway for products from Asia to the South American sub-region and vice versa. This investment is considered part of the New Silk Road project.

Source: Pajuelo, G. (2020). China's first port in Latin America is built in Peru, Global Affairs and Strategic Studies, University of Navarra.

Chinese investments in Peru were highlighted in 2019 by the purchase of Luz del Sur, an electricity distribution company that serves about 30% of the domestic market. China Yangtze Power International, a subsidiary of state-owned Three Gorges Corporation, invested US$ 3.59 billion and completed the purchase in 2020. This transaction represented at the time the largest acquisition of overseas power distribution assets by a Chinese company. Previously, Three Gorges Corporation had purchased Chaglla, the country's third largest power plant, for about US$ 1.4 billion from Odebrecht.

The Chinese presence in this sector was consolidated with the acquisition of in Peru by the state-owned China Southern Power Grid International (CSGI) in exchange for US$ 2.9 billion. With these investment flows, the National Society of Industries (SNI) indicates that this means a "100% concentration of the Lima electricity distribution market in the hands of the People's Republic of China". (Gestión, 2023) [23]

In Ecuador, Chinese investments between 2010 and 2022 totaled US$ 11.28 billion. The largest percentage corresponds to hydroelectric energy, a sector that accounted for 36% of these investments. Next come investments in copper with 29% and those in oil with 17%. Smaller investments were made in health and public services.

23 https://gestion.pe/economia/el-sello-de-china-en-peru-mas-alla-del-puerto-de-chancay-inversiones-chinas-las-bambas-qosco-shipping-noticia/?ref=gesr

In Bolivia, Chinese investments started late, in 2012. Between that year and 2023, they have totaled US$ 3.68 billion and 34% of them have been directed to automotive transportation. If we add rail and air transport to that amount, then the percentage rises to 45%. An additional 14% went to hydroelectric power. Smaller investment figures are found in agriculture, telecommunications and utilities.

In Venezuela, Chinese investments in the first three years (2007 to 2009), totaled US$ 510 million and were directed to agriculture. It is only since 2010, when investments in oil began, which reached US$ 6.8 billion between 2010 and 2018, the last year that includes Chinese investments in this country. Thus, oil investments constituted 46% of Chinese investments in Venezuela between 2010 and 2018. If we add investments in coal and gas, the sum amounts to US$ 7.4 billion and 57% of Chinese investments in Venezuela between 2007 and 2018. Other investments for smaller amounts are recorded in utilities, real estate and petrochemicals.

Chinese investments in Guyana totaled US$ 1.39 billion between 2009 and 2023. 40% of these were directed to automotive transportation. The rest was divided between minerals, health, tourism and aviation, in that order.

In Chile, Chinese investments are more or less recent. While in 2016 the agency in charge of attracting investments, Invest Chile, had only five Chinese FDI projects in its portfolio, with a value of US$ 310 million, at the close of 2023 it accumulated 21 projects in various stages of development, totaling a value of around US$ 4.25 billion.

At the beginning of its insertion in Chile, Chinese FDI had difficulties in adapting to the concession and bidding processes. With the passage of a few years, its companies have become integrated in a very competitive manner, both in these processes and in the different productive sectors.

In food, in 2019 a Chinese company became the owner of Australis Seafood, a major salmon company. In wine, Yentai Changyu Wine acquired 85% of Betwines (Bethia Group) in 2017, thus acquiring the wineries of Santa Alicia, Dos Andes and Viñas Indómita. The most notable recent investments are related to lithium. Tianqi Lithium acquired in 2018, 24% of SQM for US$ 4.1 billion. Tonglin is another company that is present in Chile. It arrived in 2008 to develop the Catania Verde copper project. Chinese banking has sought to accompany this investment deployment. Ten years ago, the China Construction Bank was established in Chile, followed by the Bank of China.

Until 2016, the accumulated *stock* of Chinese FDI did not exceed US$ 3 billion. From then on, these flows have been significantly boosted, now totaling nearly US$ 18 billion between 2018 and 2023. The reorientation in the sectoral pattern of these investments is well marked. In the first years, there is an important investment in iron (close to US$ 2 billion) and several smaller investments in solar and wind farms. Between 2016 and 2018, it is investments in lithium (US$ 4.28 billion) that predominate: Between 2019 and 2020, the emphasis lay in electricity and power transmission companies (US$ 6.56 billion). Finally, in the 2020-2023 period, investments in infrastructure prevailed, with amounts of US$ 4.4 billion. In the latter case, these were concessions to build section 1 of Line 7 of the Santiago Metro; two sections of Route 5, the most important in the country, totaling 330 kilometers (sections Talca-Chillán and Chillan-Collipulli) and the construction of three public hospitals in the Maule Region and one in Coquimbo. Between 2021 and 2022, health investments of close to US$ 1 billion were also recorded, a significant part of them linked to the production of vaccines. (IC LAC, 2024)

In Argentina, China has made multiple investments focused on mining, oil, hydroelectric power, solar energy, biodiesel, transportation and telecommunications, among other sectors. These

investments have involved some joint agreements, as in the cases of rail transport, energy, infrastructure and public works projects, and even others of a cultural and sports nature.[24]

Between 2000 and 2022, Chinese companies invested close to US$ 18.2 billion in Argentina. In the soybean complex, they cover all stages of the production chain: from the supply of inputs (including agrochemicals, fertilizers and seeds, among others) to storage, control of pressing and processing plants, transportation (including ownership of ports located in the province of Santa Fe) and marketing. Chinese firms have also invested in the meat industry, the automotive sector, retail (supermarkets), fishing, entertainment, real estate, telecommunications, and the digital sector.

They have also invested in hydrocarbons, mining (including the extraction of critical minerals such as lithium), a fertilizer plant in Tierra del Fuego (US$ 1.25 billion) and logistics and transportation infrastructure. They also have investments in renewable energies, such as wind and solar, and in alternative energies, such as large hydroelectric projects.[25] Many of the projects involving investments in the energy infrastructure and transportation and logistics sectors have received financing from Chinese financial institutions. Despite the boom in Chinese investments in Argentina, these transactions still lag far behind those of U.S. and European companies. It is worth noting that Chinese companies have managed to position themselves as key investors in strategic sectors where firms from other origins are practically absent, for example, in energy infrastructure (including renewable energy) and transportation and logistics, along with telecommunications. (González, 2023)

In the mining sector, there are 12 projects with Chinese capital, 7 of them in lithium. Between 2020 and 2023 there were an-

24 Argentine-Chinese Chamber of Production, Industry and Commerce. Report on opportunities and business with China. https://argenchina.org/wp-content/uploads/2023/05/Oportunidades.pdf

25 Including two dams in Santa Cruz, for an amount of US$ 4,714 million (M. de Economía 2023).

nouncements of investments in lithium for US$ 3,220 million, located in the provinces of San Juan, Jujuy and mainly in Salta and Catamarca. 92% of mining exports to China correspond to lithium. 92% of Argentine mining exports to China correspond to lithium (M. Economía, 2023).

In Colombia, close to 40 Chinese companies have undertaken businesses or projects in the last five years, with investments exceeding US$2 billion in the areas of infrastructure, transportation (buses), telecommunications, software and metal mechanics.[26] The Chinese firm Zijin Mining acquired the Buriticá mine, Trina Solar in the renewable energy auction; BYD won the bids for electric buses in Bogotá and Medellín.

In July 2019, the two nations signed a memorandum of understanding for the development of infrastructure and transportation projects. In this field, major works such as the first line of the Bogotá Metro, in charge of China Harbour Engineering Company Limited and Xi'An Metro Company Limited, as well as the Regiotram de Occidente, a train that will connect Bogotá and Cundinamarca, in which China Civil Engineering Construction Corporation (CCECC) participates, stand out.

CRRC (Hong Kong) represents one of the companies selected in the awarding of the 80th Street Metro bidding process in Medellín. Other Chinese companies with operations in Colombia are: ZTE, Huawei, Xiaomi, Watson Medical Appliance, Didi, Foton, Express Luck, Miniso and Jiangling, among others. Within the framework of the "Silk Road" initiative, the maritime connection between Chinese ports and Buenaventura and Tumaco, in the Pacific, articulated by railroads with the Caribbean, is being explored.[27]

26 https://www.cancilleria.gov.co/newsroom/news/colombia-busca-diversificar-su-oferta- economica-china-su-segundo-socio-comercial. October, 2023.

27 Ministry of Foreign Affairs of Colombia, op.cit.

Chinese investments in Mexico

Chinese FDI in Mexico is very recent. Between 2007 and 2014, cumulative Chinese FDI in Mexico did not exceed US$ 2.6 billion and was basically oriented towards energy and port facilities. Between 2015 and 2022, that investment jumped to US$ 18.5 billion, highlighting investment in the automotive industry, auto parts and energy.

Official information indicates that, in 2023, FDI from China to Mexico reached US$10.7 million. CGIT information, however, indicates that this investment reached US$1.28 billion, going almost equally to the oil and automotive sectors.

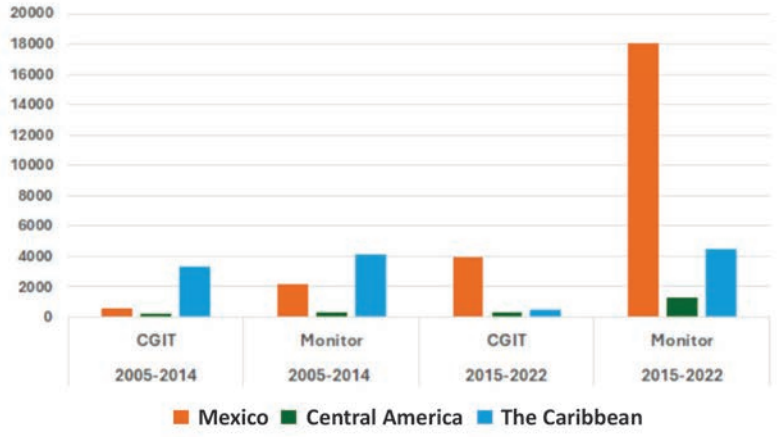
The same official information indicates that between January 1999 and December 2023, Mexico received a total of US$2.575 billion in FDI from China.[28] Monitor's information calculates that in the period 2000-2022 this investment was US$ 18,527 million and CGIT's information places the investment for the period 2005-2023 at US$ 6,380 million.

In this regard, there are publications that indicate that Chinese investment is underrepresented in official statistics. It is argued that Chinese companies, including large state-owned enterprises, would invest through safe-haven companies. This would mean that their investments would not be recorded in official FDI inflow reports. For example, a recent report indicated that in the investment announcements made between January-November 2023, the United States appeared in first place with an amount of US$ 20.3353 billion, followed by China, with announced investments of US$ 8.143 billion.[29]

28 https://www.economia.gob.mx/datamexico/es/profile/country/chinachn#:~:text=Dede%20enero%20de%201999%20a,utilidades%20(US%24225M).

29 Nearshoring One Pager, Consultora Integralia, November 2023

Chart 26: Chinese FDI in Mexico, Central America and the Caribbean: two sources (millions of dollars)



Source: CGIT and Monitor

In recent years, Chinese FDI in Mexico has been oriented towards high-end manufacturing and information and communication technologies, seeking a greater presence in the Mexican industrial base, diversifying the supply chain and seeking to take advantage of the preferential access of Mexican production to the North American market. These would be companies that previously manufactured in China and would be moving all or part of those operations to Mexico. This redeployment process would be most evident in the manufacture of auto parts and electrical components in Nuevo Leon and Coahuila. High-end manufacturing is another prominent area of focus, driven in large part by nearshoring trends in Mexico. Investments in traditional sectors remain in Mexico in the agricultural sector through mergers and acquisitions, large-scale infrastructure and in gold mines. (Hernandez, 2024)

The Chinese investment presence is favoring the automotive sector, including parts and pieces, and the construction of industrial parks. According to data from the Mexican Association of Automotive Distributors (AMDA), sales in Mexico of cars imported from China accounted for 19.4% of the to-

tal in January-November 2023, well above the 6.3% recorded in 2018. In 2023, the automakers with Chinese investment in light vehicles GAC Motor, Great Wall Motors (GWM) and Geely came to operate in Mexico, in addition to BAIC, JMC, Changan, JAC, MG, Chirey, BYD and SEV.[30]

Box 3: Chinese investment and "nearshoring" in Mexico

- A large industrial park (Hofusan in Nuevo Leon) is a venture of a local developer and two companies from China Credit.
- Man Wah Furniture Manufacturing, one of China's largest furniture manufacturers, set up a subsidiary in Mexico to serve the North American market.
- Investment in Nuevo Leon: Since 2021, nearly US$7 billion in foreign investment has been invested in Nuevo Leon, making the state the largest recipient after Mexico City, according to the Ministry of Economy. In 2021, Chinese companies were responsible for 30% of foreign investment in Nuevo Leon, second only to the United States with 47%.
- Lizhong, a Chinese automobile tire manufacturer, is building the company's first factory outside Asia in an industrial park in Nuevo Leon. Lizhong's largest customers, including Ford Motor and General Motors, pressured the company to open a factory in North America.
- In 2021, Lenovo, the Chinese computer manufacturer, opened a new factory in Monterrey dedicated to making servers, the devices that store data for cloud computing. Until 2023, Lenovo was bringing in a crucial component, the so-called motherboards, from a factory in China. As international shipping problems intensified, the company switched to a supplier in Guadalajara. Lenovo also stopped importing packaging materials from China and now buys them in Mexico. It continues, however, to import more sophisticated components from China, such as memory devices and specialized cables.

Source: China looks to Mexico to satisfy U.S. market.

Between January and November 2023, the Ministry of Economy identified investment announcements from China of close to US$12 billion for the next two to three years, mainly for the construction of industrial parks and the automotive industry.

30 Xinhua, Presencia empresarial china en México avanza en 2023 impulsada por sector automotriz, 29-December- 2023 http://www.chinacelacforum.org/esp/zgtlmjlbgjgx_2/202312/t20231229_11214979.htm

The Mexican Association of Private Industrial Parks (AMPIP) expects to receive 453 new companies in the next two years, 20% of which are of Chinese origin.[31]

Chinese investments in the Caribbean

Chinese FDI in the Caribbean is about 3% of the regional total, a low figure, but higher than flows to Central America. As a subregional total, it is less than the Chinese FDI received by each of the South American countries, excluding Paraguay. This investment is concentrated in four countries, with Trinidad and Tobago being the main recipient in the 2005-2014 period, and Jamaica in the second period. These two countries account for 2/3 of Chinese FDI going to the Caribbean. Next, depending on the period, come Antigua and Barbuda and Barbados.

Investments in Trinidad and Tobago were in the areas of petroleum, non-oil energy, health, education and transportation; in Jamaica, in automotive transportation, minerals and petroleum. In Antigua and Barbuda, in tourism and maritime transportation. In Barbados, they have focused on tourism, automotive and air transport, while in Cuba, they have been oriented to the energy sector and maritime transport.

Table 29: Chinese investments in the Caribbean, 2005-2023
(US$ million and %)

	2005-2014			2015-2023	
Antigua and Barbuda	740	18.7	Cuba	140	4.0
Cuba	500	12.6	Barbados	610	17.3
Jamaica	1,270	32.0	Jamaica	1,540	43.7
T. and Tobago	1,350	34.1	T. and Tobago	490	13.9
Bahamas	------	-----	Bahamas	250	7.1
Dominican R.	--------	-----	Dominican R.	490	13.9
	3,960	100.0	Total	3,520	100.0

Source: Calculations based on CGIT data Accessed April 2024.

31 Idem.

Trinidad and Tobago, Jamaica and Antigua and Barbuda account for 76% of total Chinese FDI received in the Caribbean in the first period. In the second period, Trinidad and Tobago and Jamaica account for 58% of it, with Barbados now accounting for 17% and the Dominican Republic for 14%. In the 2021-2022 biennium, Chinese investments in the Dominican R. were registered for an amount close to US$ 500 million, broken down in air transportation and real estate (See Table 28).

In the 2005-2023 period, Chinese FDI in the Caribbean went first to the automotive transportation sector, which was very dynamic in the 2015-2023 period, followed closely by tourism and the energy sector. These investments are more diversified than in South America; they are scarce in minerals and metals (10% in the entire period 2005-2023); more important in tourism (21%) and lead in automotive transportation (26%) and air and maritime (9%). Investment in automotive transportation began in Jamaica in 2014, and then expanded to Trinidad and Tobago (2010), Jamaica and Barbados in the period 2021-2022.

Chinese investment in Central America

Chinese investments in Central America are the lowest in the region. In Costa Rica they have gone to telecommunications, entertainment and automotive transportation; in Guatemala and Honduras to energy; and in Nicaragua to oil and telecommunications. In the 2005-2014 period, ¾ of that investment went to the energy sector. In the second period, investment was basically focused in Panama, covering areas of maritime, air and automotive transportation, real estate, energy and public services. Chinese investment in Costa Rica in this second period was directed to automotive transportation.

Table 30: Chinese Investments in Central America 2005-2023 (million dollars and %)

	2005-2014			2015-2023	
Costa Rica	340	17.7%	Costa Rica	470	18 %
Guatemala	700	36.4%	Panama	2,140	82%
Honduras	350	18.2%			
Nicaragua	530	27.6%			
Total	1,920	100		2,610	100

Source: Calculations based on CGIT data. Accessed in April 2024

5. The link between Chinese FDI and its domestic strategies

There is growing debate about the deployment of Chinese FDI in the region and its possible slowdown in the coming years. Two points should be made in this regard: i) the annual flows of Chinese FDI are still significantly lower than similar flows from the United States and the EU, and ii) Chinese FDI in LAC has fallen from its pre-pandemic levels; however, the drop is not very representative. This drop is reflected in lower investments in new facilities and more intensely in mergers and acquisitions, with the latter being the most significant.[32]

Table 31: Chinese FDI in LAC. Annual averages in millions of dollars

	CGIT	MONITOR	DIALOGUE
2010-2019	15,951	12,928	14,200
2020-2021	12,085	11,239	7,700
2022	12,410 (2022-2023)	13,058	6,400

Source: CGIT, Monitor and Dialogue (2024)

Table 31 indicates that the fall in FDI flows may well be due to the impacts of the pandemic, both in China and in our region.

32 The most recent mergers and acquisitions are in “utilities”, such as power generation and transmission. (Dialogue 2024)

In any case, the information for 2023, provided by CGIT (US$ 13.91 billion), allows us to assess this drop as quite moderate, since the recent annual averages are quite close to those of the 2010-2019 cycle.

The value of Chinese FDI in LAC in 2022, shows a significant recovery with respect to the 2019-2020 biennium but is still quite far from the peaks reached in 2010 (close to US$ 29 billion), 2014 (around US$ 18 billion) or 2018 (US$ 20 billion). It will then have to be seen how these values respond in the coming years to be able to assess whether it is a structural reduction in such flows to the region or if they are temporary reductions.

In this regard, it is possible to establish both conjunctural reasons and others that may be more permanent. Among the former are the consequences of the pandemic. It is well known that China was the area where confinement was the strictest and where it lasted for the most.[33] This, obviously, affected the dynamics of consumption and foreign trade and, consequently, investment—both within China and Chinese investment abroad. In addition, China faced a domestic scenario of slower economic growth. China was the only major economy that managed to avoid recession in 2020, growing at 2.2%.

The recovery of the world economy and the reduced comparison base allowed it to grow at 8.4% in 2021. In 2022, weaknesses began to show in the growth pattern, excessively supported by the real estate sector, once the authorities decided not to resort to massive stimuli to reactivate the economy. It became urgent to limit the risks of a financial bubble associated with real estate speculation. The restrictions imposed on these speculative sales then affected economic activity as a whole, since a significant part of Chinese households' assets are linked to the real estate sector. As a result, consumption and investment were constrained, resulting in a growth rate of

33 It was not until January 2023, nearly three years into the pandemic, that China downgraded Covid-19 to a lower level infection. This allowed the lifting of existing restrictions on domestic and international travel, as well as mandatory quarantine for travelers entering the country and for those infected with the virus (China Briefing, 2023)

3% in 2022, triggering a series of debates that pointed to the end of the long growth cycle in the Chinese economy.

The 2023 growth figure, however, showed a healthy growth of 5.2%, responding this time to the relaxation of some regulations in the real estate sector itself, easier home purchases and reductions in local government debt. This time, caution led us to consider that these supports should not be expressed in massive stimuli, similar to those used in 2009 to escape the impacts of the *subprime* crisis.

The strategy seeks to reduce excessive reliance on the complex real estate-construction-housing finance sector as the engine of growth and move towards an expansion of domestic consumption and a type of growth more closely linked to innovation and advances in science and technology. In particular, in recent years, there has been a firm commitment to fix the new pillars of growth around electric vehicles (EVs) and their respective batteries and new energies (photovoltaic, tidal and wind power), all areas in which China's leadership has been growing.[34]

It would then be a matter of strengthening the internal engines of growth (increasing the relative share of private consumption in GDP, to the detriment of investment), with greater emphasis on activities that promote innovation and productivity. This strengthening of the internal engines of growth must be accompanied by avoiding the accumulation of risks in the medium and long term (such as speculative, real estate or financial bubbles, as well as reductions in the high debt of local and regional governments).

Another set of reasons that may explain the slowdown in Chinese investment in the region in the 2021-2022 biennium has to do with the economic conditions of the region itself. In-

34 It is no coincidence then that it is exactly in these sectors where the conflict with the US reaches its greatest expression. The United States alleges the presence of subsidies and overproduction in China. As a result, it imposes high tariff surcharges on these Chinese items and is seeking similar action from its partners.

deed, LAC was the area most affected by the pandemic[35] and although growth managed to rebound in 2021, the economic performance 2022-2023 has been quite modest. Higher inflation, higher interest rates that affect investment and reduce fiscal space, and high public debt in several economies led to low growth rates in the 2022-2023 biennium.[36] From this point of view, it should come as no surprise that the Chinese authorities have issued instructions to mitigate medium and long-term risk in investments in the region, also favoring the use of new productive capacities generated around more innovation-intensive activities (Dialogue, 2024).

In this sense, favoring investments in advanced technology sectors not only aligns well with the new priorities of Chinese industrial and technological development, but also allows these Chinese investments to face less criticism than other traditional investments, more linked to the extraction of raw materials or the construction of mega-infrastructure, such as ports, dams, highways, etc. The latter have been questioned for geopolitical reasons, both in the region and abroad. Certainly, it is more difficult to question with the same emphasis investments now more closely linked to supporting the countries of the region in their digital and energy transition. The greater the concern of the region's governments to meet their decarbonization goals, the greater the need to invest in these fields.

35 With LAC accounting for 8.4% of the world's population, two years after the start of the pandemic, LAC accounted for 15% of the world's infections and 28% of the world's deaths. This drama was expressed in a sharp economic contraction and an increase in poverty and inequalities (ECLAC, 2022).

36 The average growth rate for the region was 2% for that biennium. Worse yet, between 2014 and 2024, the average regional GDP growth rate has been less than 1% (See: ECLAC, Economic Survey of Latin America and the Caribbean, various years).

Table 32: New trends in Chinese FDI in the region

From	To
Hydrocarbon energy	Renewable energies, including hydroelectric,
Minerals and metals for construction	Critical minerals for energy transition
Agriculture and food security	Chemical and bioagricultural companies
Traditional physical infrastructure	High-end ICT, renewable energies and electromobility,
Provision of ICT equipment and devices	Provision of IT infrastructure and financial technology services
Large mining or infrastructure investments	Minor investments in state-of-the-art technology activities

Source: Own based on information presented in Dialogue (2024)

Table 32 shows some emerging trends in Chinese FDI going to the region. These are investments related to the challenges of the digital transition and the energy transition, on the one hand, and on the other, investments that seek to exploit the new production capacities that China has been achieving in several of these areas. These emerging trends are not entirely reflected in the amounts involved as the highest amounts are still going towards natural resources. Indeed, between 2018 and the first half of 2023, 40% of investment deals were in ICT, however, these deals accounted for only 8% of the total value of Chinese FDI. In contrast, 24% of the amounts corresponded to extractive industries and 20% to public services. (Dialogue 2024)

Since our region is an area abundant in natural resources that China needs to supply its economy, these investment flows in extractive activities will continue at high levels. What is new is that investments in "new activities" will continue to grow. Of course, the possibility that these flows will contribute to increasing the added value of our production and exports will

depend basically on the quality of the public policies adopted by the respective governments.

The gradual reorientation of Chinese investment in the region (see Table 32) opens up a wide range of opportunities for us to make faster progress in the digital and energy transitions, shaping more diversified production and export patterns that are carbon neutral, resilient to climate change and with a better distribution of benefits. Indeed, the reorientation of Chinese investment towards renewable energies could well be used for regional electricity interconnection; the ample supply of critical minerals for the energy transition could stimulate the development of subregional *clusters* in basic and intermediate technology activities in the value chains associated with electromobility. A public policy that promotes electric buses could generate a key demand factor for this process. In agriculture, the reorientation of Chinese FDI towards chemical and bio-agricultural companies could be part of a package of policies aimed at increasing productivity and the use of new technologies in small-scale agriculture and in activities that are currently less technologically complex. Finally, investments in fin-tech and mobile telephony could contribute to banking penetration in rural and remote areas, opening up financing opportunities where traditional banks have limited access today.

None of the above is mechanical or a direct by-product of FDI. On the contrary, effective public policies are required to facilitate coordination, to address the associated market failures involved, and to offer precise investment opportunities, based on advanced pre-feasibility analyses and a policy package that articulates decisions on infrastructure, energy, human resource training, lines of financing, and the adequacy of regulatory frameworks. If these decisions were to be coordinated between two or more countries, around precise investment projects, then the possibility of using Chinese FDI as a springboard to advance the digital and energy transitions would grow. The challenge is there.

In a sign of tactical adjustments to the domestic and international scenario, in 2020 the Chinese authorities coined the term "dual circulation economy". This was followed by the term "new infrastructure", which was enshrined in the XIV Five-Year Plan 2021-2025. More recently, President Xi coined the term "new productive forces". All these initiatives maintain a line of continuity with the *Made in China 2025* initiative.

"Made in China 2025"

The "*Made* in China 2025" proposal emerged in October 2015, and seeks to strengthen innovation and the development of new technologies, focusing on three objectives: i) for the manufacturing industry to move up the technological hierarchy of value chains; ii) to transform China into a technological power; and iii) to restructure the industrial sector, increasing its efficiency, quality and innovation capacity. To this end, it would be necessary to strengthen the link between industrialization and informatization, massively incorporating robotics, Internet of Things, *Big Data, e-cloud* and Artificial Intelligence into industrial management.

The program envisages three phases: i) in 2025, to reduce the technological gap with leading countries, ii) in 2035, to strengthen China's technological position and iii) in 2045, to lead global innovation. The *"Made in China 2025"* plan targets 10 relevant sectors in new technologies and aimed to create 15 new National Science Centers and Technology Innovation *Hubs* by 2020 and to have 40 of them by 2025. (Rosales, 2020)

"Dual Circulation Economy"

In May 2020, the Chinese authorities began to disseminate the concept of "dual circulation economy", seeking "a more self-sustainable economy in a post-pandemic world with uncertainty, weakened demand and US hostility to China". The

"dual-circulation" economy[37] was embodied in the 2021-2025 Five-Year Plan. In this dual-circuit economy, domestic demand and innovation would be the main factors of dynamism and the external sector, a complement. This objective is not new, but today there are geopolitical and security reasons that put greater pressure and urgency on these objectives.

Since the reforms promoted by Hu Jintao (who governed between 2002 and 2012), there has been talk of economic reforms that should reduce the role of investments and exports in GDP, increasing the share of consumption. This orientation has been going on for nearly two decades now and progress has been minor.[38] After the "trade war" initiated by Trump and which has not abated under Biden, today the nuance lies in reducing the exposure of the Chinese economy to US pressures, and the uncertainty that this may bring to Chinese growth. In this sense, the Chinese response to the *"decoupling"* promoted by the USA is basically aimed at favoring autonomy in key technologies, and this is expressed in reinforcing support for Chinese technologies and reducing obstacles to technology-intensive foreign investment that is willing to settle in China.

The global financial crisis of 2008-2009 highlighted the fragility of a model as export-driven as the Chinese model. It also revealed the vulnerability of a trade strategy in which Chinese companies imported raw materials, processed them and then exported them. This strategy did not facilitate the technological ascent of Chinese companies in the value chains. Hence the new emphasis on favoring domestic demand, relying less on foreign demand, and innovation, in order to increase technological complexity. The Chinese authorities postulated that the U.S. and other countries' blockade of the deployment of major Chinese technology companies would force them to make a

37 Dual circulation refers to a domestic circulation, which would predominate, and an international circulation. The concept is not different from the circular flow of the economy taught in introductory economics courses.

38 Between 2006 and 2019, China's trade-to-GDP ratio fell from 65% to 36%. However, the weight of investment increased and the share of private consumption increased at the margin, stabilizing at around 39% of GDP in 2019, almost the same as a decade earlier.(AMCHAM-China, 2020).

greater effort to achieve self-sufficiency in key technologies. In other words, it would no longer just be a matter of producing *chips* but also of designing them, sourcing them internally and exporting them.[39]

"The New Infrastructure"

The "new infrastructure" advocated in official Chinese government documents refers to ICT and to goods and services linked to the digital transition, to activities more closely linked to the energy transition and to financial technologies. The range of these activities is vast. In this sense, in terms of digital transition, it would include 5G networks, the upcoming 6G networks, data centers, cloud computing, quantum computing, *Big Data*, AI and the Industrial Internet[40] .

In energy transition, renewable energies (solar, wind, high-voltage electricity transmission, electric vehicles, urban rail transport, high-speed electric trains and urban infrastructure associated with *"Smart Cities".* In financial technologies, the relevance of *block chain* and Fintech initiatives in payment platforms that seek to develop inclusive digital finance is highlighted. The aim is to take advantage of new technologies to promote financial inclusion, reducing the cost of financial services and expanding the coverage of such services, reaching remote rural areas and promoting the banking penetration of large segments of the population, normally marginalized from such services and that today can be incorporated thanks to the widespread use of smartphones.[41]

The impact of the "new infrastructure" is already beginning to be reflected in new Chinese investments in the region. For ex-

39 China remains critically dependent on imported semiconductors. As of 2020, it imported about US$ 300 billion to supply 85% of its domestic market demand (AMCHAM-China, 2020). As of that date, Chinese firms depended on external suppliers for 55% in robotics; 65% in cloud-computing and up to 90% in semiconductors.

40 In 2023, the Chinese company Flytech launched Spark Derk, an AI that competes with ChatGPT and, according to its creators, already surpasses it. (El País, 2024).

41 There is immediate interest in accessing these technologies in our region, using them to make faster progress in the levels of banking penetration in rural and remote areas.

ample, Chinese investment in electric vehicles (EVs) reached US$ 2.2 billion in 2022, just over a third of total investment, and covered several economies in the region, including battery, car and bus manufacturing. This is most strongly seen in Mexico and Brazil, economies with larger markets, a denser and more diversified industrial fabric and, in particular, a more developed automotive industry than in the rest of the region. Investments in the manufacture of high-end machinery and medical equipment also appear in Brazil and Mexico, but also in Colombia, Chile and Ecuador. Investments in renewable energies are present in Brazil, Chile and Peru; and in high voltage transmission lines in Brazil, Chile and Peru, among others. The modernization of urban transport networks (electric buses, railroads and subways) has also benefited from Chinese investments in Argentina, Colombia and Chile. (Dialogue, 2024)

ICT investments are already present in most South American countries and also in several Central American and Caribbean countries. Huawei and other Chinese technology companies are moving from selling equipment to offering data centers and cloud computing in Argentina, Brazil, Chile, Colombia, Mexico and Peru. In Colombia, Chinese companies are in charge of expanding the 5G network, integrating AI technologies, cloud services and cybersecurity solutions.

“New Productive Forces of Quality”

The Chinese authority used the concept of “new quality productive forces” in September 2023, to refer to the challenges of innovation and technological change, in a clear sequence with the previous concepts of “dual circulation economy”, “new infrastructure” and the *Made in* China 2025 initiative. Although in the case of this recent concept there is a lack of developments that make it more explicit in a more precise way, what has been read points to stimulating innovation, fostering emerging industries, developing plans to boost future industries, modernizing the industrial apparatus and promoting strategic emerging industries with international competitiveness. (Xinhua, 2024)

This means continuing to cover the country with fiber optic networks, resilient, with wide capillarity, so as to enable the massive application of smart devices in industry, agriculture and services, *e-commerce*, energy supply, city administration and even telemedicine and online education.

Thus, for example, while Chinese exports in 2023 grew by only 0.6%, exports of photovoltaic cells grew by 54% and vehicles powered by new energies by 30%. This is a clear example of the need for a good diagnosis of the main trends in China's economic development. This is what could allow a better adaptation of trade and investment flows to those trends, seeking to locate the potential of our economies there.

The Innovation Imperative in China[42]

The strategic urgency of innovation in China is central to its development strategy. Innovation is the key to overcoming the "middle-income trap" and also to facing the end of the demographic bonus, since China's working population will continue to decline, requiring increases in productivity that will ensure long-term growth of around 4-5% and enable the working population to support the non-working population. This greater effort in innovation is essential to accelerate the transition from labor-intensive manufacturing to more technology- and knowledge-intensive manufacturing and modern services. The gradual exhaustion of the internal migration process, i.e., the approach of the tipping point of the Lewis development model, is leading to significant increases in the minimum and average urban wage, making Chinese products of lower processing less competitive with neighboring Asian economies such as Vietnam, Bangladesh, Thailand, among others.

China's sustained growth dynamic for four decades was based on factor accumulation, both in terms of labor (absorbing millions of workers migrating from the countryside to the city) and capital (through an investment rate of 40% of GDP, aimed

42 This section is based on Rosales (2020).

at expanding the infrastructure, construction and manufacturing base). This growth dynamic is no longer possible because the rural-urban migration flow is reduced and because the high levels of investment have generated severe economic imbalances (overproduction in key sectors, high levels of debt in local and regional governments, poor quality of state banking assets, environmental deterioration, gigantic real estate bubbles), which threaten to cause major financial crises. Avoiding these eventual crises and reformulating the style of growth is the purpose of the economic reforms underway.

Fostering a leap in innovation and productivity is therefore crucial for China. The debt-based investment *boom* has encountered its limits, as demographics are also imposing constraints on extensive growth.

The *Made in* China 2025 plan was presented as functional in this direction, listing China's weaknesses in this area: lags in innovation capacity; in production quality and process efficiency; lags in intelligent manufacturing and in "green development". The plan defined three phases to overcome these weaknesses: i) reinforce endogenous R&D capacity in key technologies, strengthening the protection of intellectual property rights; ii) gradually replace foreign technologies with domestic technologies of similar or superior quality; and iii) achieve Chinese global leadership in modern technologies by mid-century.

This major task requires a special effort in ICT (integrated circuits, *Big Data,* high performance computing, etc.), in order to develop and export 5G and then 6G technologies, with a view to their application in AI, IoT, robotics, numerical control and, finally, digitization of productive activities. For this reason, the restrictions imposed by the USA on Chinese technology companies make it very difficult to meet the goals of the *Made In China 2025* plan.

The Chinese challenge then is to rely more on productivity than on factor accumulation; to improve investment efficiency; to support a greater presence of consumption in aggregate demand, thus boosting the domestic market; to balance the structure of the product, reducing the relative weight of industry and increasing that of services; in industry, to increase the presence of green and innovation-intensive industries to the detriment of others that are more energy-intensive and less skilled labor-intensive.

China needs a leap in innovation to add more value to its production, to generate more productive and better paying jobs, and to cater to the explosive urbanization of the coming decades.[43] China needs to generate 12 million urban jobs annually to absorb new entrants into the labor force and keep its unemployment rate constant. To do so, the economy must grow between 5 and 6% and this requires that 2 to 3 points of that growth come from higher multifactor productivity, i.e., that 40 to 50% of growth comes from productivity gains (McKinsey, 2015).

Knowing and understanding the magnitude of this challenge and the ways in which it will be reflected in production, foreign trade, investment and consumption in China is therefore essential to be able to adjust the orientations of the public policies of the countries of the region that wish to strengthen ties with the Chinese and Asian growth dynamics.

43 Between 2015 and 2020 alone, the urban population grew by 100 million people, putting pressure on urban services such as water, electricity, sewage, transportation, telecommunications, health, education, culture and leisure, among the main ones.

CHAPTER III: CHINESE FINANCING TO THE REGION

1. Loans from official banks

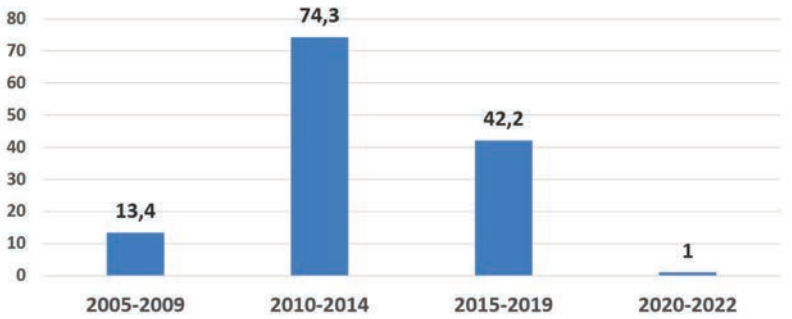
Chinese official bank lending to the region reached its peak between 2010 and 2014, when it totaled US$ 74.3 billion. In several years of the second decade of this century, Chinese banks lent more to the developing world than the World Bank. Two of these banks, the China Development Bank and the China Export Import Bank in similar years also lent more to the region than the sum of the credits granted by the World Bank and the IDB.[44] Thus, the export of capital became an important component of the process of internationalization of the Chinese economy.

Between 2015 and 2019, Chinese credits to the region[45] reached only 60% of the amount of the previous five-year period, although this flow continued to be comparatively high compared to the contributions of multilateral banks. In any case, in the three-year period 2020-2022 this flow practically disappeared, a phenomenon that merits further research to find out the reasons for this abrupt change in the financial relationship with the region. (Dialogue, 2023).

44 "China lends more than the World Bank", BBC Mundo, 18-Jan-2011; "China lent more money to Latin America than the WB and IDB combined", El País, 12-February 2016.

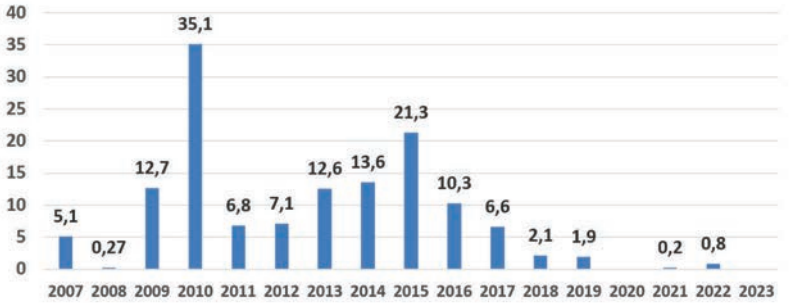
45 The operations of the China Development Bank (CDB) and the China Export Import Bank are accounted for.

Figure 27: Chinese bank lending to LAC countries, 2005-2022 (US$ billions)



Source: Ray, R. and M. Myers, Dialogue (2023)

Figure 28: Chinese financing to the region, 2007-2023 (US$ billions)



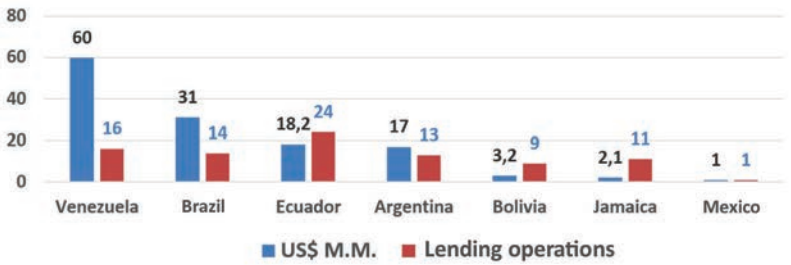
Source: Ray, R. and M. Myers, Dialogue (2023)

The evolution of official Chinese loans to the region does not show a persistent pattern. There was a sharp increase between 2008-2010, a period characterized by the Great Crisis, with a drastic reduction in 2011; thereafter, persistent increases until 2015, and then another sharp drop, which practically eliminates Chinese financing to the region between 2018 and 2023. In other words, the sharp slowdown in lending activity predates the Covid-19 pandemic, although the decline deepened during the pandemic. The data for 2021 show a solitary credit

operation of US$ 204 million for Barbados, oriented to vaccines and medical equipment, while for 2022, only three operations appear, one for Brazil for US$ 500 million, another for US$ 121 million for Barbados and US$ 192 million for Guyana, in both cases for road infrastructure.

Figure 29 indicates that, in the 2005-2022 period, Venezuela was the main beneficiary of official Chinese financing, accessing 45% of total Chinese loans to the region. It was followed by Brazil (23%), Ecuador (13.7%) and Argentina (12.8%). In terms of the number of loan operations, Ecuador was the country with the highest number (27%), followed by Venezuela (18%) and Brazil (16%).

Figure 29: Chinese official bank lending—main beneficiaries, 2005-2022 (US$ billions)



Source: Ray, R. and M. Myers, Dialogue (2023).

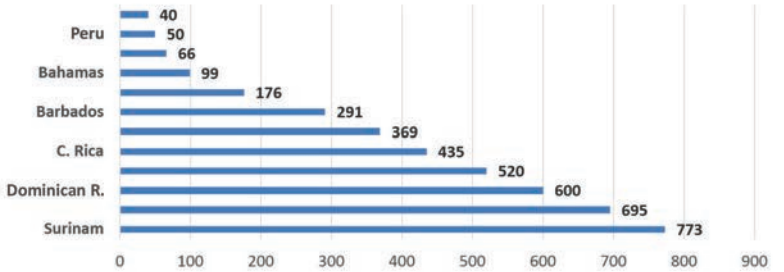
A ranking of official credits from Chinese development banks shows the dominant role of Venezuela as the main recipient of these operations. In fact, among the 15 largest loans, 9 corresponded to Venezuela, 4 to Brazil, 1 to Argentina and another to Ecuador. Of these 15 largest credits, 8 were oriented towards oil energy, with a total amount of US$ 36.5 billion, and 7 were destined to finance the needs of national governments (Venezuela, Argentina and Ecuador), with a total amount of US$ 53.485 billion.

Table 33: The 15 largest official loans, since 2006

	Receiving country	Amount (US$ million)	Uses of credit
2010	Venezuela	20,555	National government
2010	Argentina	10,000	National government
2009	Brazil	7,000	Petrobras
2015	Ecuador	5,290	National government
2016	Brazil	5,000	Petrobras
2017	Brazil	5,000	Petrobras
2013	Venezuela	5,000	National government
2015	Venezuela	5,000	National government
2007	Venezuela	4,000	PDVSA
2009	Venezuela	4,000	PDVSA
2011	Venezuela	4,000	PDVSA
2012	Venezuela	4,000	National government
2013	Venezuela	4,000	PDVSA
2014	Venezuela	4,000	National government
2015	Brazil	3,500	Petrobras

Source: Author's elaboration, based on information from Ray, R. and M. Myers, Dialogue, op.cit.

Figure 30: Other beneficiaries of Chinese bank loans, 2005-2022 (US$ millions)



Source: Ray, R. and M. Myers, Dialogue (2023)

Another 12 countries had access to official Chinese financing, albeit for much smaller amounts than those already mentioned. Some 9 of these countries were in the Caribbean, 2 in South America and one in Central America (Costa Rica). Thus, for the period under consideration, 19 countries in the region obtained financing from official Chinese banks. The bulk of this financing was provided a few years after the *subprime* crisis, at a time when access to external financing was not easy for the region's countries.

The main uses of these loans were for energy and infrastructure. Of a total of US$ 134.4 billion, 68% went to energy and 20% to infrastructure. The remaining 12% went to a variety of uses, including US$2.1 billion, mostly to Venezuela and a smaller amount to Bolivia.

Table 34: Reported Uses of Chinese Bank Loans 2005-2022
(millions of dollars)

	Energy		Infrastructure
Venezuela	52,800	**Argentina**	13,600
Brazil	27,400	**Venezuela**	4,400
Ecuador	5,100	**Jamaica**	1,800
Argentina	3,000	**Brazil**	1,500
Bolivia	1,000	**Bolivia**	1,100
Mexico	1,000	**Ecuador**	992
Rest	600	**Rest**	3,108
Total	90,900	**Total**	26,500

Source: Author's elaboration, based on information from Ray, R. and M. Myers, Dialogue, op. cit.

Box 4. Argentina: a special financing case

Argentina is the fourth largest recipient of financing from Chinese development banks in LAC. Loans provided by the China Development Bank, the Export-Import Bank of China, and the CITIC Group totaled $17 billion between 2005 and 2019, the amount of which was primarily for energy and transportation infrastructure.

Chinese commercial banks have also supported Argentina. In fact, Argentina was the main recipient of loans provided by these banks in the region between 2007 and 2021. The Industrial and Commercial Bank of China (ICBC) and the Bank of China supported energy, transportation and mining infrastructure projects. Most of these agreements were carried out through turnkey contracts. This implies that the provision of financing is tied to the projects including technology or the use of Chinese machinery, and that these ventures are developed by Chinese companies.

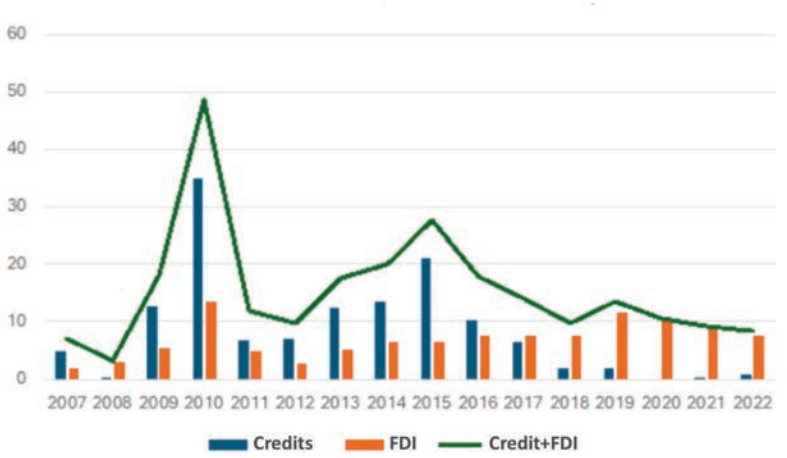
Argentina has also joined multilateral development banks where China plays a leading role. In 2021, Argentina became a non-regional member of the Asian Infrastructure Investment Bank (AIIB), after making the respective capital contribution. The first project financed by the AIIB in Argentina was approved in 2023 for a wind farm in Río Grande, Tierra del Fuego, which is expected to cost US$ 71.5 million, of which US$ 64 million will be provided by the AIIB and the remaining US$ 7.5 million by the Argentine government.

The financial relationship between Argentina and China also includes currency swap agreements. These agreements are part of a strategy that the People's Bank of China has deployed around three objectives: i) to promote the internationalization of its currency, the renminbi; ii) to encourage the participation of other currencies in commercial transactions and in the international monetary system; and iii) to support Chinese exporting and investing companies.

The first swap agreement between Argentina and China was signed in 2009; but was never activated. The second, signed in 2014, was activated on several occasions, and renewed in 2017 and 2020. At the end of 2022, the special activation of US$ 5 billion that Argentina could use to raise its net reserves was announced. In June 2023, the early renewal of the swap, which expired in August, was confirmed for three additional years. In October 2023, it was announced that the freely available amount of the swap will be increased to US$ 11.5 billion. The activation of the currency swap agreement with China assumes an interest rate that has not been officially disclosed and is estimated to be between 6 and 7% per year.

Source: J. González. La Argentina en un contexto global de transición: los desafíos del vínculo con China [Argentina in a global context of transition: the challenges of the link with China]. Voces, December 2023, Buenos Aires.

Figure 31 Chinese input into the region, 2007-2022
Credits+FDI (million dollars)



Source: Author's construction, based on information from Ray, R. and Myers, Dialogue, op. cit.

Combining the information on FDI and loans from Chinese development banks in the region, we can see a strong increase in the presence of Chinese capital in the years of the Great Crisis (2008-2010), basically due to increases in loans. Investments and loans declined substantially between 2011 and 2012, but were reactivated until 2015, once again led by loans. From 2015 onwards, the supply of Chinese capital to the region persistently declines, stabilizing approximately around US$ 10 billion and now explained almost solely by FDI flows. Chinese official bank credits to the region practically vanish since 2018.

Table 35 shows the latest credit granted by Chinese development banks to various countries in the region. With the exception of Argentina, Brazil and Guyana, the credit operations of these banks have, from 2019 onwards, privileged Caribbean countries.

Table 35: Latest credit granted by Chinese development banks to countries in the region

Year	Countries
2022	Barbados, Brazil, Guyana
2021	Trinidad and Tobago
2019	Argentina, Dominican R., Grenada, Suriname
2018	Ecuador
2017	Cuba, Jamaica
2016	Antigua and Barbuda
2015	Costa Rica, Venezuela

Source: CLLAC-data-2023-EN. Information as of April 2024.

Chinese commercial bank financing to countries in the region

Argentina has been by far the country that has resorted most to loans from Chinese commercial banks. Argentina concentrated 50% of loans granted between 2007 and 2016. It was

followed by Brazil (13%), Peru and Chile (9% each). These four countries received 81% of the loans granted by Chinese commercial banks in that period.

The most active bank in this regard was ICBC, responsible for 2/3 of the commercial loans granted during the period under review. The operations of the Bank of China and the China Construction Bank were much further behind.

Table 36: Loans granted by Chinese commercial banks, 2007-2016 (number of loans)

	ICBC	BOC	CCB	BoCom	ABC	Total country
Argentina	33	3	1		1	38
Brazil	5	1	3	1		10
Peru	4	3				7
Mexico	2	1				3
Chile	2	1	2			5
Colombia	1	2	2			5
Ecuador	1	2	2			5
Honduras	1					1
Venezuela	1					1
Total	50	13	10	1	1	75

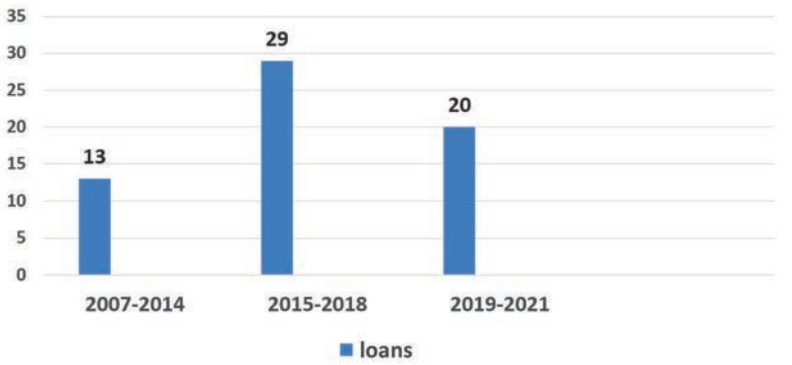
ICBC: Industrial and Commercial Bank of China; BOC: Bank of China; CCB: China Construction Bank; BoCom; Bank of Communications; ABC: Agricultural Bank of China.

Source: Margaret Myers (2021) "China-Latin America Commercial Loans Tracker," Washington: Inter-American Dialogue

Figure 32 shows the evolution of Chinese commercial bank loans to the region. The period of greatest financing took place in the 2015-2018 period, with an average of 7.2 loans per year. This compares with averages of 2.6 in 2007-2014 and 6.6 in 2019-2021. It is worth noting that the dynamism of

Chinese commercial banks in the region has partially offset the sharp slowdown in Chinese development bank lending to countries in the region.

Figure 32: Number of Chinese commercial bank Loans to countries in the region (2007-2021)



Source: Own construction based on Margaret Myers (2021) "China-Latin America Commercial Loans Tracker" Washington: Inter-American Dialogue

CHAPTER IV: CULTURAL EXCHANGE AND COOPERATION [46]

At the beginning of the new century, the link between China and Latin America has been deepening at the economic, commercial, diplomatic and cultural levels. In fact, between 2004 and 2005, the three main Chinese leaders—President Hu Jintao, the Vice President and the Chairman of the National Committee of the Chinese People's Political Consultative Conference—visited more than ten Latin American countries (Xu, 2006). This was not only unprecedented in the history of the common bonds, but also marked a notable difference with respect to the presence of North American and European leaders in the region.

1. Confucius Institutes in the region

Confucius Institutes have operated as China's main instrument of cultural promotion. They are non-profit educational organizations aimed at teaching and disseminating Chinese language and culture abroad.

The Confucius Institutes are supervised by the Center for Language and Educational Cooperation (CLEC), under the guidance of the Chinese Ministry of Education. CLEC is the institution responsible for supporting the process of learning Chinese language and culture internationally, contributing to the development of multiculturalism and the knowledge and exchange of cultural experiences. CLEC provides stra-

46 This section is based on the work of the Center for Latin American Studies on China (CELC, Spanish acronym), based at the Andrés Bello University, Santiago, Chile. Our thanks to its director, Fernando Reyes Matta and Ricardo Santana.

tegic guidelines to the different Confucius Institutes around the world and promotes partnerships with local entities. In these partnerships, the respective Confucius Institute provides teaching materials and language teachers, while the local partners provide space, facilities and on-site staff.

The first Confucius Institute in the region was inaugurated in Mexico City in 2006, which was also the first similar institute in the world. It is estimated that there are around 550 institutes worldwide in 162 countries.

In 2018, there were 144 Confucius Institutes, and 384 Confucius Classrooms distributed in 15 countries in Latin America—the largest number of them in Brazil. The Confucius Institute of the University of the State of Sao Paulo alone gathered 2 thousand students. Brazil hosts 10 Confucius Institutes and 4 Confucius Halls, with a total of 20 thousand students enrolled. These educational centers offer classes in Mandarin Chinese language, Chinese medicine, martial arts, history, flower arranging, theater, paper cutting, among other subjects.

Table 37: Confucius Institutes in the region

Argentina	Universidad de Buenos Aires, Universidad de la Plata
Bolivia	Univerdidad de San Simón
Brazil	Brasilia, Sao Paulo, M. Gerais, Rio de Janeiro, Pernambuco, Rio Grande do Sul, Campinas
Colombia	Medellín, Universidad de los Andes, Universidad Jorge Lozano
Costa Rica	Universidad de Costa Rica
Cuba	Universidad de La Habana
Chile	Universidad Santo Tomás, Viña del Mar; PUC Santiago y Universidad de la Frontera (Temuco)
Ecuador	Universidad de San Francisco de Quito,
Guyana	University of Guyana
Mexico	C de México, Universidad Autónoma de Chihuahua, Universidad Autónoma de Nueva León, Universidad Autónoma de Yucatán, UNAM.
Peru	Pontif. Universidad Católica de Perú, Universidad de Piura, Universidad Católica de Santa María, Universidad de Ricardo Palma
Caribe	University of the West Indies (Jamaica), College of Bahamas, UIO St. Agustine, Trinidad y Tobago

Source: CRICAL (s/f). F. Affairs Committee (2024) indicates that Confucius Institutes also exist in Cuba, Guyana, Antigua and Barbuda, Barbados, Grenada and Suriname.

In 2000, only 12 Chinese universities offered majors that taught Spanish, but in twenty years that number grew exponentially, and by 2022, there were close to 150 Chinese colleges and universities offering majors in Spanish.

In Latin America, the CLEC opened the Regional Center for Confucius Institutes (CRICAL, Spanish acronym) in Santiago, Chile. This center organizes, coordinates and evaluates activities in the region. In Chile, the Confucius Institute was founded in 2007 at the Universidad Santo Tomas (UST), Viña del Mar, Chile. As of April 2019, 19 cities in Chile had branches

of the institute and more than 12 thousand people have passed through them acquiring some kind of knowledge of Mandarin Chinese and Chinese culture. More than 200 people have traveled to China thanks to the Summer Camp Program of the UST's Confucius Institute. At present, the Network of Confucius Institutes of Chile has study agreements with 16 municipalities, 15 schools and 5 Chilean universities.[47] (BNC, 2020)

En la pandemia, el Instituto Chileno Chino de Cultura –que en octubre 2022 cumplió 70 años– impulsó diversos intercambios sobre la obra de escritores chinos contemporáneos, utilizando plataformas virtuales. Surgió así el club de lectura de la literatura china, con la presencia on line del escritor Shi Yifeng y su novela "Ella ya no está".

Cuadro 38: Actividades culturales Most relevant cultural activities in Chile

	Activity/ visit	Visited city
2007	Shandong Acrobatic Group	Various
2008	Beijing Opera	Santiago/Valparaíso
2011	Chinese Imperial Circus	Various
2016	Forbidden City" Exhibition	Santiago
2016	Chinese film show (every year)	Santiago
2017	Shaolin monks (martial art)	Santiago/Valparaíso
2017	China's University Group of Southeast Nations (tribute to Violeta Parra)	Santiago-Valparaíso
2018	Shenzhen Symphony Orchestra	Santiago
2018	Shenzhen Arts Tropue	Santiago/San Felipe
2019	Hangzhou Arts Troupe	Various cities
2019	Talk by Mo Yan (Nobel Lit. 2012)	Santiago

Source: BNC (2020)

47 Cultural exchange between Chile and China. National Library of Congress, 2020. https://obtienearchivo.bcn.cl/obtienearchivo?id=repositorio/10221/28241/1/Intercambio_cultural_Chile_China.pdf

In August 2020, the Latin American Partners Online Media Cooperation Forum was held. The meeting was held between China Media Groups and Latin American Media Partners.

The great techno-cultural contribution left by the pandemic was the online dialogue between Chinese and Latin American scholars and thinkers. A concrete example is the China-Latin America High Level Academic Dialogue Forum. In its ninth version, organized by the University of Santiago, a two-day program was developed. Its last version in 2023 was coordinated by the University of Cordoba. This forum brings together fifteen to twenty specialists from China with their Latin American counterparts. The National University of Cordoba (UNC), Confucius Institute (UNC) - National University of La Plata - Paulista State University - Andrés Bello University - University of Santiago de Chile - Institute of Latin American Studies/Chinese Academy of Social Sciences (CASS), which brings together the Chinese side, have joined the Forum. Topics addressed have included recent geopolitical changes and the state of the art in science and technology.

2. CLEC and Its Rich Digital Agenda

In the immediate post-pandemic period, the Center for Language and Educational Cooperation (CLEC) continued to develop activities through the new virtual communication channels. The scope of its activities resulted in the participation of more than 3,500 people in 2021, 75,000 in 2022, and 87,000 in 2023[48].

During 2022-2023, CLEC has developed a variety of activities, including language training, cultural exchange with Argentina and Mexico, agricultural technologies in China and Latin America, renewable energies and their teaching in Chinese and Latin American universities, electromobility, tele-

48 Prepared by the Center for Latin American Studies on China, Universidad Andrés Bello, based on official data obtained from annual presentations of the Center for International Chinese Language Teaching and Collaboration.

communications, mining, recent events in medicine, cinema, and multimedia design, among others. Qualified Chinese and regional speakers have participated in each of these events.

3. Student Exchanges and Online Activities

In the absence of a centralized regional office, there are only a few reliable data on student exchange between China and Latin America. The Chinese embassy in Chile offers 15 government scholarships each year, but there are also scholarships from governments or other sources.

In the case of Chile, Huawei carries out the Seeds for the Future program, with an online convocation that offers an advanced meeting in new technologies and Chinese culture. In 2023, 845 applications were received from university students from all over the country and the best 50 students were selected to be part of the program. The format of this program was carried out in a hybrid way in 8 live (online) sessions with international experts on leadership, social issues, Chinese culture, etc., in addition to online courses on different technologies including 5G, cloud, AI and Digital Power, participation in the group project "Tech4Good" and cultural exchanges with outstanding students from around the world.

In October 2021, the Andrés Bello University (Santiago, Chile) organized the International Seminar "China-Latin America Video Games Dialogue: Projections towards the 21st Century". The event sought to better understand the development and future of the interactive technology industry, share objectives and visions for the development of relevant careers in Chinese and Latin American universities. This activity was organized in conjunction with Tsinghua University, China, where the Tencent Institute is located, both of which provided speakers. Academics from Brazil, Chile and Uruguay participated.

4. Cultural Joint Ventures[49]

A pending challenge is to explore the possibility of creating "cultural joint ventures". The idea is to seek in areas such as film production for global networks, those themes and content treatments that have sufficient universality to be produced with the participation of entities from China and Latin American and Caribbean countries.[50] The aim would be to generate joint activities in video production, film, editing, printing and reproduction, advertising, arts and entertainment, cultural exhibitions, digital material production and animation.

Since 2010, more than 100 Chinese cultural companies have been listed on the stock exchange, in accordance with the proposals of the XII Five-Year Plan, 2010-2015. This has led to important advances in the areas of cinema, video games, music, major shows and other areas of culture and the arts.

In 2013, China's video game industry had grown 38% year-on-year, and reached a value of US$ 13 billion, via personal computers and smartphones. In September 2014, Microsoft was the first company in the world to sign up for the new Shanghai Pilot Free Trade Zone. Together with its Chinese partner Best-TV, they contributed US$ 80 million each for the manufacture of video game consoles

In April 2010, Televisa, frome México, announced an agreement with China International Television Corporation (CITVC) to produce a TV soap opera "with Chinese characteristics". Venevisión signed in April 2012 an agreement with Zhejiang Huace Film & TV Company, a large private producer and distributor of television series in China, to design a co-production of telenovelas. This is a field that countries in the region should work on with greater interest, particularly targeting Chinese television channels, some of which broadcast 24 hours a day, especially in the provinces of the country.

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49 This section includes reflections by Fernando Reyes Matta, former Chilean Ambassador to China and Director of the Center for Latin American Studies on China, Universidad Andrés Bello, Santiago, Chile.

50 In this regard, the alliances between Argentine and Spanish cinema are paradigmatic.

The challenge is key for creators and artists in Latin America and the Caribbean: to seek a creative dialogue with China for the development of cultural industries with aspirations of accessing the global market.

5. China in the "Orange Economy": Culture, Innovation and Business

One of the few studies on this field carried out in the region highlights the following as key elements:[51] culture as identity (social dimension), culture as industry (economic dimension) and culture as diplomacy (political dimension). In the first sense, music, plastic arts, literature, sports and even gastronomy would form an imaginary of the region that projects a Latin American identity to the world. Certainly, this dimension can be projected to the economic and commercial dimension, and also to the diplomatic sphere. In all these fields, the region would need to invest more resources and allocate more efforts to gain a greater presence in Chinese culture and society.[52]

ECLAC[53] calls "creative industries" or "cultural industries" the productive areas that include film, television, music, audio and video, the publishing industry, the recording sector, interactive and recreational software, the advertising and design industries, and architecture. In 2017, the Inter-American Development Bank (IDB) called "Orange Economy" the creative and cultural economy, a term that encompasses film, advertising, television, animation, video games, publishing industry, music industry, fashion and design.

The orange economy would help transform ideas into goods and services, and applied knowledge and creativity would help diversify the region's productive and export base and improve its international competitiveness. By these means, the "orange

51 https://www.redalyc.org/journal/522/52272877004/html/

52 The final section of this document (Challenges and policy proposals) takes up this idea of culture in these three dimensions, seeking to enhance them through the installation of an ALC Building in Beijing.

53 Available at https://repositorio.cepal.org/bitstream/handle/11362/4136/1/S2006037_es.pdf

economy" would also help diversify our exports to China and the Asia-Pacific region.

For UNCTAD, China is the largest single exporter and importer of creative goods and services. China is thus the main force behind the boom of the creative economy in the last decade and a half: in 2015, its exports were four times greater than those of the United States. China held 32% of the global creative goods market compared to 8% for the U.S. (Turzi, 2020). For 2019, PwC12 estimated that total "filmed entertainment" (TV and video) revenues exceeded U$ 104 billion worldwide, with China and LAC accounting for more than 30% of that figure. Global content creation is therefore a factor to be considered in the China-LAC relationship.

More than one-third of China's top-grossing films in the past two years were made in the U.S. But China aimed to have "its own films win the box office, both for financial reasons and for national pride" (Turzi, 2020). The XIII Five-Year Program (2016-2020) plan for Development and Reform stipulated that the country would help create cultural business groups designed for competition and with high market value. The goal is to gradually turn the cultural industry into a pillar of the economy.

The International Service Trade Fair held the first edition of the National Cultural Export Basis Forum in September 2021. There, it was said that, in 2020, the total value of China's imports and exports of cultural goods and services reached US$ 144 billion, forming a group of cultural enterprises, products and brands with international influence. However, it was also noted that China's influence in global markets and large international audiences remained low.

The export of culture has become an increasingly relevant issue in China. With China's rich cultural heritage, and through innovation and technology, it is highly likely that its cultural industries will acquire global dimensions. Our region should

not waste the opportunity to become more closely linked to this development, creating the conditions for cultural joint ventures and generating space for the export of sophisticated services. The Latin American and Caribbean potential in art and culture is more than relevant and, therefore, developing policies that stimulate its deployment towards the Asian region could open interesting spaces for the development of the creativity of new generations, linking art and culture with new technologies and, incidentally, generating attractive and well-paid jobs. The challenge is to take the potential of the "orange economy" seriously, linking it with advances in innovation and R&D.

CHAPTER V: CHALLENGES AND POLICY PROPOSALS

Between 2000 and 2023, the following features can be detected in the evolution of exports from Latin America and the Caribbean to China: i) strong growth in the value of exports by all subregions and Mexico, especially between 2000 and 2012; ii) all exports grew, but exports from South America are by far the most important; iii) heterogeneity in the pattern of exports to the United States, with the South American shipments being much more highly concentrated in primary products than those from Mexico, Central America, and the Caribbean; iv) an important trend towards reprimarization of exports to China, due to the predominance of South American exports; v) exports continued to be heavily concentrated in a small number of countries and commodities; vi) bilateral trade deficits prevail—particularly a high deficit in manufactured goods vii) the countries of the region exported considerably more items to other partners than they sent to China.

The main trends of Chinese FDI in the region can be summarized as follows: i) between the first and second periods considered (2005-2014 and 2015-2022), Chinese investment in the region increased significantly; ii) in the period 2020-2022 there is a reduction in these flows, which seem to rebound in 2023 and 2024; iii) between 2015 and 2022, the annual flow of Chinese FDI in the region averaged US$ 14 billion, compared to an annual average of US$ 9.5 billion in the 2005-2014 period; iv) Chinese FDI reached 5% of the region's total in the 2005-2014 period and 8.5% in the 2015-2022 period; v) FDI is significantly reoriented, gradually shifting towards activities more closely related to new technologies, with a gradual

reduction in the importance of investments oriented towards natural resources and extractive activities—although the latter continue to be the largest in terms of FDI; vi) in terms of subzones, South America accounted for the bulk of investments in South America; vii) On a country-by-country basis, Brazil was the leading recipient of Chinese investment; viii) a significant rebound in investments directed to Mexico has been observed; ix) Chinese lithium investments have dominated the recent investment portfolio in Argentina and Chile; x) the Caribbean received a greater flow of Chinese investment than Central America.

In the first two decades of this century, trade and investment flows have strengthened China's ties with the region. These trends are likely to deepen in the coming years. Therefore, it is useful to examine the nuances of this relationship in order to ensure that it is indeed a "win-win" relationship.

1. The Need for a Strategic Look on the Chinese Economy

The extensive list of trade negotiations that China has been developing illustrates both China's desire to insert itself more and more deeply into the global economy and the great interest of its partners in entering the Chinese market through trade and investment. China has free trade agreements with 28 countries or regions; double taxation avoidance agreements with 114 countries or regions; and 108 bilateral investment agreements. Examining this from the LAC perspective, evidence emerges of the need to refine regional proposals to improve the relative positions of regional products and projects among Chinese consumers and investors.

The magnitude of the actors and processes involved in the Chinese economy and its links with the Asia-Pacific region immediately raises the need for the region to seek multi-national initiatives (involving two or more countries) and public-private initiatives (involving governments and business organiza-

tions) in order to expand the scale of the initiatives, improving negotiating power with Chinese investors (for initiatives and projects backed by two or more governments and business organizations in the region), and with Sino-Asian distribution chains and value chains, offering product ranges that can improve their insertion in the region's wholesale trade. To the extent that this is done, investment opportunities will surely arise in China's own economy, as some companies in the region are already doing. This germinal effort could undoubtedly be enhanced, and this is one of the decisive tasks for the region in the coming years. Competition is intense and, therefore, the demands are high in terms of innovation, quality and competitiveness, as well as an up-to-date understanding of the main trends in the Chinese economy and society.

The growth of the Chinese economy will converge around ranges of 4-5% per year (IMF, 2024, World Bank, 2024). Thus, among the largest economies, it will continue to be the fastest growing. Ongoing economic reforms point to growth that is less dependent on investment and exports and more dependent on household consumption. In general, GDP in the industrialized economies is explained by private consumption, which accounts for slightly more than 60% of GDP. Although China has been increasing the presence of consumption in its statistics, it is still far behind the level of the industrialized economies of the West.

The myth of double-digit growth

It has been more than a decade since Chinese leaders stopped relying on GDP growth as a univocal and sufficient indicator of economic progress. On the one hand, because double-digit growth rates for almost four decades caused a profound environmental and distributive deterioration, in addition to accentuating the growth and welfare gaps between different regions of China. But also, and not least, because of the impossibility of projecting double-digit annual growth indefinitely.

For a long time, the performance of local governments—provincial, municipal, prefectures, cities, etc.—was evaluated on the basis of the respective GDP growth rate. Based on this, the authorities of these administrations were rewarded by the central government with their promotion. In this context, these governments sought to grow as much as possible, promoting the sale of large tracts of land to real estate developers for the construction of housing units and infrastructure works, without an adequate analysis of the economic viability or social profitability of such investments. Thus, for example, in 2021, local governments obtained 40% of their total revenues from the sale of land use rights.

Indeed, one of the consensus themes in economic growth theories is that of income convergence. In other words, those economies that lag behind in terms of per capita GDP have a greater potential to grow at very high rates, which they can take advantage of by implementing the appropriate policies. For example, by opening the economy to international trade, taking advantage of technological catching-up (copying and adapting technologies and knowledge), accessing FDI to boost growth, or benefiting from the shift of labor from low-productivity activities to higher-productivity activities. However, as these benefits materialize, narrowing the gap with the most advanced countries, the pace of growth slows down. The sources of growth are becoming more demanding: innovation, productivity, quality of infrastructure and education are becoming decisive.

For four decades, China made ample use of the advantages of extensive growth, relying on the expansion of resources utilized—labor, capital and land. The goal of ongoing economic reforms is to raise the efficiency and productivity with which these resources are used. In this transition, economic growth depends less on the accumulation of factors and more on the efficiency with which they are used, which is expressed in growth rates that can no longer approach 10% per year.

For example, Japan grew at 9% per year between 1953 and 1971, but after the oil crisis its growth slowed dramatically, growing at 0.9% per year between 1997 and 2006. The Republic of Korea grew at 8% per year for forty years (1965-2005) but in the following period (1997-2006) it grew at only 4.9% per year. In the last ten years, Japan has been growing at less than 1% per year and the Republic of Korea at 2.5% per year.

There are three sources of economic growth: private and public consumption, investments and net exports. China's growth strategy favored expanding investment and then increasing net exports, generating favorable trade balances. Accelerated investment growth affects investment efficiency. For forty years, the investment rate in China ranged between 32 and 43% of GDP, which ended up being reflected in falling investment efficiency and persistent increases in energy demand, in a context where 2/3 of energy came from coal. The counterpart of a high investment rate is a low consumption ratio, which in turn is a symptom of significant income inequality. On the other hand, persisting high trade surpluses aggravated protectionist reactions in the US or other markets against Chinese products. (Bergsten et al., 2008)

Hence, the objective of the economic reforms promoted over the last two decades is to raise the ratio of private consumption to GDP, reducing the ratio of investment, improving its efficiency and reducing its energy intensity. For all these reasons, the Chinese authorities are seeking to improve the quality of growth, betting on innovation, productivity, energy efficiency and favoring renewable energy sources. (Rosales, 2020)

Another relevant point relates to the structure of output and employment. At the beginning of this century, China was obliged to grow at double-digit rates to generate the jobs needed to keep the urban unemployment rate at bay, mostly linked to manufacturing industry. Over the years, services have increased their share of GDP and now account for 58% of GDP and 48% of jobs. Given that services are more employment-in-

tensive, this allows China to generate, at a lower rate of growth, the jobs needed to absorb new entrants to the labor market.

Measured in purchasing power parity, China is the world's largest economy. It alone exceeds those of Germany, France and Italy combined. In an ECLAC document, it read: "When China grows 7% in 2015, its contribution to world GDP—measured in currency of equal value—is higher than when it was growing 14% in 2007" (ECLAC, 2015). This is still valid today, given China's greater weight in the world economy, with growth rates of around 5% impacting the global economy to a greater extent than 10% growth over a decade ago.

According to the IMF, over the last fifteen years, China's growth has accounted for 35% of world nominal GDP (USA, 27%) and 18% of world GDP, measured in PPP (USA, 15.5%). One point less of growth in China can affect the growth of the global economy by up to half a point, with impacts of 0.2 percentage points in the growth of advanced economies and 0.8 percentage points in emerging economies (Bank of Spain, 2023). In other words, China is no longer growing at 10% per year, but it is still the main engine of the world economy.

Investment, productivity and innovation in China

In economics, the efficiency of investment is measured through the ICOR (Incremental Capital Output Ratio), which calculates the impact of the variation in the stock of invested capital on the GDP. The lower the ICOR, the greater the efficiency of investment in promoting growth. A higher ICOR means that more percentage units of investment are required to produce the same unit of GDP or, in other words, that a higher rate of investment is now required to induce a given output growth. China's ICOR has gone from 2 to 7 between 2007 and 2022, showing just the latter effect.

The most complete indicator of productivity is the so-called total factor productivity (TFP), since it takes into account the

efficiency with which labor and capital are used together. TFP depends, on the one hand, on the training of workers and, on the other, on innovation and process improvement. It is very relevant as it is the main source of sustainable growth over time. TFP has been growing less and less in China in recent years. According to the Conference Board, TFP growth has gone from 3% between 2000 and 2008, to 1.5% over the next decade, and 1% today (Rosales, 2020). The figures are reasonable. Chinese worker education has improved greatly in recent decades, which has contributed to productivity gains in the past, but as education becomes more widespread, potential gains diminish; in addition, an aging workforce also tends to lead to lower levels of productivity and familiarity with new technologies.

The average investment rate in the OECD is around 20% of GDP. China invests more than 40%—this has happened very rarely in the world economy, and when it has happened (like in Korea and Japan) it has been for a short time. A high investment rate is not necessarily a sign of strength, as it may reveal a considerable lag in consumption as a percentage of GDP and, therefore, in household welfare, as well as a high inefficiency of investment. The latter means that significant amounts of investment may not have a proportional impact on the amount of GDP, let alone respond to a careful social evaluation of the projects. These are precisely the fundamental keys to the economic reforms promoted by the Chinese authorities.

In brief summary, the main objectives of these reforms can be summarized as follows: i) raising the rate of consumption in relation to income; ii) reducing the rate of investment, improving investment efficiency; iii) raising the productivity of the economy; iv) increase spending on innovation and focus it on new technologies; v) gradually raise the relative weight of services in GDP, reducing *pari passu* that of manufacturing; vi) in manufacturing, gradually moving away from heavy, capital-intensive and energy-intensive manufacturing towards

smart, innovation-intensive manufacturing; viii) changing the energy matrix, shifting towards renewable and non-polluting energies, along with enhancing energy efficiency. This is not the place to develop the interaction of these reforms, but their complementarity is evident. (Rosales, 2020)

In any case, what is important to note here is that the counterpart of low consumption relative to GDP is a high savings rate. Therefore, the possibility of raising the consumption coefficient requires further progress in a social safety net that will allow low- and middle-income families to allocate a higher percentage of their income to consumption, to the extent that this social safety net can ensure reasonable minimum levels of protection in terms of health, education, welfare and housing. This is certainly not an easy task, nor one that will be resolved in a short period of time. The authorities are making important achievements in this direction; however, more relevant advances require that the social safety net advances more rapidly.

Such a high rate of investment has led to significant levels of overproduction in several key areas. This is not a recent issue. In 2010, a book by a prominent Chinese economist read: *"In 2008, China's steel output reached four times, five times and 11 times as much as that of Japan, the United States and Germany respectively … In 2006, the State Council listed the ten industries as the over-production or potential over-production industries. In August 2009, the Financial Committee under the National People's Congress pointed out that the number of over-production industries doubled and reached 19 (mainly steel, aluminum, cement, ethylene, oil refining and wind power).* (Chi Fulin, 2010)[54]

54 At the end of the first half of 2024, the governments of Brazil, Chile and Mexico maintain tariff surcharges on different varieties of Chinese steel, due to accusations of dumping. In this regard, it would be advisable to evaluate the possibility of creating bilateral commissions aimed at preventing and managing these trade disputes, seeking compensation or other formulas to avoid both long periods with these surcharges and the possibility of episodes of retaliation.

The debate on Chinese overinvestment has more recently focused on the real estate bubble, with the consequent impact on construction activity and related sectors, as well as on the strength of the banks that have placed resources in such activities. On the other hand, local and provincial governments have undertaken numerous infrastructure projects through their companies (called Local Government Financing Vehicles) and much of this investment has been financed with debt. The slowdown in the construction and real estate industry over the last five to seven years has made it difficult for local and provincial governments to repay such debt. This could lead to financial instability, as the quality of bank portfolios could deteriorate.

China's economy is shifting from a growth model led by real estate and construction to one based on innovation, support for emerging industries and technologies, and the expansion of modern services. The issue is that this transition takes time and—in the meantime—it is necessary to coexist with both trends. The real estate-construction complex grew dramatically, from representing 8% of GDP in 1997 to between 25% and 28% of GDP between 2014 and 2017.[55] Thus, this complex became one of the main sources of wealth in the world, giving rise to the inevitable financial bubbles that accompany these processes. The value of housing assets in China doubled that of the United States and quadrupled that of Japan. Moreover, the value of housing assets in China reached 8.6 times the value of assets in the bond and equity markets. (J.P. Morgan, 2024)

The oversupply of housing was exacerbated by the emergence of Covid-19, driving down housing prices, raising the debt of real estate developers and reducing the main source of revenue for provincial and local governments, the sale of land to developers.

55 The maximum value of this complex in the United States, prior to the subprime crisis, was 17%.

Of China's total investment, nearly two-thirds corresponds to real estate and infrastructure investment, so these are no longer sectoral adjustments but impacts that affect the entire economy. Previous large increases in investment in both items account for about one-third of the growth of the Chinese economy. Therefore, the inevitable and necessary adjustment in these investments portends lower Chinese economic growth, at least over the next five years.

In fact, this is what was proposed by the National People's Congress, held in March 2024, when it projected a growth target of "around 5% per year". In the dispute over new technologies, there is a resurgence of concern about possible Chinese overproduction, in this case, associated with new energies and electromobility. China currently provides 80% of solar voltaic modules, 60% of wind turbines and 60% of EVs and their batteries (Rodrik, 2024). The American and European claim is that this has been achieved thanks to generous subsidies, with a consequent over-production aimed at international markets. This has been the main message that the US authorities have been conveying to their Chinese counterparts. The European authorities are in tune with the same message, urging China to modify its policies, failing which they will impose restrictions on such Chinese products.

The big difference between an industrial policy that favors traditional industries with subsidies versus one that stimulates green energies and technologies is that, in the latter case, what is being done is what humanity needs most to combat climate change and decarbonize the planet. This would be the promotion of a global public good, which is increasingly necessary, since global governance has proved incapable of imposing an effective carbon tax. From this point of view, green industrial policy would not only contribute to disseminate knowledge and learning globally on green technologies but also compensate, at least partially, the current deficit in the carbon tax. (Rodrik, 2024)

Declining population and labor force

In 2022, China faced the first reduction in its population level in nearly sixty years. United Nations demographic models project that such a demographic decline will continue, reaching a population of 1.313 billion in 2050 and potentially falling below 800 million by 2100. Low birth rates and a rapidly aging population will severely impact the features of China's economic and social development in the coming decades.

In 2012, for the first time, the EAP was reduced by 3.45 million people. The current EAP of almost 1 billion people is expected to shrink at 0.7% per year, showing by 2050 a reduction of 213 million people compared to the 2018 figure. This drastic decline in the labor force will limit economic growth to rates of 3-4%, if productivity does not grow proportionally or more than this drop. In turn, the population over sixty years of age will increase from 209 million in 2015 (21% of the total population) to 490 million in 2050 (36% of the population). With this, the dependency ratio (population over sixty-five over the EAP) is growing from 13% (2018) to 20% (2025) and to 47% in 2050. In other words, if today 7.7 workers are required to finance one retiree, in 2050 that burden will fall on only two workers (Magnus, 2018).

This highlights the challenge of innovation and productivity in the Chinese economy. The stock of the labor force will decline over time. The solution to this Chinese dilemma lies in the 3 Ps: participation, people and productivity. That is, raising the labor participation rate of women and the 3rd and 4th ages, opening up to the possibility of migrants and raising output per worker. A combination of these three paths is what will allow the Chinese economy to sustain growth of around 3-4% in the coming decades. (Rosales, 2020)

In line with these challenges, seeking to sustain competitiveness levels, the Chinese government is intensifying efforts to strengthen productivity and innovation, on the one hand, and

labor skills, on the other. In this context, there are opportunities for cooperation and the exchange of experiences in order to share best practices in training and retraining.

Some keys to the Chinese economy

For several years now, the specialized economic press in the West has been announcing the end of the expansionary phase of the Chinese economy, a prognosis systematically refuted by the figures. It is therefore useful to clarify some basic issues to guide the debate.[56]

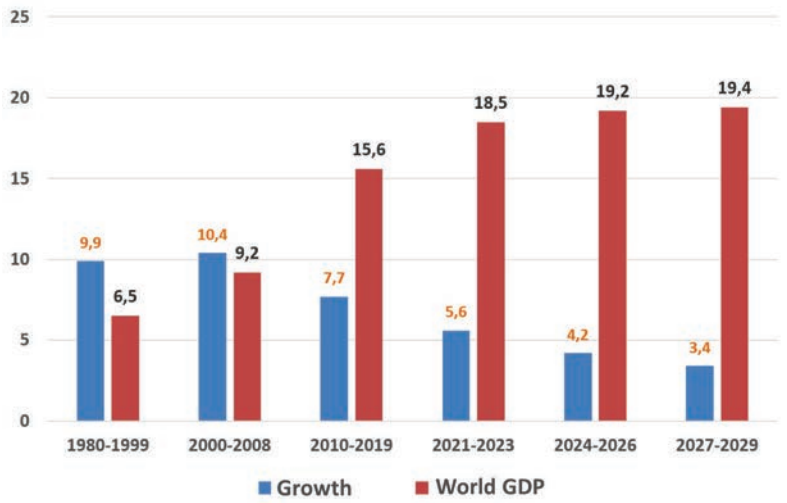
- China's per capita income is six times lower than that of the United States, so there is ample room for growth in the Chinese economy in the coming decades.
- China has the largest labor market in the world. Its manufacturing workers tend to be more experienced, educated and skilled than their counterparts in the rest of Asia.
- The rapid expansion of the Chinese middle class in a population of 1.3 billion people positions China as the world's leading retail market for the foreseeable future.
- China is using the "super city cluster" strategy to boost economic growth, strengthening coordination between regions and boosting their competitiveness. In a continent as urbanized as ours, Sino-Latin American cooperation should give greater importance to the intelligent management of our macro-cities.
- China has developed a highly sophisticated manufacturing sector and world-class infrastructure, including extensive high-speed rail networks. Despite global efforts to diversify supply chains, China continues to be

56 The six points listed below correspond to Doing Business in China 2024, Dezan Shira & Associates

the most competitive and reliable source of intermediate and capital goods. While Chinese wages have risen, this has not undermined its competitive edge.

- China's substantial investments in research and development are enabling it to maintain significant advantages in fields such as e-commerce, fintech, quantum computing, and artificial intelligence.

Figure 33: China in the Global Economy, 1980-2029 (annual growth rate and % of global GDP)



Source: Stephen Roach, "China as a Global Growth Engine, Conflict," May 3, 2024. Based on data from the World Economic Outlook, IMF. April 2024

China's growth will likely be between 3.5% and 4% annually for the rest of the decade. Despite this, it will still make up almost 20% of global GDP and drive between 21% and 25% of global economic growth.[57] While Chinese growth has slowed significantly, China will remain the primary contributor to global economic expansion.

57 A significant shift has occurred: China contributed 32% to global growth in the 2010-2019 decade. This figure has declined to 23% in 2021-2023 and could further decrease to 21% of global growth in the 2027-2029 period. World Economic Outlook, IMF, April 2024 and S. Roach, op. cit.

2. Trade: Dynamism, Export Diversification and Leveled Trade Balances

The balance of trade relations between the region and China over the past two decades has been mixed. While trade has shown remarkable dynamism, and China's robust economic growth, particularly between 2000 and 2019, fueled a commodity price supercycle benefiting much of the region, this significant increase in trade has not been accompanied by a diversification of regional exports, which remain concentrated in a few countries and a limited number of commodities. Bilateral trade deficits persist, particularly a large deficit in manufactured goods, while the region exports a significantly greater number of tariff lines to other partners.

On the import side, the increasing penetration of Chinese manufactured goods has had a dual impact on the region. While it has improved access for citizens and businesses to a wide range of final, intermediate, and capital goods, it has also significantly displaced regional production in various segments, leading to job losses and a decline in industrial capacity. Indeed, the continuous increase in Chinese manufactured imports not only affects domestic production but also limits the potential for the development of intra-regional manufacturing trade. As a result, the region, particularly South America, has seen a deepening of its primary commodity export specialization.

This export structure poses a significant medium-term vulnerability. In a global context dominated by demands for innovation, productivity, and competitiveness, the growing trade relationship with China, absent significant changes in public policy, will do little to address this challenge. It will instead confine our exports to natural resource-intensive products, sectors where technological demands are less stringent. This is not to deny the possibility of technological change and innovation in mining, agriculture, fisheries, or forestry. Underground mining, for example, is increasingly reliant on automation, robotics, and sustainability measures such as the use of desalinated water. The point is that these dynamics are limited

and the gap with the pace of innovation in new technologies, such as intelligent manufacturing, digitalization, and modern services, is widening.

As previously noted, the region is increasingly purchasing technology from China, financed by revenue from natural resources. This could soon become a development obstacle, limiting the development of domestic capabilities in various new technology areas, particularly in an era of such rapid technological change as the one we are currently experiencing. A second concern is related to the fact that the exploitation of natural resources includes most of the economic sectors most affected by climate change, such as agriculture (deforestation, droughts, floods, and rising temperatures), oil (the urgency to transition to green and renewable energy), and mining (declining water resources for a water-intensive activity, impact on biodiversity, and local ecosystems).

It is worth emphasizing this point. The region, particularly South America, should take more seriously both the asymmetry of its trade with its main partner and the potential impact this may have on its ability to learn and apply new technologies, as well as the imminent limits that the demands of addressing climate change impacts will impose on these exports.

It is evident that there are significant, and in some cases structural, constraints to modifying the region's export pattern. For example, it will be difficult to alter the nature of inter-industry trade (i.e., the export of natural resources, primarily unprocessed, in exchange for increasingly technologically complex manufactured goods) unless the region makes progress in: i) their technological capabilities; ii) the quality of their education systems; iii) closing the gaps in physical and digital infrastructure; and iv) enhancing their intra-regional exchanges, which are the most intensive in manufacturing. All of these are prerequisites for increasing the complexity of our production and export basket. However, the complementarity in factor endowments between our region and China, as well as the great geographic distance that separates us, will continue to be pres-

ent. This limits the exchange of intermediate goods, which are key to the development of intra-industry trade (trade in parts, pieces, and components).

Despite these challenges, opportunities exist to enhance the value of regional exports to China. This is especially true for high-quality, safe food products. To expand trade in this sector, it is essential to: i) streamline China's sanitary and phytosanitary regulations; ii) foster information exchange on sanitary and phytosanitary measures and trade defense policies; iii) ensure timely access to Chinese quality and labeling standards; iv) integrate into digital distribution channels; v) capitalize on emerging markets in China's less developed regions.

Seizing opportunities in China's food market

Rapid urbanization and the expansion of middle classes are driving a surge in demand for healthy, safe, and high-quality food. With only 7% of the world's arable land and water, China must feed 18% of the global population and became a net food importer in 2004. In this context, the primary opportunities for adding value to regional exports to China in the short term appear very promising in the food sector.

China is undergoing the most rapid urbanization and expansion of its middle class in human history, occurring over extraordinarily short periods. In 2020, the urban population accounted for 61% of the total population, a proportion expected to reach 71% by 2030 and 80% by 2050. The middle class already numbered around 730 million people in 2016 and is projected to reach 1.2 billion by 2027—84% of the total population. (Kharas and Dooley, 2020)

Latin America and the Caribbean, with only 8% of the world's population, produces 20% of the world's food and agricultural goods, utilizing 13% of the cultivated area and 35% of the world's renewable water resources, with Brazil possessing the largest water availability (Perini, 2020). The interaction be-

tween these two demographic and productive realities should become even closer over time.

China boasts the world's largest food and beverage sector. Real wages have risen consistently, following high growth rates, resulting in significant increases in salaries and wages since 2000, substantially elevating the purchasing power of workers and the middle class[58]—which in turn has stimulated a significant diversification in the demand for food and beverages.

The traditional Chinese diet relied on grains, cereals, and vegetables. Chinese consumers now consume more dairy products, eggs, meat, and seafood than ever before, often accompanied by Western wines and spirits. Another significant shift in Chinese consumption is the growing demand for yogurt and yogurt-based products among the Chinese middle class. These changes have led to double-digit growth in China's food imports over the past two decades, making China the world's largest food importer since 2018.

Furthermore, China's food supply is hindered by a shortage of arable land. China has only 8 hectares of arable land per 100 people; with 7% of the world's arable land, it must feed 18% of the global population (Liu, 2023). Moreover, according to the official news agency Xinhua, over 40% of this land has been degraded since 2014. Despite significant progress in the last decade, challenges related to air and water pollution persist (Xinhua, 2015; Xinhua 2023). China's seas are exhibiting signs of overfishing and pollution, leading to declining catch sizes (CGTN, 2019)[59]. Food security concerns have also contributed to the rise in imports.[60]

58 The average real wage grew 160% between 2008 and 2022, See: ILO, Global Wage Report 2022-2023, Geneva. Wages 2022-2023, Geneva (Figure 3.5; pg. 52).

59 China and Indonesia account for one-third of the world's marine plastic pollution (Conservation International, 2024)

60 According to the Want China Times, in 2008, a scandal rocked the dairy industry after melamine was found in powdered milk, causing kidney stones in thousands of infants and the death of six. Based on https://www.china-briefing.com/news/dairy-industry-in-china-market-trends-opportunities/

The surge in demand for food imports is driven by several factors: i) a significant growth in the middle class over several decades; ii) a substantial increase in the purchasing power of these segments; iii) greater exposure of the middle class to international trends; iv) a notable rise in e-commerce or online food purchases; and v) a considerable improvement in the distribution and storage chain, particularly in smaller cities (second and third tier). As a result, the new access to a vast consumer market in central and western China—not just the large coastal cities like Shanghai, Beijing, and Guangzhou—presents an attractive opportunity for food exporters.[61]

Products with promising demand prospects in the Chinese market include meats, dairy products, fresh and processed fruits, oils, canned fish, sugars, wines, and liquors. In these categories, the market has grown more than 15 times in the last fifteen years.

China leads the global demand for soybeans, used for both animal feed and edible vegetable oil. More than half of the world's commercial pigs are located in China, necessitating massive imports of animal feed inputs such as soybeans and sorghum. The strong demand for livestock production continues to drive demand for oilseed meal. Additionally, China's imports of pork, broiler chickens, and whole and processed nuts are significant.[62] Recent consumer trends have highlighted, in addition to the growth of animal husbandry, consumers' ongoing concern for food safety and the expansion of e-commerce, whose logistics have matured, allowing for the successful promotion and shipping of fresh cherries, pears, and live seafood through these channels.

61 This has led, for example, to the U.S. Department of Agriculture, through its Foreign Agricultural Service (FAS), establishing six offices in the People's Republic of China by 2018 with the aim of expanding exports of agricultural, fishery, and forestry products.

62 Walnuts remain the most popular nut among Chinese consumers, as they are considered a healthy food that contributes to overall brain health.

In 2022, China surpassed the United States as the world's largest market for food and beverages. This dynamic market grew at an average annual rate of 30% between 2009 and 2014, driven in part by China's position as the world's leading food importer. However, the Chinese market faces complexities, as the regulatory framework and its standards are constantly evolving, sometimes overlapping national, local, and provincial regulations without necessarily being harmonious. Ensuring food safety and security is obviously a priority, as despite important progress, contamination challenges remain significant in China.

China has become the second largest dairy market in the world, after the United States. Dairy products were not traditionally part of the Chinese diet; however, significant increases in income and living standards over the past four decades have helped to popularize milk and dairy products among Chinese consumers, particularly in the upper and middle-income segments. Today, milk and dairy products are considered a crucial component of a healthy diet, especially for children.

Per capita dairy consumption increased from 36.1 kg in 2016 to 42 kg in 2022, according to the Ministry of Agriculture and Rural Affairs. This is only about half the annual per capita dairy consumption of South Korea and less than one-fifth of that of the United States. Therefore, there remains significant room for market growth. The main countries of origin for dairy products imported by volume are New Zealand, the United States, the Netherlands, and Australia. New Zealand alone accounted for 43% of China's total dairy imports in 2022, and the United States for 18%.

China is enhancing dairy product safety standards, implementing stricter policies for the importation of certain dairy products, including fresh milk and infant formula. Since 2021, these measures have included new inspection and quarantine requirements related to COVID-19 for dairy imports, as well as new requirements for health certificates and quarantine procedures for imported raw milk, raw dairy products, pasteur-

ized milk, and other prepared dairy products. Since 2018, all infant formula products, whether manufactured in China or imported, must obtain a registration certificate from the State Administration for Market Regulation (SAMR). This certificate must be prominently displayed on the product label and in the instruction manual.

The message is clear for those wishing to penetrate the Chinese market more aggressively: prioritize quality, traceability, product safety, food security, consumer services, and partnerships with local distribution chains to ensure prestige and a good fit with the emerging trends among middle- and high-income Chinese consumers.

Developing market intelligence

A forward-looking perspective is increasingly necessary to closely monitor the evolution of key trends in China's economic and social development, in order to anticipate the eventual impact of these trends on consumption patterns. Among the most significant of these trends are the greater emphasis on the expansion of private consumption, increasing urbanization, and the growing middle class. These trends will lead to a more sophisticated demand for food, beverage, and wine products, demanding quality, safety, and traceability. On the other hand, the Chinese economy faces significant challenges in environmental management and natural resource conservation, presenting new opportunities for professional services such as mining safety, environmental conservation, earthquake-resistant engineering and construction, reforestation, and seawater desalination, among others. The gradual aging of China's population is also opening up a vast market for products and services targeting the elderly.

Demographic shifts are already beginning to impact consumer markets. The gradual emergence of an economy catering to the needs of the elderly (over 65 and 80 years old, respectively) is creating opportunities for those who anticipate and meet

the demands of the silver economy. It's worth noting that the so-called care economy, in addition to meeting the needs of children and people with disabilities or who require assistance, will demand goods and services for the needs of the elderly, including nursing home care, day care centers, home caregivers, companionship services, home care, medications, and specialized medical care. In this regard, healthcare and care services for these age groups demand greater development, and this opens up vast opportunities for introducing new products and businesses into China.

The experience of companies from countries like Australia and New Zealand, which have achieved significant market penetration in Chinese food markets, indicates the importance of thoroughly understanding Chinese market idiosyncrasies and tailoring products accordingly. Key lessons from these experiences include:

i) Providing packaging tailored to Chinese preferences is crucial. For instance, Chinese consumers value being able to see the product inside the packaging. Additionally, gift-giving is a common practice in China, leading to increased demand for products like wine and olive oil packaged in gift boxes.

i) Adapting to Chinese palates. It may be necessary to adjust products to suit the tastes of consumers—this depends on the province in which they are marketed, as preferences can vary widely from strong and spicy flavors to sweeter or milder tastes.[63]

Other significant changes in the Chinese consumer market are linked to the concept of "Guochao," which reflects Chinese consumers' growing preference for domestic brands. While geopolitical disputes with parts of the West may be influencing

63 https://connectamericas.com/es/content/china-importa-cada-vez-m%C3%A1s-alimentos-para-su-clase-media

local trends, it is also true that many Chinese brands have managed to outperform foreign competitors due to higher quality, better prices, and a better adaptation to Chinese tastes. In particular, local brands have gained dominance in the automotive market and in beauty and skincare products.

Expenses in services are also higher in China. The COVID-19 pandemic acted as a catalyst, driving up online sales and delivery services. Services now account for approximately 40% of consumer spending, still below Western averages (between 60% and 65%), but in 2023, the growth in retail services more than doubled the growth in total retail sales (19.5% versus 7.2% in the first eleven months of 2023). (Doing Business in China 2024)

Place the region's trade deficit on the dialogue and cooperation agenda

The growing trade deficit that the Latin American and Caribbean region is experiencing with China, particularly in manufactured goods, is a source of concern and should be a key topic in the dialogue and cooperation agenda with China. This is because, with the exception of Brazil, Chile, and Peru, all other economies in the region have trade deficits with China. A growing trade deficit in these economies is unsustainable in the long term. The deficit in manufactured goods is not only increasing but also tends to be persistent, while the surpluses of several countries in commodities are transitory and fluctuate based on the well-known volatility of international commodity prices. There have been several instances where countries have financed a manufacturing trade deficit of 5% or more of GDP with a larger surplus from natural resource exports thanks to favorable commodity price cycles. The problem arises when this manufacturing deficit can no longer be financed in this way due to a decline in commodity prices. At that point, the current account deficit increases, and in the absence of offsetting external financing, an adjustment occurs that can negatively impact the viability of important produc-

tive activities and employment for several years. Therefore, such large manufacturing deficits must be addressed, ensuring they do not exceed critical levels.

Chinese authorities have repeatedly expressed their willingness to engage in discussions about ways to facilitate the diversification of the region's exports to the Chinese market, seeking mutually beneficial agreements. However, there has been little progress in this direction, as the region, both at the public and private level, has yet to present a specific agenda to concretize this dialogue.

3. Bilateral Trade Outlook and Policy Adjustments

Given the lower growth estimated for industrialized economies compared to China, the importance of China as a destination for regional exports is expected to continue to increase. In the medium term, lower relative growth in industrialized economies may limit increases in the demand for commodities from traditional markets, such as the United States or the European Union. In this case, the greater dynamism of Chinese demand may reduce this impact.

Growth of 4-5% in China over the next few years will ensure good international prices for raw materials, particularly those supplied by the region to the world. Indeed, since China is the leading consumer and importer of most of these commodities, sustained growth at this level will ensure gradual increases in demand for them. In particular, the demands associated with the fight against climate change and, therefore, its correlate in the transformation of energy matrices and the promotion of electromobility will drive future demand for critical inputs for its economy, such as lithium, copper, steel, aluminum and renewable energy sources, such as water, solar and wind power.

In these areas, the region has important advantages that should be incorporated into the dialogue and negotiations with extra-regional powers. Moreover, the region provides the world

with carbon storage through its tropical forests (the Amazon is the lungs of the planet), preventing it from being released into the atmosphere as carbon dioxide; it provides oxygen through the photosynthesis of trees and plants; it regulates the regional climate by releasing water vapor through the transpiration of tree leaves, which helps maintain humidity and temperature, preventing extreme climate changes and preserves biodiversity, a crucial issue for maintaining healthy and resilient ecosystems. This type of ancestral export has been made free of charge to the rest of the world, with our region bearing the costs of afforestation, reforestation, forest preservation and fighting forest fires. This is another asymmetry that should be placed at the table of international negotiations.

The prevailing pattern of the region's trade with China suggests both benefits and costs. In fact, sustained Chinese demand for raw materials sustains high prices on international markets, which benefits the terms of trade of the countries that produce them, particularly the South American economies. However, good international commodity price cycles increase the inflow of foreign currency to exporting countries, reducing the real exchange rate, which discourages non-traditional exports and stimulates the inflow of cheaper imports in dollars, affecting the domestic sector that competes with imports. This is the well-known "Dutch disease" that slows down export diversification in economies with a strong competitive capacity in raw materials.

The solution is well known but difficult to implement for political economy reasons: to take advantage of good international price cycles to invest a percentage of cyclical profits in innovation and R&D in emerging sectors, to be able to draw on them in cycles of lower international *commodity* prices. There is a large body of comparative literature showing cases in which this has been possible, using tax and fiscal instruments, in general, that can carry out this limited reallocation of resources from an agreed percentage of the profits of traditional export-

ers to emerging exporters, which are more intensive in innovation and knowledge.

One way to reduce the associated political economy conflict is to favor the creation of consortiums in which exporters of raw materials can participate in the design and operation of emerging activities. In other words, it would be a matter of investing in innovations linked to these same natural resource exports, adding engineering, biosciences and even AI and IoT to them. This would be a way of adding value to natural resource exports, improving their sustainability, their traceability, reducing their carbon and water footprints. In short, it would be about reconciling mining, forestry, agricultural and fisheries exports with the challenges of mitigating and adapting to climate change.

The increase in imports of Chinese manufactured goods at lower costs has generated benefits and costs for the economies of the region. Among the benefits, we find that they facilitate mass access to consumer goods by lower-income sectors, which otherwise would not have been possible and which means an increase in disposable income to consume other goods and services. This is a benefit associated with imports from China that is not sufficiently valued and is reflected in poverty measurement statistics in the region. Indeed, such imports have allowed massive access to a wide range of goods at comparatively lower prices than traditional ones, reducing the cost of the basic non-food basket, which has mainly benefited lower-income sectors. On the other hand, the growing imports of intermediate and capital goods from China have also helped reduce production costs and broadened the range of suppliers available to the region's companies, which may have increased their competitiveness and stimulated greater investment and productive modernization.

In terms of costs, the sustained increase in imports of manufactured goods from China has visibly impacted the closure or sharp drops in sales of employment-intensive and once rele-

vant companies in the region, basically in textiles and apparel, footwear and leather, garments, but also in chemicals, electrical appliances, machinery and equipment, wood products and office machinery. (Durán and Pellandra, 2017)

This increase in imports of manufactured goods from China not only affects domestic competition, but also limits the space for regional exports of similar products to third markets, such as the North American market.[64] It has also limited intra-regional manufacturing trade by displacing imports that may come from other countries in the same region.[65] This may have affected the possibility of increasing intra-industry trade in the region and the construction of subregional value chains in manufacturing activities.

The net effect on productive activity should be examined by including the expansionary effect on output and employment generated by exports, both direct and indirect (companies that produce goods and services for exporting companies). Given the high rate of increase in the region's exports to China, it seems plausible that the net effect of the region's economic and trade link with China shows a positive balance, that is, when incorporating the effect on employment and output of foreign trade and investment. (ILO, 2018)

In any case, it is worth reflecting on the weakness of the public policies that have accompanied the opening of trade to Chinese products. Indeed, if this process had been accompanied by the necessary policies for training, retraining and even financing for new activities, the economic and social impact would have been more favorable. And, this issue is linked to the depth and sequences of trade liberalization, and not necessarily to the increase in imports of Chinese manufactured goods. To associate

64 This effect had been important for Mexico, which had been displaced by China as the leading exporter to the U.S. market. In the last biennium, probably due to trade tensions between the United States and China, Mexico has once again become the main exporter to the U.S. market.

65 For example, Brazilian manufacturing exports to the rest of the region have faced the challenge of competition from Chinese manufactures.

this phenomenon almost univocally with imports from China is a mistake because, sooner rather than later, the same could happen with products from Vietnam, Thailand, Indonesia or India. The challenge will remain pending and will only have changed its name. What is important is to activate domestic policies for productive transformation, taking advantage of domestic instruments and those offered by regional cooperation and integration. Also, in these areas there has been little willingness to link investment projects and trade programs associated to China with the strengthening of infrastructure, logistics and productive linkages that favor regional integration.

4. Challenges to export diversification

The possibility of taking advantage of the expansion of trade with China poses important challenges for the design of public policies. It makes little sense to criticize China because it buys raw materials from us, when these purchases allow many countries in the region to obtain more foreign currency, increase their gross domestic product, generate more employment and the state to collect more tax revenues. Especially when the additional demand margin for these items from China cannot be obtained by exporting to other markets. The challenge does not lie in turning our backs on the rich endowment of natural resources, but rather in: i) adding value, innovation and knowledge to them; ii) strengthening the links between natural resources and manufacturing and service activities and, an increasingly important requirement, iii) doing all of the above in a sustainable manner, protecting the environment and making progress in the decarbonization of production processes.

This is an urgent challenge for public policies in the region, given the marked lags shown by LAC countries in international competitiveness and innovation indicators. The 2023 data for innovation show Brazil in 49th place, Chile in 52nd place and Mexico in 58th place[66] , while in terms of competitiveness, Chile appears in 44th place, Peru in 55th place and Mexico

66 Global Innovation Index 2023, WIPO, World Intellectual Organization, Geneva.

in 56th place.[67] These are therefore considerable lags, which must be addressed if we wish to diversify production and exports and add value and knowledge to our goods and services.

The classic tasks to improve the competitiveness of foreign trade operations suggest improving efficiency at ports; streamlining customs operations, promoting their digitalization and online procedures; improving logistics; reducing transportation costs, particularly in those operations that stimulate cross-border trade, in order to boost manufacturing exports to countries in the region.

All of these tasks can reduce the costs associated with the export of traditional and non-traditional items, increasing their competitiveness. It would also reduce the cost of imports placed in the domestic market, so that it would be necessary to promote innovation, quality and productivity in general and, in particular, in productive activities that substitute imports and maintain a certain competitive level.

In order to increase the competitive capacity of more items with export potential, it is necessary to deploy policies and resources to enable more companies with this potential to improve their quality control processes, quality certification, ISO standards, reduction of carbon and water footprints in exports. These are productive support policies that are not at odds with bilateral trade agreements or with multilateral WTO regulations, and are therefore areas where Sino-regional financial cooperation and the actions of multilateral banks and development banks could play a greater role.

Considering the region's generous endowment of natural resources, it is important to improve the link between the exploitation of these resources and manufacturing and associated services, in order to make progress in innovation and improvements in quality, design, sustainability and digitalization. This may allow the incorporation of more SMEs into the export

67 Global Competitiveness Report 2023, IMD, International Institute of Management, Geneva.

business, acting as direct or indirect exporters, to the extent that they provide goods or services to exporting companies. Here the public task is relevant in order to detect these spaces of possible incorporation, facilitating it with specific policies of training, associativity, financing and access to new technologies.

This implies working more on engineering associated with the exploitation of natural resources. This could open an interesting field for countries that share similar comparative advantages in these areas, generating space for collaboration initiatives between universities and technology centers in the region. For example, encouraging exports of modern services associated with the exploitation of natural resources, such as oil, mining, fishing, forestry and agribusiness.

With a specific focus on regional exports to China, new technologies such as AI and *Big Data* should be used to explore and take advantage of demand opportunities that arise in various Chinese provinces and others in the Asia Pacific, compatible with the export potential of countries in the region. Similarly, an attractive area has been detected in exports of modern services associated with Chinese demand in areas such as seismology, architecture, mining engineering, traceability and food safety.

An important source of diversification of export services lies in the tourism sector. An estimated 235 million tourists traveled internationally during the first three months of 2023, according to the World Tourism Organization (UNWTO), recovering 80% of pre-pandemic levels in this period. Meanwhile, more than 900 million tourists made international trips during 2022, with all regions of the world registering notable increases, especially to Europe and the Middle East.

Until 2019, China was the country that emitted the most tourists (154 million international departures), far behind the United States, in second place, with 100 million outbound tourists and Germany with 99 million, according to data from the

World Tourism Organization. With the pandemic, that order changed, in the context of a generalized contraction in world tourism. In 2021, the United Kingdom was the country from which the most people left (probably as a result of Brexit), with a total of 19 million, followed by Ukraine (14 million departures, as a result of the war) and France (13 million).

The greater post-pandemic normality in China, as well as the recovery of growth rates of around 5% per year, will continue to boost the outflow of Chinese tourists, taking advantage of the increase in their real income. In our region, around 15 countries are certified as "authorized tourist destinations" to receive Chinese tourists. This certification establishes a set of agreements and commitments between the parties, aimed at facilitating the entry and stay of Chinese tourists in the respective country. This should be reflected in the simplification of visa procedures, tourist information in Mandarin, in ensuring permanent attention in the certified tourist offices and in the adaptation of services and products to the preferences of Chinese tourists. More recently, there is a need to accept payment services in Chinese currency, including popular Chinese payment methods such as Alipay and We Chat Pay, as well as currency exchange and tax reimbursement services.

There is ample room here to boost the arrival of Chinese tourists to the region, taking advantage of the vastness of our tourism assets. However, in order to improve the competitiveness of these services vis-à-vis those of other continents, it would be very helpful to make progress in simplifying procedures, on the one hand, and in establishing joint bi- or tri-national initiatives in tourism activities, on the other. Given the geographical distance from China, it is less likely that the average Chinese tourist would choose to visit our region instead of Asia, Europe or the Middle East. The scenario would be different if they were to find the possibility of joining tour packages that include several countries and attractions in the same trip. If these multi-national packages were to ensure Chinese food,

music and customs to these tourists, adapting tourist services and payment methods to these customs, the region could capture significant foreign exchange revenues, diversifying its exports of services.

5. Challenges to Investment: Promotion, Attraction and Diversification

In terms of investment, the challenges are well known: i) to increase the current amount of Chinese FDI in the region; ii) to deepen the process of diversification, not only favoring investments in new technologies but also opening up to the possibility of transferring those technologies, training the local labor force and encouraging linkages with small and medium-sized local companies; and iii) improving the social and environmental sustainability of such investments.

It would be functional to each of these objectives if the countries of the region could expedite the process of granting visas for Chinese nationals, particularly for business travel. This need is, however, more general. Indeed, more expeditious visas in the areas of culture, science and technology, student and professional exchanges, beyond their intrinsic value, can also result in new business opportunities.

The exchange of information on investment opportunities is important. In this regard, it would be very useful to have an updated regional database on the main topics of interest to foreign investors. This database should be fed by the respective national agencies of each country wishing to be present in the database. The items to be included in this database could be the following: i) main trends in FDI flows in the region, by productive branch and nationality of investors; ii) multilateral, regional and bilateral commitments on investment protection; iii) labor and environmental regulations that the main investment projects must comply with; iv) inventory of priority projects that have pre-investment studies; v) main policy regimes and investment regulations and regulation of economic activi-

ty; vi) possible tax benefits or other types of benefits that could favor FDI. This information could appear on a web page in English and Mandarin.[68]

In January 2015, in Beijing, CELAC member countries and China established the goal of a *stock of* Chinese FDI in the region of US$ 250 million by 2025. We have already seen that, prior to this, it is necessary to have a unified measurement method that is shared by all countries, as the different FDI measurement methods make it difficult to agree on the actual amount of such investments. However, beyond this amount, the real issue is the need for greater diversification, both from primary activities to those with a higher technological content and geographical diversification to allow greater FDI flows in smaller economies.

The challenge here corresponds to the region and, probably, to its regional integration schemes. Indeed, it would be up to these bodies to compile information on critical investment needs in the countries, on the investment projects that are available to address them and, hopefully, favoring projects involving two or more countries, so that they favor regional integration.

The promotion of Chinese investment in countries of the region cannot be an isolated factor in a more global strategy of linkage with China and the Asia Pacific. Even more so if we consider, all of a sudden, that the whole world, literally, is seeking to attract Chinese investment. Most Asian or Western governments tend to do so with more conviction and resources than most countries in the region.

There are huge investment opportunities in China. Therefore, going out to invest abroad requires very attractive projects. On the other hand, as the numbers indicate, China's deployment in Asia Pacific makes it more natural that the initial stage of investment abroad starts in that area, also taking advantage

68 This website could be managed from Beijing at the Trade and Investment Facilitation Center proposed below.

of cultural similarities, contacts and Chinese colonies in Singapore, Hong Kong, Malaysia, all of which are also splendid business areas.

It is very likely that higher levels of Chinese FDI can be accessed in the region if these investors perceive clear priorities and precise government guidelines, supported by specific projects and reinforced by clear intergovernmental coordination. The current demand from Chinese companies that could invest in the region is for specific projects, for well-detailed investment opportunities and hopefully with advanced pre-investment studies. Competition for Chinese funds is tough; therefore, this is a barrier that will have to be crossed and our businessmen will have to get used to joint ventures with Chinese companies if they want to advance in their internationalization processes. Therefore, a more active role is required from external investment attraction agencies.

Similarly, the efforts of the few Latin American companies that have sought to establish themselves in China should be supported. This is certainly a very complex challenge, but it will become increasingly necessary to stimulate the direct presence of companies from the region to get closer to the end consumer, adapting to the evolution of their preferences.

It is well known that some investment projects in mining, hydrocarbons or large power plants have generated environmental conflicts in some countries of the region. In general, this has occurred with large projects, regardless of the nationality of the investors. This is more a consequence of weak or outdated regulatory frameworks and/or insufficient oversight. On other occasions, conflicts have arisen between different levels of government-central, regional, local and even between ministries. Additionally, in most of these cases, consultation with local communities, when it has existed, has been rather limited. It is not, therefore, an issue that can be univocally assigned to this type of investment or to the nationality of the investors.

The challenge of improving the social and environmental sustainability of investment in primary or extractive activities is therefore one that concerns all stakeholders. Governments should: i) update and strengthen the regulatory frameworks for local and foreign investment in extractive activities and large projects; ii) strengthen oversight and make it more effective; iii) improve coordination between the various spheres of central government and between these and local and regional governments; and iv) persevere in the practice of having mechanisms for consulting local communities, providing them with transparent and relevant information on the characteristics and benefits of projects, at both the national and local levels. The representatives of the local community should ensure that they are genuinely represented and rely on specialized bodies to improve the technicality of their proposals.

Foreign investment companies should redouble their efforts to comply strictly with the laws and institutions of the host country, particularly regarding the labor, social and environmental repercussions of their investment. An additional step that would be very welcome would be to hire workers from the areas where they are investing, providing them with training, together with generating productive linkages with small and medium-sized local suppliers.

In this case, it would be incumbent upon the Chinese authorities to increase their monitoring of compliance with the guidelines that have already been issued regarding the behavior of Chinese companies investing abroad.[69]

The type of demands posed here for each of the actors involved in these investment processes may seem excessive. However, sooner rather than later, all the actors involved will have to adapt to them, since the region will continue to rely on its natural resources for investment and trade and

69 Of note here are the Guidelines for Environmental Protection in Foreign Investment and Cooperation. These are guidelines of a voluntary nature and were issued by the Ministry of Commerce and the Ministry of Environmental Protection in February 2013.

will have to do so in accordance with increasingly challenging standards of environmental sustainability (due to the demands of climate change) and social sustainability (due to the demands of governance).

6. Dialogue and Cooperation around Green Growth

After decades of rapid growth in manufacturing, largely based on capital- and energy-intensive activities, China has for several years now been taking up the challenge of a green, circular and low-carbon economy. This is in line with efforts to address the impacts of climate change and environmental degradation. Local and foreign companies based in China are beginning to face strict standards and regulations in order to reduce the carbon footprint of their value chains. This is leading to significant changes in production and consumer markets, which in turn opens up opportunities for new technologies and technical specialties. This opens up a wide field for the exchange of best practices in innovation, technologies, regulatory measures and other areas in which Latin American and Caribbean cooperation could make greater inroads.

This growth, more supported by innovation and new technologies, is gradually being expressed in China's leadership in key sectors for the green transition, such as electromobility and its notable advances in artificial intelligence, advanced manufacturing and other areas (Salazar Xirinachs, 2020). Moreover, the profound economic transformations registered in China do not allow us to visualize significant changes in the pattern of "raw materials for manufactures" that characterizes bilateral trade. While some primary products such as oil may progressively lose weight in the regional export basket as China advances in the decarbonization of its energy matrix, others such as copper and lithium will probably acquire an increasing weight for the same reason.

7. A Trade and Investment Facilitation Center in Beijing

Latin America and the Caribbean do not have a distinctive building in Beijing to symbolically represent the region, disseminating its cultural, artistic, sports and scientific expressions.[70] Nor does it have a building where all the diplomatic and commercial representations of the region can hold exhibitions, trade fairs or instances of attracting investors. Other countries or regions have public or private organizations that provide a support platform for businessmen interested in linking up with China. This is the case of the European-China Chamber of Commerce and the AMCHAM-China (American Chamber of Commerce) office[71] . These Chambers provide information, networking, business support services and business promotion, and usually invite high-level Chinese authorities to listen to their views on the economy and business in China, when they tend to convey their concerns and specific demands. Our region does not have that opportunity and we will surely have to wait for more investment from LAC countries and companies in China to set up such organizations in Beijing.

However, work could be done with a view to installing a Latin American and Caribbean Building in Beijing with a Trade Facilitation floor to support regional exports to China, stimulating their diversification and promoting trade, investment and technology alliances with Chinese companies. The facilities of this Center could also host film festivals, music festivals, art exhibitions and, in short, facilitate the deployment of Latin American and Caribbean culture in Beijing.

This Center could provide institutional support to facilitate organized dialogue with Chinese trade and investment authorities. Within the framework of these activities, it would be easier to identify barriers to trade and emerging regulations

70 Spain has the Instituto Cervantes in Beijing, a center where Spanish classes are taught and exhibitions of Spanish and Latin American art and culture are held.

71 AMCHAM China has 4,000 individual members representing nearly 1,000 U.S. companies operating in China. The European-China Chamber of Commerce has 31 working groups and forums representing European companies in China.

that may hinder it; facilitate dialogue and the shared search for solutions, working directly with the Chinese trade and investment authorities and the CCPIT (China Council for the Promotion of International Trade). This Center could also carry out basic market research at the level of specific cities and markets, which would provide new and updated information for exporters in the region and for the respective export promotion and investment attraction agencies.

The China-LAC Trade Facilitation Center proposed here could support users in the region in aspects such as:

- Coordination of exporters, importers, embassies and commercial attachés in the region on specific aspects of trade and investment with China.
- Preparation of materials on the main regulations applicable to trade and investment in China, both in general and in specific sectors or products.
- Provide references on possible Chinese counterparts in export, import and investment business, generating data banks that provide greater legal certainty to small and medium-sized Latin American and Caribbean exporters.
- Logistics capacity building.
- Basic market research
- Creation of synergies between exporters, importers, embassies and trade promotion agencies present in Beijing.
- Creation of spaces for the discussion of ideas and for the representation of regional interests before the relevant Chinese authorities, including local governments.

Such a Center would have important advantages for the Chinese authorities themselves. Indeed, when there is a major change in trade or investment regulations in China or in Chinese investment abroad, the Chinese authorities receive many requests from representatives of the region who wish to learn more about these new regulations and, of course, a busy schedule of commitments prevents these authorities from providing timely information to the 173 embassies present in Beijing, including those of representatives of the region. If this facility were available, an invitation to the relevant authority would be sufficient to ensure the flow of updated information to all representatives of the region at once.

The financing of the Building could be part of the Sino-Latin American and Caribbean cooperation, including the contribution of the development banks of both parties. Later on, it could be considered that the various international organizations present in our region could allocate one professional/year to support the activities of information, statistics and support for the activities of embassies and commercial and cultural attachés.

The idea is that any Chinese businessman who wishes to carry out export, import or investment business should know that in this Center he will find all the necessary information on opportunities, regulations, procedures, visas and, in short, everything that will speed up the decision-making process.

As already mentioned, this building could also be used for art exhibitions, film, music and cultural festivals of our region, thus becoming an icon of the presence of Latin America and the Caribbean in China. The activities to be carried out in this building could also include some icons of the culture and sports of our region (Mayan, Aztec, Inca cultures; idols of Latin American soccer; key characters of our literature, some of whose names could identify the aforementioned building.

8. Final messages

The dynamism of the world economy in the coming decades will keep linked to the evolution of the Chinese economy

Although double-digit growth in the Chinese economy is a thing of the past, the dynamism of the world economy in the coming years and decades will be strongly influenced by developments in China, in particular, and in Asia Pacific, more generally. From this point of view, the nature of economic relations between Latin American and Caribbean economies and China will be a crucial issue for regional development prospects, particularly for South American economies. The hope is that these relations will not reproduce on a new scale the traditional pattern of insertion of Latin American and Caribbean economies in the international division of labor. To this end, it may be necessary to outline policies, institutions and spaces for cooperation that may be unprecedented, so that the *"win-win"* link is effectively the one that prevails.

The region should seek appropriate mechanisms to take better advantage of the economic link with China

A key challenge for the region is to move towards a more concerted approach to China and the Asia-Pacific region. To this end, it will be essential for the countries of the region to begin to understand the meaning and prospects of the economic reforms underway in China. It is also necessary to address this challenge in a more coordinated manner. National initiatives, which have prevailed until now, are certainly necessary, but they are clearly insufficient. Insufficient not only because of their scale, but also because they show a limited awareness of the global nature of the initiatives that will need to be undertaken in terms of climate, energy and digital transition. In this regard, it would be helpful to have more coordinated action not only at the level of the region's governments but also at the level of its cooperation and integration forums. For this greater coordination to be effective, it is essential that it be supported

by national efforts to structure public-private partnerships, at least in a limited number of relevant projects.

This is why the actions of CELAC and regional cooperation and integration organizations can play a decisive role in the design and construction of an economic, commercial and technological link with China that is increasingly functional to the achievement of the SDGs and the fulfillment of the goals established in the Paris Agreement.

Commitment to transform the fields of production, food and agriculture, and technology

Beyond the precision and relevance of the slogans that dominate the economic debate in China, what is relevant to rescue from this experience is the continuity of a strategy that favors innovation and scientific-technological progress, applying them to productive activities. This is the way to raise productivity and thus meet the needs of a population whose per capita income is increasing and which is demanding new goods and services.

From this perspective, the challenge for the region lies in taking better advantage of the trade and investment link with China, detecting and promoting joint technological and scientific initiatives. There is a wide field to explore around the digital and energy transitions that humanity is undergoing, both areas where the Chinese experience has much to contribute and where countries in the region have significant competitive advantages in renewable energies, water and minerals that are critical for both transitions. In particular, the interaction between South America's food potential and China's position as the main food importer also opens a wide space to advance joint initiatives in science and technology applied to agriculture and agribusiness, so as to provide the subregion with advances in AI, IoT, *Big Data*, technified irrigation, reduction of water and carbon footprints in agri-food production and exports. This would help preserve and consolidate the region's

agri-food advantages, dealing with the challenges of mitigating and adapting to climate change in a technified way. Interaction between universities and technology centers, academic exchanges and joint projects should play a much more relevant role than they have so far.

Strengthening the export dynamics

The global scenario, despite its short-term uncertainties, also presents opportunities. The rearrangements in value chains, the repercussions of the Russian invasion of Ukraine and the demands posed by climate change and the energy transition all assign an increasingly critical role to renewable energy sources, water and food supply and biodiversity. In all these areas, LAC has significant advantages, which can be further enhanced through appropriate international negotiation and integration policies. In this sense, exporting more and better is an underutilized axis in the recovery of growth.

Exporting more and better

The countries of the region need to make an additional effort to raise their export/product ratio, an average ratio that is well below that of their peers in Europe and Asia Pacific. Exporting more is not enough if we do not achieve changes in the structure of our exports: exports of natural resources with greater knowledge and technology content; with greater links to manufacturing and services and with a greater presence of SMEs.

Increase intra-regional and intra-industry exports

In Europe, intra-zone trade is close to 60% of the total and 40% in the Asian experience. In our case, it is between 15 and 17% of total trade. In turn, our intra-industrial trade, i.e., that of parts, pieces and components, does not exceed one digit of total trade, whereas in European and Asian areas it is an important factor in intra-zone trade. This is a clear testimony of non-integrated productive structures, a pending issue for regional integration efforts.

Inclusive recovery requires more intra-regional trade

The low level of intra-regional trade represents an obstacle to an inclusive recovery and a transformation in the production structure. Indeed, perhaps with the exception of Mexico, for the rest of the countries in the region intra-regional trade represents: i) the most intensive trade in manufactures; ii) the most SME-friendly; iii) the one that includes the largest number of products; and iv) the one that includes the largest participation of companies, especially MSMEs. Therefore, trade that is more compatible with productive and export diversification requires strengthening intra-regional trade. In addition, if this productive and export transformation is to be carried out with stricter environmental sustainability criteria, intra-regional trade is also a good contribution, since it has a lower raw material content and must travel shorter distances, which means that its emission levels are comparatively lower than those of extra-regional trade.

The new export cycle needs to be supported by productive diversification policies

The region has made considerable progress in trade liberalization and can make additional efforts. However, although this openness is essential, it is not enough on its own. Together with macroeconomic stability, it needs to be accompanied by active public policies that stimulate productive and export diversification. This includes productive development, financial and technological support for SMEs, training, promotion of innovation and attraction of FDI.

It is neither a matter of "picking winners" nor of replicating import substitution policies. The policies proposed here differ from those of the past in several areas: i) they are approached in a context of an open economy; ii) with public policies that promote innovation, productivity increases and the diffusion of technological change; and iii) with a public-private dialogue that should be present in the most relevant policies as a whole.

Avoiding alignment in the digital and energy transition

So far, it seems clear that the dispute for leadership in new technologies between the two major economies will continue for decades. This dispute centers precisely on the activities most closely linked to the digital transition and the energy transition. Leading the digital transition requires mastering 5G and soon 6G wireless, ultrafast and resilient network technologies. Key to this is having the right base stations, data centers, antennas and mobile devices. All of these technologies are fundamental to the design and production of autonomous cars, AI, IoT and new energy. Not a few Chinese companies have the capacity to make effective progress in these areas. Hence, in the first half of 2024, the meetings between US and Chinese authorities have mainly dealt with disputes over solar panels, electric vehicles and lithium batteries. This dispute may have repercussions in our region. In fact, several countries have already faced several episodes of diplomatic tension regarding the installation of 5G networks.

In this sense, the alignment of countries in the region would further slow down the fragile regional dialogue, regional integration processes would have to continue to wait and the region would not improve its limited levels of relevance in the main issues of the global agenda. Latin American foreign policy should strive to prevent the repercussions of this dispute from affecting our possibilities for growth and early incorporation of new technologies. Avoiding alignment in this dispute will be increasingly relevant.

As already mentioned, the region has high-value global assets in areas that are crucial for the evolution of the planet and humanity. The supply of water, arable land, healthy food, biodiversity and clean energy, together with being a zone of peace, are part of the immense attractions with which the region presents itself to the global dialogue. Our great lags in education, innovation and productivity limit our international presence, while our high levels of inequality hinder more vig-

orous growth paths. In each of these challenges, much progress remains to be made in regional cooperation and integration efforts. These efforts are increasingly urgent to constitute a unified voice on the main issues of the global agenda, coinciding with the hopefully also unified positions of the Asia-Pacific and the African Union.

Raising the status of cooperation in science and technology

In the first decade of this century, China emerged as a major trading partner of the region. In the second, it gradually became an important source of FDI and, more recently, a major infrastructure builder. What the region should begin to incorporate in this third decade is that China is already a technological power. From the above, it follows that the region's link with China should reflect greater cooperation in science, technology and innovation. (Salazar-Xirinachs, 2020)

The opportunities here are varied. The region has important advantages in renewable energy and water supply, an abundant supply of healthy food, a large population of 350 million people, a key input for the development of information technologies, and important technology centers that, in limited areas and with rather limited funding, have achieved important international successes. If cooperation with China in innovation and S&T and integration initiatives were to jointly address these potentialities, the region could leap forward in its development, leaving behind the middle-income trap that still characterizes us.

For example, Chinese investments could be oriented towards taking advantage of the region's vast stock of renewable energies, expanding and strengthening electricity interconnections, a factor that would help reduce electricity bill costs and facilitate the creation of local value chains. In the area of information technologies and digital infrastructure, technological cooperation could help reduce our digital divides, making progress in financial inclusion, in the banking penetration of

segments currently excluded from these services, in the modernization of the state and in open government initiatives. In biomedicine and health biotechnology, Chinese investment and scientific cooperation could bring important improvements in vaccines, disease treatment and the application of information technologies to increase the efficiency of primary health care. In aerospace, China already collaborates with ten countries in the region and this scientific collaboration could be extended to satellite monitoring systems applied to climate forecasting, crop resilience, climate change and forest and environmental protection. Last but not least, cooperation in agriculture will be increasingly important, addressing issues of innovation in irrigation, crops and technologies, industrialization of agricultural products and modernization of peasant agriculture.

LAC has much to learn from China's technological development. It is clear that there are substantial differences in many areas and not everything that China has applied can be useful in our region. However, what cannot be overlooked is that the Chinese experience is unprecedented in the sense that in barely forty years it has managed to become a technological power. Given the differences in size and political organization, more than one relevant lesson can be learned from a more intense scientific-technological cooperation with China. Solar panels, high-speed electric trains, electric urban transportation, AI and Big Data applied to health, education and smart city management, exchanges of scientists and professionals, low-cost construction of thermally efficient social housing, technologies for crops that are resilient to climate change, are some of the many options that are open to shape a new phase of cooperation and development in LAC's relations with China.

Likewise, the more this cooperation respects the institutional and cultural differences in the relationship, the easier it will be for LAC to move towards socially inclusive, carbon-neutral and environmentally sustainable development.

Privileging multilateralism

Our region's interest lies in renewing and deepening multilateralism in trade, investment and technology, favoring dialogue, negotiation and cooperation between the two powers and avoiding direct or latent conflict between them. A scenario of conflict reduces the pace of growth in investment and international trade, affects the deployment of value chains, limits the access of our economies to technological advances, slows down compliance with decarbonization commitments and could introduce a factor of volatility and economic and financial uncertainty that could be with us for years to come.

LAC should organize itself to assert its own interests in trade and investment, building collective positions on the main issues on the global agenda, particularly in the areas of climate change, clean energy, healthy food production, protection of the seas and biodiversity. In each of these areas, the region has much to contribute to the world and, therefore, can and should be a much more relevant player than it has been so far. This is certainly helped further by an integrated region with significant ongoing cooperation initiatives. In the absence of these circumstances, the region will be more exposed to various pressures aimed at aligning it on issues that do not arise from the region's demands. If it yields to such pressures, the region will lose opportunities for growth and well-being for its majorities. In this reflection, it is worth remembering that all prospective studies indicate that the greatest growth possibilities in the coming decades point more in the direction of the Asia-Pacific region.

From this perspective, a more determined economic and geopolitical link between our region and the Asia-Pacific countries should be part of the reflection that our international insertion and foreign policy policies could address. For the time being, we share two characteristics with that region: an increasingly closer economic and trade link with China and a security umbrella more closely linked to the United States. We also share

with those countries the desire not to align ourselves with any of the major powers, seeking the best political and economic link with each of them. From this point of view, it would seem that the link between Latin America and the Caribbean and Asia-Pacific region has much room for growth and development, and that we could work on joint proposals for global governance and the renewal of multilateralism. Clearly, a prior step for this is to build regional integration spaces that allow for an effective dialogue with ASEAN.

Overcoming the weaknesses of the integration process

A new wave of integration policies can help a great deal in this direction. This means not forgetting those characteristics of our regional integration processes that have so far hindered progress in productive and export diversification. In general, it can be said that regional integration processes have been characterized by: (i) a major emphasis on tariff reductions and a lower weighting of non-tariff issues, which are increasingly relevant to competitiveness; (ii) a very insufficient link with private investment and developments in the productive base; (iii) too weak a relationship with business and labor organizations; (iv) low priority of integration policies in government agendas; v) long-standing integration efforts but with precarious results in terms of productive integration or the creation of clusters; vi) particularly in South America, integration bodies take too long to implement their agreements and when they do, their implementation is partial and dispute settlement mechanisms are fragile; vii) in the southern part of the region there has been a marked tendency to understand integration efforts more as agreements between governments than as state policies.

Integration initiatives have had little presence in government agendas because their results in short periods of time are limited; they have not achieved popular support because their benefits are not perceived and because their design, in substance, has not incorporated labor or business actors, it has not succeeded in linking the world of production with the emphasis on integration.

By correcting such flaws, it will also be necessary to accompany integration efforts with results in the short term. It is true that, since this is a systemic issue, it is not easy to reverse this scenario in the short term. Therefore, it is necessary to focus on specific, well-defined proposals that can yield promising results in a three-year or two-year period. If this were the case, it would be possible to take steps of greater integrationist depth at a later date, once the fruitfulness of this new batch of policies has been demonstrated.

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Appendix 1: Chinese FDI in LAC (million dollars)

2005-2014

REGION	AMOUNT IN MILLION DOLLARS
South America	69,005.4
Mexico	2,208.0
Central America	310.2
Caribbean	4,189.3

COUNTRY	AMOUNT IN MILLION DOLLARS
Argentina	10,425.5
Barbados	2,557.0
Bolivia	80.7
Brazil	26,481.5
Chile	3,425.2
Colombia	3,762.3
Costa Rica	5.0
Ecuador	3,456.5
El Salvador	4.0
Guyana	2,788.7
Honduras	10.0
Jamaica	672.3
Mexico	2,208.0
Nicaragua	200.0
Panama	91.2
Peru	16,072.4
Suriname	20.0
Trinidad and Tobago	960.0
Uruguay	112.9
Venezuela	2,379.6

2015-2022

REGION	AMOUNT IN MILLION DOLLARS
South America	80,331.6
Mexico	18,130.7
Central America	1,319.0
Caribbean	4,486.2

COUNTRY	AMOUNT IN MILLION DOLLARS
Antigua and Barbuda	2,000.0
Argentina	7,778.2
Belize	124.0
Bolivia	1,209.8
Brazil	37,420.7
Chile	16,919.7
Colombia	2,298.3
Costa Rica	187.2
Cuba	274.0
Ecuador	396.8
Guyana	418.0
Haiti	71.6
Honduras	350.0
Jamaica	1,320.0
Mexico	18,130.7
Panama	657.8
Peru	12,642.7
Dominican Republic	492.6
Trinidad and Tobago	328.0
Uruguay	420.7
Venezuela	826.7

Source: Monitor of China's OFDI in Latin America and the Caribbean—Academic Network of Latin America and the Caribbean on China. Accessed in May 2024.

Appendix 2: Chinese FDI in LAC (million dollars)

2005-2014

REGION	AMOUNT IN MILLIONS
South America	$ 61,890
Mexico	$ 590
Central America	$ 300
Caribbean	$ 3,380

COUNTRY	AMOUNT IN MILLIONS
Antigua and Barbuda	$ 740
Argentina	$ 7,080
Bahamas	$ 100
Brazil	$ 29,460
Chile	$ 2,100
Colombia	$ 1,410
Cuba	$ 500
Ecuador	$ 4,720
Guyana	$ 100
Jamaica	$ 870
Mexico	$ 590
Nicaragua	$ 300
Peru	$ 14,520
Trinidad and Tobago	$ 1,170
Venezuela	$ 2,500

2015-2022

REGION	AMOUNT IN MILLIONS
South America	$ 83,360
Mexico	$ 3,970
Central America	$ 310
Caribbean	$ 550

COUNTRY	AMOUNT IN MILLIONS
Argentina	$ 5,360
Bahamas	$ 250
Brazil	$ 38,650
Chile	$ 14,220
Colombia	$ 4,830
Ecuador	$ 1,650
Guyana	$ 5,180
Jamaica	$ 300
Mexico	$ 3,970
Panama	$ 310
Peru	$ 11,040
Suriname	$ 360
Venezuela	$ 2,070

Source: China Global Investment Tracker. Accessed in May 2024.

Appendix 3: Chinese Investments in Construction and Infrastructure

2005-2014

REGION	AMOUNT IN MILLIONS
South America	$ 28,370
Mexico	$ 220
Central America	$ 1,620
Caribbean	$ 1,040

COUNTRY	AMOUNT IN MILLIONS
Antigua and Barbuda	$ 260
Argentina	$ 2,820
Bolivia	$ 1,500
Brazil	$ 3,920
Colombia	$ 240
Costa Rica	$ 340
Cuba	$ 100
Ecuador	$ 6,010
Guatemala	$ 700
Guyana	$ 820
Honduras	$ 350
Jamaica	$ 400
Mexico	$ 220
Nicaragua	$ 230
Peru	$ 1,110
Trinidad and Tobago	$ 280
Venezuela	$ 11,950

2015-2022

REGION	AMOUNT IN MILLIONS
South America	$ 27,820
Mexico	$ 1,960
Central America	$ 2,410
Caribbean	$ 3,590

COUNTRY	AMOUNT IN MILLIONS
Argentina	$ 11,130
Barbados	$ 610
Bolivia	$ 3,560
Brazil	$ 4,980
Chile	$ 2,000
Colombia	$ 380
Costa Rica	$ 470
Cuba	$ 140
Ecuador	$ 1,660
Guyana	$ 800
Jamaica	$ 1,520
Mexico	$ 1,960
Panama	$ 1,940
Peru	$ 1,500
Dominican Republic	$ 490
Trinidad and Tobago	$ 830
Uruguay	$ 180
Venezuela	$ 1,630

Source: China Global Investment Tracker. Accessed in May 2024

Appendix 4: Chinese FDI plus Construction activities in LAC (million dollars)

2005-2014

REGION	AMOUNT IN MILLIONS
South America	$ 90,260
Mexico	$ 810
Central America	$ 1,920
Caribbean	$ 4,420

COUNTRY	AMOUNT IN MILLIONS
Antigua and Barbuda	$ 1,000
Argentina	$ 9,900
Bahamas	$ 100
Bolivia	$ 1,500
Brazil	$ 33,380
Chile	$ 2,100
Colombia	$ 1,650
Costa Rica	$ 340
Cuba	$ 600
Ecuador	$ 10,730
Guatemala	$ 700
Guyana	$ 920
Honduras	$ 350
Jamaica	$ 1,270
Mexico	$ 810
Nicaragua	$ 530
Peru	$ 15,630
Trinidad and Tobago	$ 1.450
Venezuela	$ 14,450

2015-2022

REGION	AMOUNT IN MILLIONS
South America	$ 111,180
Mexico	$ 5,930
Central America	$ 2,720
Caribbean	$ 4,140

COUNTRY	AMOUNT IN MILLIONS
Argentina	$ 16,490
Bahamas	$ 250
Barbados	$ 610
Bolivia	$ 3,560
Brazil	$ 43,630
Chile	$ 16,220
Colombia	$ 5,210
Costa Rica	$ 470
Cuba	$ 140
Ecuador	$ 3,310
Guyana	$ 5,980
Jamaica	$ 1,820
Mexico	$ 5,930
Panama	$ 2,250
Peru	$ 12,540
Dominican Republic	$ 490
Suriname	$ 360
Trinidad and Tobago	$ 830
Uruguay	$ 180
Venezuela	$ 3,700

Source: China Global Investment Tracker. Accessed in May 2024