

Chinese firms eye more investments in Latin America

By Huang Ge Source: People's Daily and Global Times

Chinese companies are optimistic about investing in Latin America despite competition, and experts said the continent will likely benefit from growing Chinese investments.

President Xi Jinping began a week-long visit to Latin America on Thursday, which has raised expectations from both sides of stronger economic and trade ties between China and Latin America.

In 2015, China surpassed the US as the continent's largest foreign investor and top destination for exports. Chinese foreign direct investment in non-financial sectors in Latin America rose to \$21.45 billion last year, up 67.1 percent from the previous year, according to data released by the Ministry of Commerce (MOFCOM).

During that period, the China Development Bank and China Export-Import Bank, two State-backed policy banks, offered loans worth \$29 billion to the continent, more than the World Bank and the Inter-American Development Bank combined.

Chinese capital primarily goes into such industries in Latin America like business services, finance, wholesale and retail, mining, transportation, warehousing and postal services, said Liu Jianying, an associate research fellow at MOFCOM's Chinese Academy of International Trade and Economic Cooperation.

However, "Chinese investment in the region is unevenly distributed, and the market coverage is relatively low", Liu said.

Competitive edge

The US is turning its back on Latin America while China strengthens its economic ties with the continent, foreign media claimed.

US President-elect Donald Trump has pledged to walk away from the Trans-Pacific Partnership (TPP) and the North American Free Trade Agreement, as well as to sharply raise tariffs on Mexico-made products.

Indeed, Trump has brought uncertainties to US economic relations with Latin America, but China's plan to increase investments in Latin-America will not be affected by the TPP's status, said Sang Baichuan, director of the Institute of International Business at the University of International Business and Economics.

Chinese investments in Latin America will not touch the "US investment cheese" in the continent, Liu said, but will help improve the continent's investment environment.

"Compared to its global rivals in Europe and Japan, whose investments in the continent mainly go to high-end equipment manufacturing and services, China's competitive edge has gradually grown in labor-intensive manufacturing, infrastructure and capital-intensive sectors", Sang said.

"China has the advantage in labor, capital and foreign reserves, and some of its technologies have gained world recognition, helping the country pursue growth in Latin-American markets", he noted.

Risks remain

In 2015, President Xi pledged to increase bilateral trade between China and Latin America to \$500 billion and Chinese investment to \$250 billion by 2025.

China will further deepen trade and economic cooperation with Latin America in the coming decade, and will focus on industries like energy, infrastructure, agriculture, manufacturing, technological innovation and information technology, experts said.

"The China National Petroleum Corporation (CNPC) is seeking a close cooperation with the Peruvian government in the energy sector, especially in oil field development, pipeline construction and the use of natural gas", Chen Jintao, deputy general manager of CNPC's Latin-American branch, told the Global Times.

CNPC looks forward to more investment opportunities in Peru's petroleum industry after Xi's visit, Chen said.

Whether in traditional industries or new sectors, Chinese investment in Latin America will take on various forms in the future, including mergers and acquisitions, joint ventures, engineering procurement, construction and public-private partnerships, said Liu.

But experts said Chinese companies should be cautious as investment risks remain.

Labor disputes are common in the continent and it is quite hard for foreigners to acquire a work visa, Liu said, noting that Chinese firms should work out a plan to reduce risks before pumping in money there.

"Chinese firms also need to learn to adapt to the rules and laws in Latin America. They should also exert efforts to balance conflicting local interest groups", said Sang.