

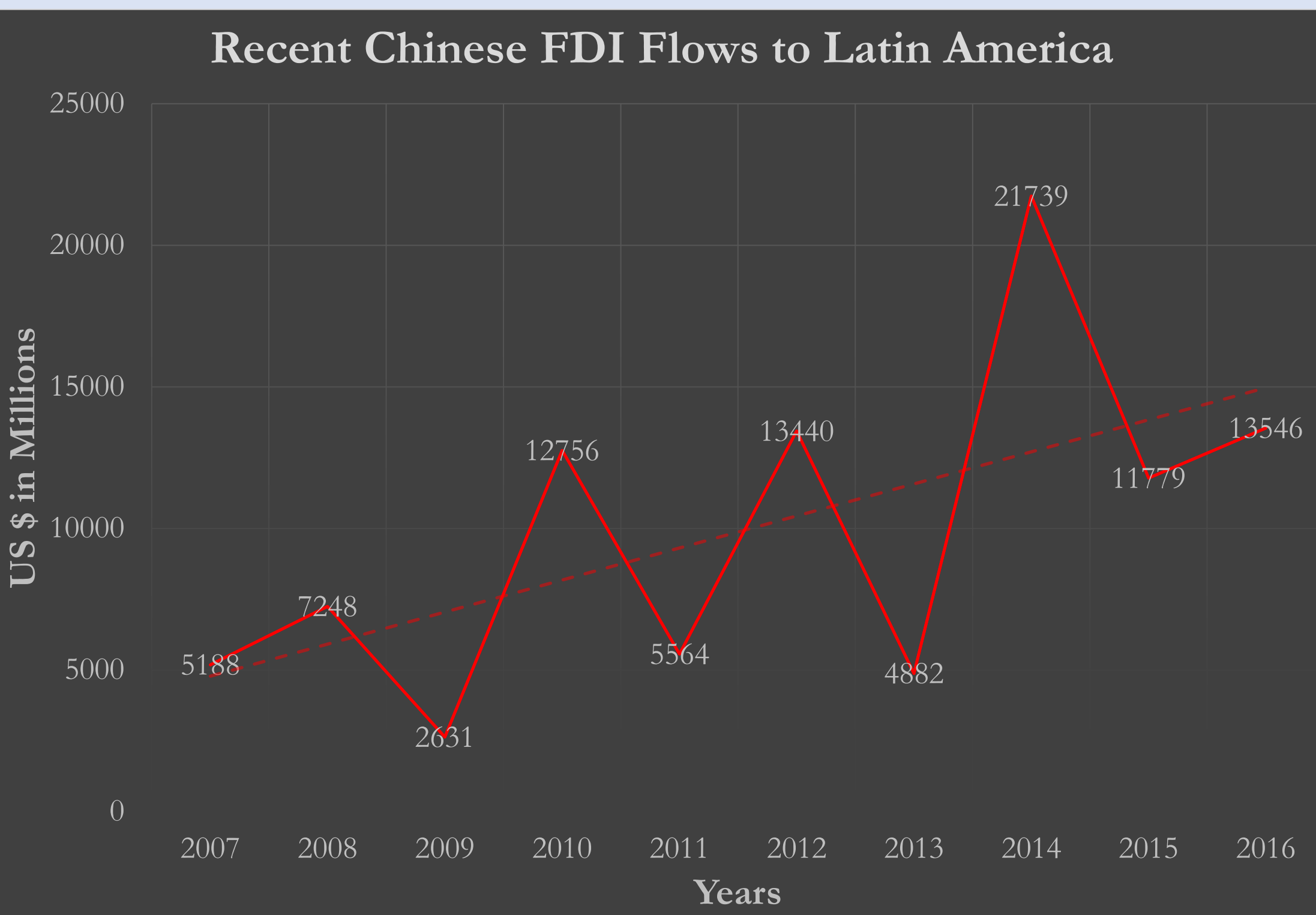
Modern Chinese Development of Latin America

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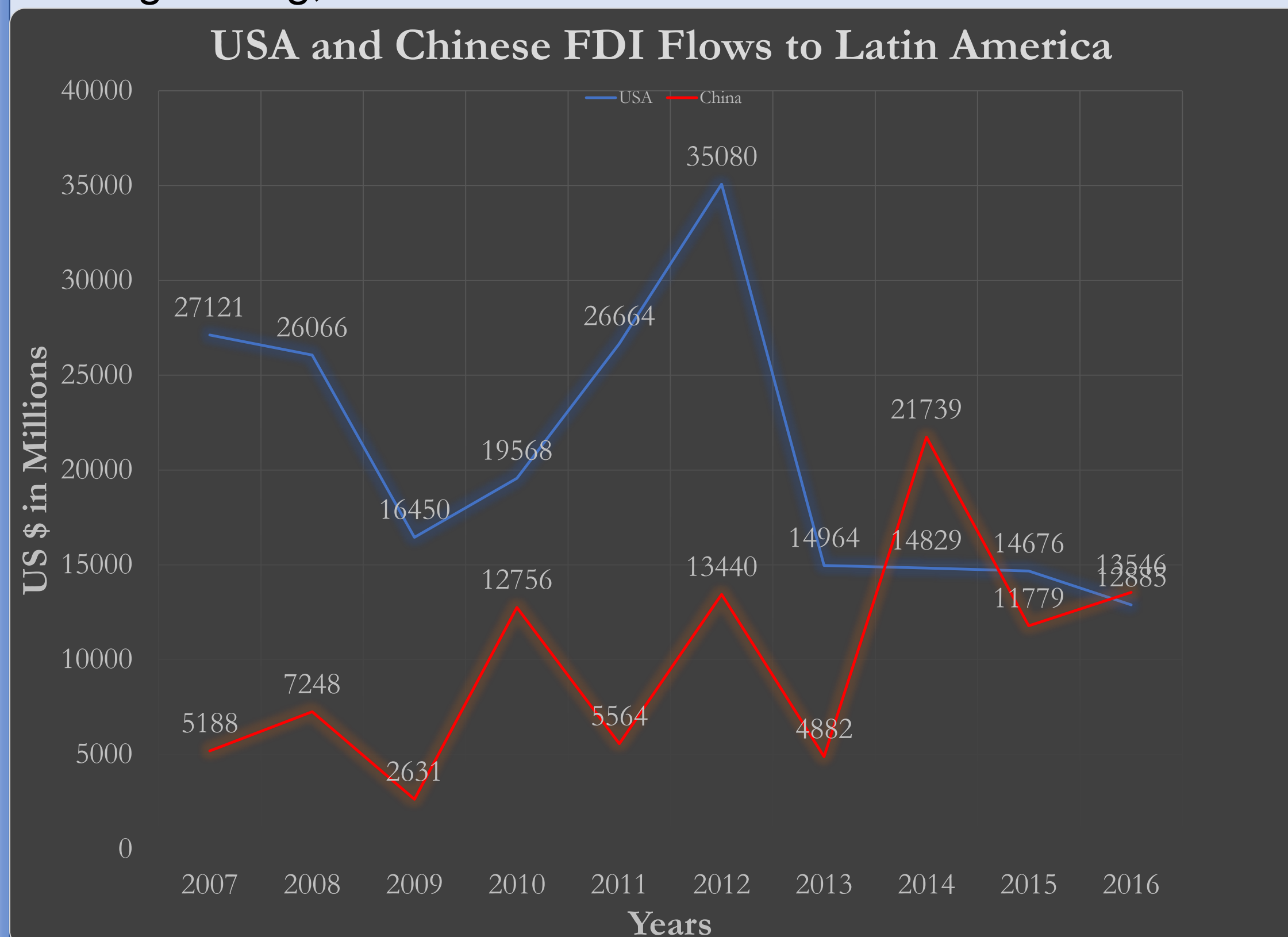
Foreign Direct Investment (FDI):

- A nation's FDI is the sum of its greenfield investment, mergers and acquisitions, and extended capital through previously established investment enterprises
- FDI flows measure the amount of FDI over a time period (usually a year)
- FDI is enacted by domestic corporations investing in foreign nations, not by any governments
- Important factors of FDI include market size, market potential, institutional and regulatory quality, trade openness, regulatory quality, and national stability



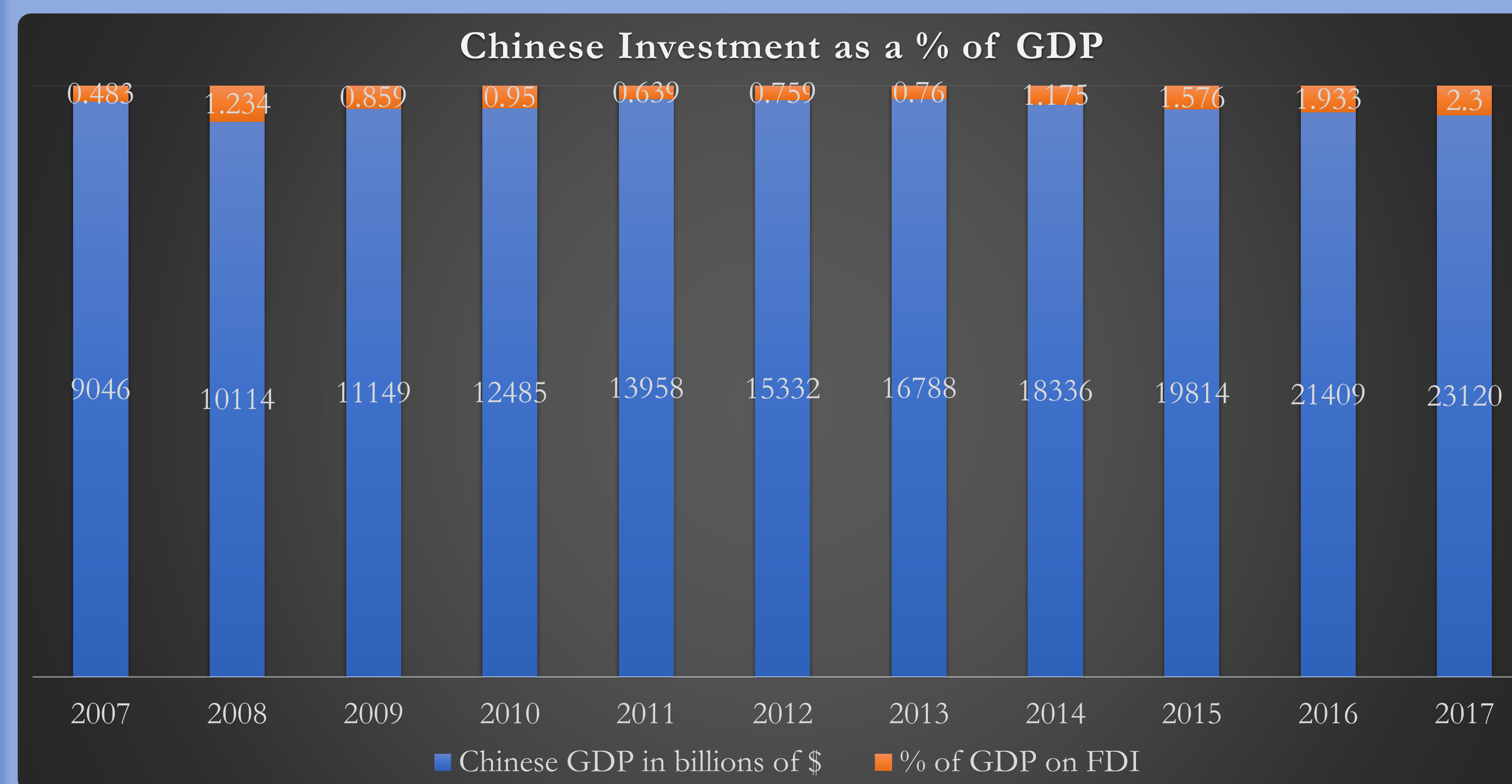
Implications of Chinese Investment:

- Chinese corporations follow strict guidelines set out by their central government, assuring that most business decisions are made, at least in part, by the Chinese government and will ultimately achieve its objectives
- China has replaced the United States' authority and place as a protector in several Latin American nations, thus challenging its leadership and role in the region
- China has been accused of *deindustrializing* its allies in Latin America, as it extracts primary commodities from the nations and ties their entire economic value on some resource, without any adequate technological spillover or long-lasting, bilateral benefit to the investment



Group of Latin American leaders meeting with Chinese president, Xi Jinping, in an international economic conference

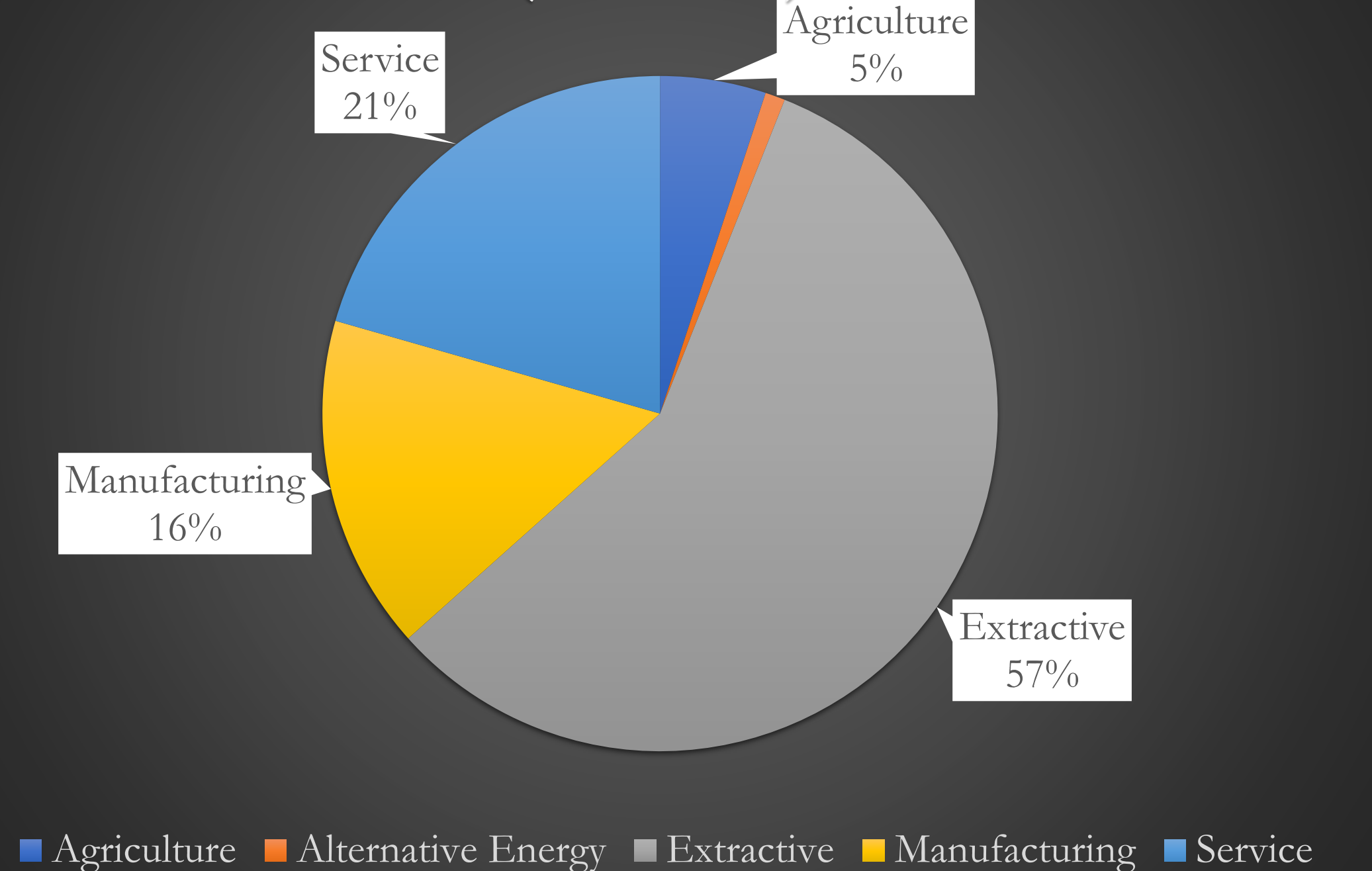
China, a rising global hegemon, has become increasingly interested in close economic and political relations with Latin America since the turn of the century. These relationships have been centered around two traits, foreign direct investment (FDI) and the export of raw materials. China and its corporations have fully invested themselves into the region in order to develop and maintain the production of certain goods necessary for upkeep of China's massive population, industrializing economy, and profit margins.



Notable Country Profiles:

- **Brazil:** A strong economy and treasure trove of resources; maintains a close relationship with China due to massive investment in raw materials and infrastructure; is using China as a worldwide platform for Brazilian entrepreneurs
- **Chile:** The bridge to Asia; has strong, upgraded free trade agreements with much of Asia and primarily trades fresh fruits and copper with China; challenges China's strict policies for reciprocal commodity investments
- **Costa Rica:** China's newfound building block for relations in Central America and the Caribbean; recognized China over Taiwan in 2007, since which has witnessed a massive influx of Chinese residents and tourists
- **Haiti:** Weakest (nearly nonexistent) relationship with China; no bilateral trade, does not recognize China as an independent nation, and China treats Haiti in a hostile manner
- **Peru:** Strongest relationship with China; stable economy, close political and economic ties, and deep commodity investment; openly praises and defends Chinese involvement in Latin America

Total Chinese FDI in Latin America, 2003 - 2012 (\$54 billion)



Source: Avendano, Rolando, Angel Melguizo, & Sean Miner. "Chinese FDI in Latin America: New Trends with Global Implications." *Atlantic Council*, 2017. Special thanks to Sean Miner for access to the article's charts and replication data.

Conclusion:

With China's influence in Latin America on the rise and the United States' influence waning, the relationship between these two entities will become even more important within the next decade. China could very well replace the United States' historical authority in the region and permanently secure its place as the new world hegemon through diplomatic, political, and economic means.

References:

- Avendano, Rolando, Angel Melguizo and Sean Miner. 2017. *Chinese FDI in Latin America: New Trends with Global Implications*. Atlantic Council. Accessed June 10, 2018. <http://publications.atlanticcouncil.org/china-fdi-latin-america/>.
- "Sources and Definitions." United Nations Conference on Trade and Development, n.d.. Accessed July 30, 2018. <http://unctad.org/en/Pages/DIAE/FDI%20Statistics/Sources-and-Definitions.aspx>.