CHINA-LATIN AMERICA ECONOMIC BULLETIN

2021 EDITION

BY REBECCA RAY, ZARA C. ALBRIGHT, AND KEHAN WANG

***Dr. Rebecca Ray** is an economist and senior research associate at the Boston University Global Development Policy Center. She is lead editor of* China and Sustainable Development in Latin America: The Social and Environmental Dimension *and* Development Banks and Sustainability in the Andean Amazon.

EXECUTIVE SUMMARY

Latin America and the Caribbean (LAC) was hit hard in 2020 by the COVID-19 pandemic and the resulting economic downturn. With one of the highest mortality rates in the world, the region also saw the worst economic slowdown of any global region, contracting by over seven percent last year ("COVID-19 in Latin America" 2020; IMF 2021). In this context, LAC's relationship with China—the most important export market for South America and second export market for LAC overall—is crucial.

These are among the findings of this year's China-Latin America Economic Bulletin, the sixth annual note summarizing and synthesizing trends in the burgeoning China-Latin America economic relationship. The goal of the bulletin is to provide analysts and observers a handy reference to the ever-changing landscape of China-Latin America economic relations, a landscape where data is not always as readily accessible. Highlights from this year's edition include:

- For the first time in 15 years, China's two policy banks, China Development Bank (CDB) and the Export-Import Bank of China (ExImBank) signed no new financing commitments with LAC governments. Instead, renegotiations of existing debts began, culminating in the suspension of $891 million in payments by Ecuador.
- China donated $215 million in medical aid to LAC countries. Nearly half of this amount—over $100 million—went to Venezuela.
- LAC-China trade held steady despite the regional downturn, at an estimated $136 billion in LAC-China exports and $160 billion in Chinese exports to LAC. Given the sharp economic slowdown, LAC's trade with China rose to record levels as a share of regional GDP, at an estimated 3.8 percent of GDP in imports and 3.2 percent of GDP in exports.

Zara C. Albright *is a Ph. D. student at Boston University. She received her B.S. and M.S. in International Affairs from the Georgia Institute of Technology. Zara's research focuses on development financing in Latin America, China's overseas economic activities, and strategies of rising powers.*

- Behind these trade results were rising iron prices, as China's economic stimulus drove demand for construction materials. Also driving trade was China's continued demand for Latin American soybeans, despite its commitments to return to buying from US suppliers under the China-U.S. "Phase One" trade deal.
- New ("greenfield") Chinese investments in LAC sagged, and included just a few major announcements, all of which are still pending: three Chinese automobile manufacturers announced the intention to invest in Mexico and a local subsidiary of China General Nuclear Power Corporation announced its intention to build 800MW in new solar energy generation facilities in Brazil.
- Nonetheless, Chinese mergers and acquisitions in LAC grew to $7 billion as Chinese energy companies took advantage of Sempra Energy's sale of its interests in the Chilean and Peruvian electricity sector. Together, China Three Gorges and State Grid Corporation bought over $6.5 billion of these assets.
- This year may see a rebound in investment and finance, as China has offered $1 billion in loans for vaccine purchases and has begun negotiations with Ecuador for a new loan for oil. Argentina has begun negotiating an ambitious investment package worth $30 billion, particularly in transportation and agricultural projects.

Kehan Wang *is a PhD candidate at Boston University and Pre-Doctoral Research Fellow of the Global China Initiative (GCI) at the GDP Center. His research focuses on natural resource governance and conflict management in Latin America, China-Latin American relations, Chinese overseas investments in natural resource extraction.*

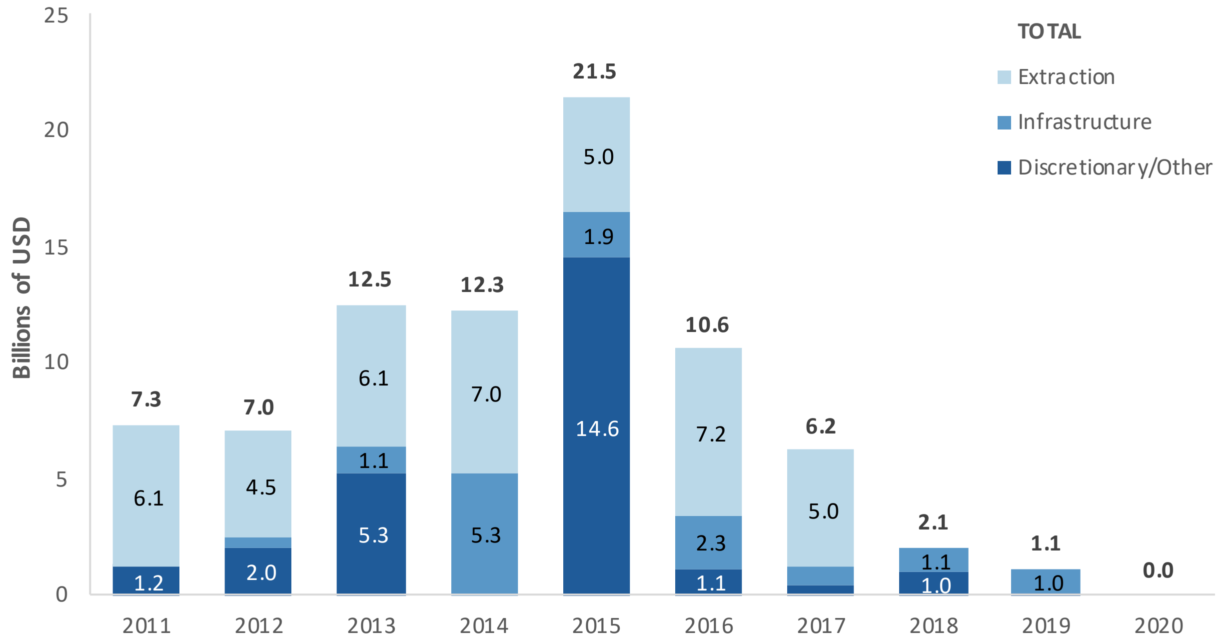
DEVELOPMENT FINANCE

Two policy banks—the China Development Bank (CDB) and the Export-Import Bank of China (ExImBank)—traditionally comprise the vast majority of official Chinese finance to LAC. However as Figure 1 shows, in 2020, for the first year since 2006, neither bank finalized any new loans or credit lines with LAC governments. One major loan package remains in negotiations: a credit line for Ecuador, in exchange for 154 million barrels of oil, co-financed by the CDB and ICBC, for a total of $2.4 billion. This deal was first announced in the summer of 2020 but has not yet been signed as of this writing ("Se acaba," 2020).

Instead, attention in 2020 turned to renegotiations of existing debts. As Figure 2 shows, most LAC countries have public and publicly guaranteed (PPG) debt levels below 50 percent of GDP, and have received less than 20 percent of yearly GDP in loan commitments from CDB and ExImBank since 2008, the end of the last regional business cycle. Venezuela stands out, followed at a great distance by Ecuador and Jamaica.

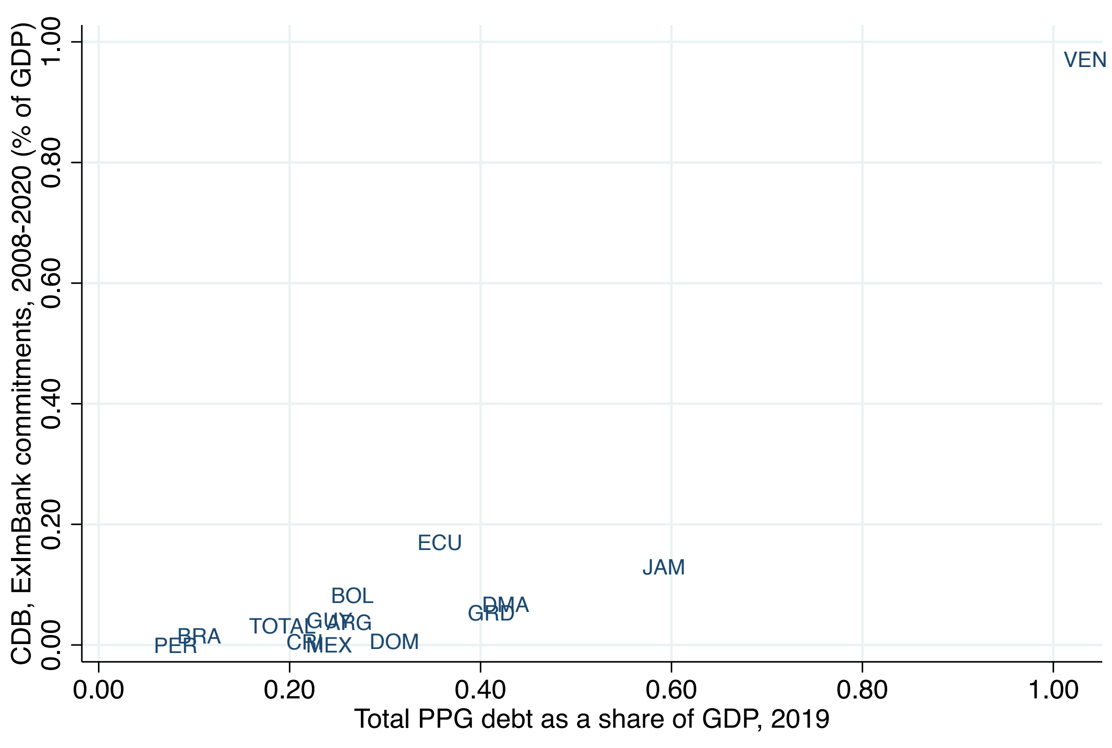
Indeed, Ecuador has been at the forefront of debt renegotiations with China. In 2020, it successfully negotiated the suspension of $891 million in payments to CDB and ExImBank through mid-2021 ("Ecuador totaliza alivio" 2020). Reports have surfaced that Venezuela may have also received a similar grace period on repayments, though no official announcements have confirmed such an agreement (Armas and Pons, 2020). China has actively participated in the G20's Debt Service Suspension Initiative (DSSI) for low-income countries, though very few LAC countries are eligible and only two—Dominica and Guyana—are participating as of this writing. In fact, according to the World Bank, 63 percent of the poorest countries' $178 billion total official bilateral debt to the G20 countries is owed to China (World Bank 2020). By November 2020, China's debt relief under DSSI had reached $2.1 billion (Nyabiage 2020). Nonetheless, as of this writing no public agreements have surfaced for other LAC debt restructuring outside of Ecuador.

Figure 1: CDB and ExImBank Lending to LAC Governments, 2011-2020



Source: Myers and Ray, 2021.

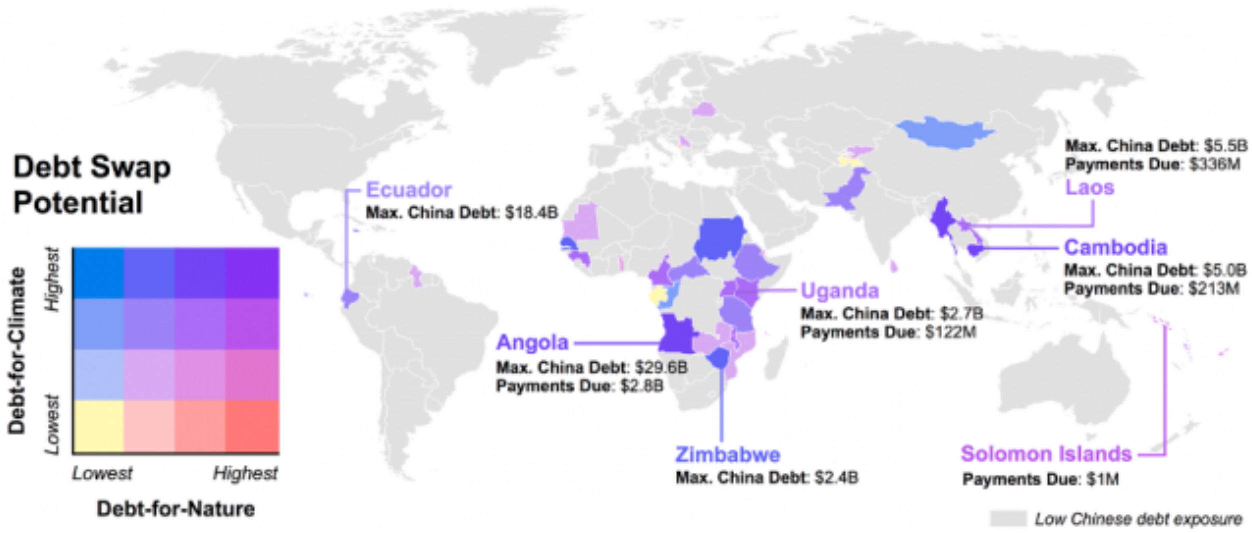
Figure 2: Total PPG debt exposure and total Chinese policy bank finance commitments since 2008, as a share of GDP



Source: Author calculations from World Bank and Boston University data.

Boston University research published in *Science* recently found Ecuador to be the most suitable location in the LAC region for debt-for-nature or debt-for-climate swaps, in which financial obligations are replaced with jointly agreed commitments for conservation and climate change mitigation, as Figure 3 shows. Such deals essentially pursue the inverse of traditional loans for oil, plotting an economic recovery and development trajectory based on ending dependency on raw commodity production rather than reinforcing that dependency. The recent *Science* article considers countries' debt service obligations to China, their total financing commitments from CDB and ExImBank (shown in Figure 3 as maximum China debt stocks), the potential for new conservation projects through as-of-yet unprotected natural areas, and political will for climate change mitigation projects through each country's Nationally Determined Contributions through the Paris Agreement. For more on this topic, see Simmons et al (2021).

Figure 3: Debt-for-nature and debt-for-climate swap potential with China



Source: Simmons et al (2021).

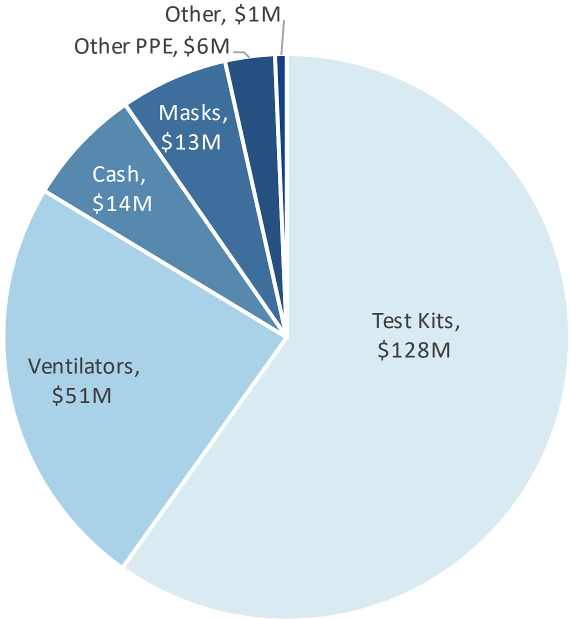
COVID-19 AID

Past editions of the China-Latin America Economic Bulletin have not focused on aid, as the total values are usually relatively small. However, the global COVID-19 pandemic changed this landscape dramatically, and related aid became a hallmark of the China-LAC relationship last year.

The extent of this aid is not surprising given the intensity of the pandemic in the LAC region. As of February 2021, Latin America had reported nearly twenty million total cases of COVID-19 and approximately 600,000 deaths from the virus. The region accounts for twenty percent of the world's cases, despite being home to less than ten percent of the world's population ("Reuters COVID-19 Tracker" 2021). Panama has the highest per capita number of cases, with approximately 76 cases per 1,000 people, followed by Brazil, Argentina, and Colombia, with per capita case rates around 43 per 1,000 people (Ibid).

In this context, China has moved beyond its typical role as trade partner or lender to provide significant amounts of COVID-19 related aid to Latin American countries. Since the beginning of the pandemic, China has donated nearly $215 million in supplies to the region, ranging from surgical gloves to advanced thermal imaging technologies (Wilson Center 2021). Based on data from the Wilson Center's tracker, Figure 4 shows a breakdown of supply donations into major categories, with test kits accounting for $128 million of the donations.

Figure 4: China's COVID-19 Aid to LAC, by Category



Source: Author calculations from Wilson Center (2021) and Telias and Urdinez (2020) data.

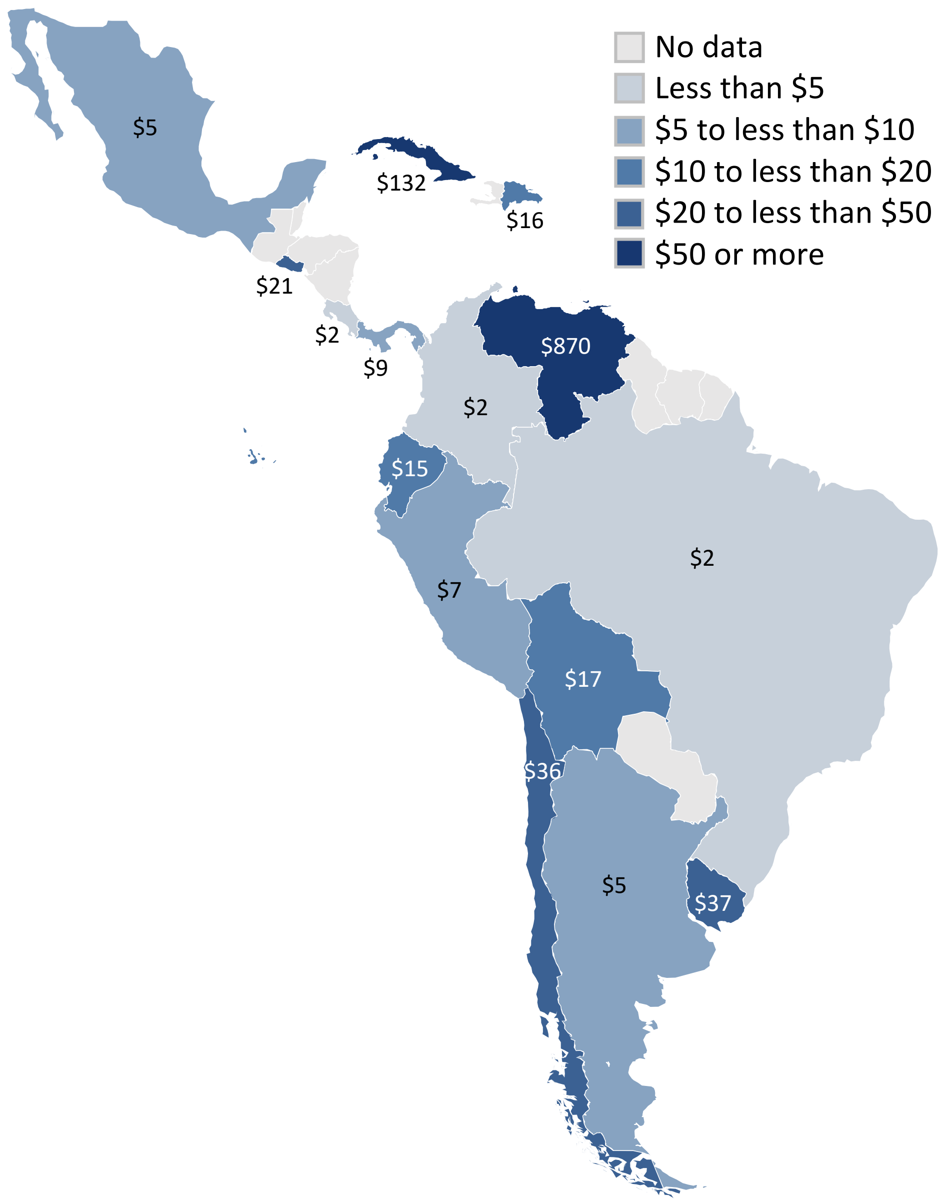
Aid to the region has been unevenly distributed, centered particularly in Venezuela and Cuba (Sanborn, 2020; Telias and Urdinez 2020), as Figure 5 shows. By total value, aid to Venezuela has far outpaced aid to other countries in the region, totaling over $100 million. Venezuela's aid per COVID-19 case also dwarfs that of other Latin American countries, with $870 worth of supplies received per case, compared to the median for the region, $7.17 per case. The only other country in the region with aid per case exceeding $50 is Cuba, at $130 per case (Wilson Center 2021). By comparison, Bolivia, Brazil, and Costa Rica have all received less than $5 worth of aid per case, despite rates of 19, 44, and 38 cases per thousand people. Figure 5 illustrates the regional variation in donations and includes the total value of in-kind donations and cash donations from all Chinese contributors.

In addition to the Chinese central government, local governments, state-owned enterprises, private corporations, Chambers of Commerce, and the Chinese diaspora community have donated supplies and money to Latin American countries during the pandemic. Ecuador's experience illustrates the diverse sources of COVID-19 related donations. In April 2020, the Chinese central government, through the local ambassador, donated $80,000 worth of surgical and N-95 masks, protective suits, and infrared thermometers (Canciller de Ecuador 2020). Later that month, China National Petroleum Corporation (CNPC), which has been an active investor in Ecuador's oil sector since 2006, donated over $26,000 worth of PPE and supplies (Velez 2020a). In June, Tik Tok contributed $340,000 to Ecuador's campaign "Dar una mano, sin dar la mano" ("Tik Tok dona" 2020). In August, several local organizations within the Chinese community in Ecuador donated $200,000 worth of equipment to six hospitals in Guayaquil ("La comunidad china" 2020).

Huawei has been a key contributor throughout the region, and in partnership with local embassies, has made several high-profile donations of advanced technologies to help combat the virus. In Argentina, the company donated thermal imaging technology for use at Ezeiza International Airport to detect travelers with elevated temperatures (Huawei 2020). In March 2020, Huawei's COVID-19 Auxiliary Diagnostic System was installed in Quito Sur Hospital and Ceibos Hospital in Guayaquil, Ecuador to assist healthcare professionals in diagnosing severity of COVID-19 in patients (Chuquimarca 2020). A similar system was installed in a hospital in the Dominican Republic (Claro Dominicana 2020), and in Panama, Huawei is working with the Ministry of Health (MINSA) to develop a cloud-based platform for collaboration among healthcare workers in the country (Huawei 2020).

In accordance with the One China Policy, China's formal aid has been extended only to those Latin American countries who have officially established relations with Beijing. However, through backchannels and unofficial means, Chinese aid has reached Paraguay, Haiti, and St. Lucia (Telias and Urdinez 2020). In Paraguay in particular, the only remaining South American country to recognize Taiwan, several legislators proposed establishing relations with Beijing in return for COVID-19 aid and supplies (Chien-shen and Lim 2020). Though the legislature voted to maintain relations with Taiwan, China sent over $53,000 worth of supplies to the country though the Consulate in Sao Paulo (Telias and Urdinez 2020).

Figure 5: China's COVID-19 Aid to LAC, per recorded case



Source: Author calculations from "Reuters COVID-19 Tracker," 2021; Telias and Urdinez, 2020; Wilson Center, 2021

The vast majority of China's donations occurred in the spring and summer of 2020, with activity significantly tapering off after June 2020 (Telias and Urdinez 2020). In 2021, the focus has turned to vaccine production and distribution, after completion of clinical trials with Sinovac in Brazil and Chile, Sinopharm in Argentina and Peru, and both CanSino and Walvax in Mexico ("OPS Destaca Cooperación" 2020). Sinovac is manufacturing 100 million doses of its CoronaVac in Sao Paulo and distribution has begun in Brazil and Chile (Horwitz 2021; "Chile Inicia Estudio" 2020). Peru began distribution of 300,000 doses of Sinopharm's vaccine in February 2021 ("Peru Launches Vaccination" 2021). Mexico has approved the single-dose CanSino vaccine and ordered seven million doses (Gonzalez et al. 2021).

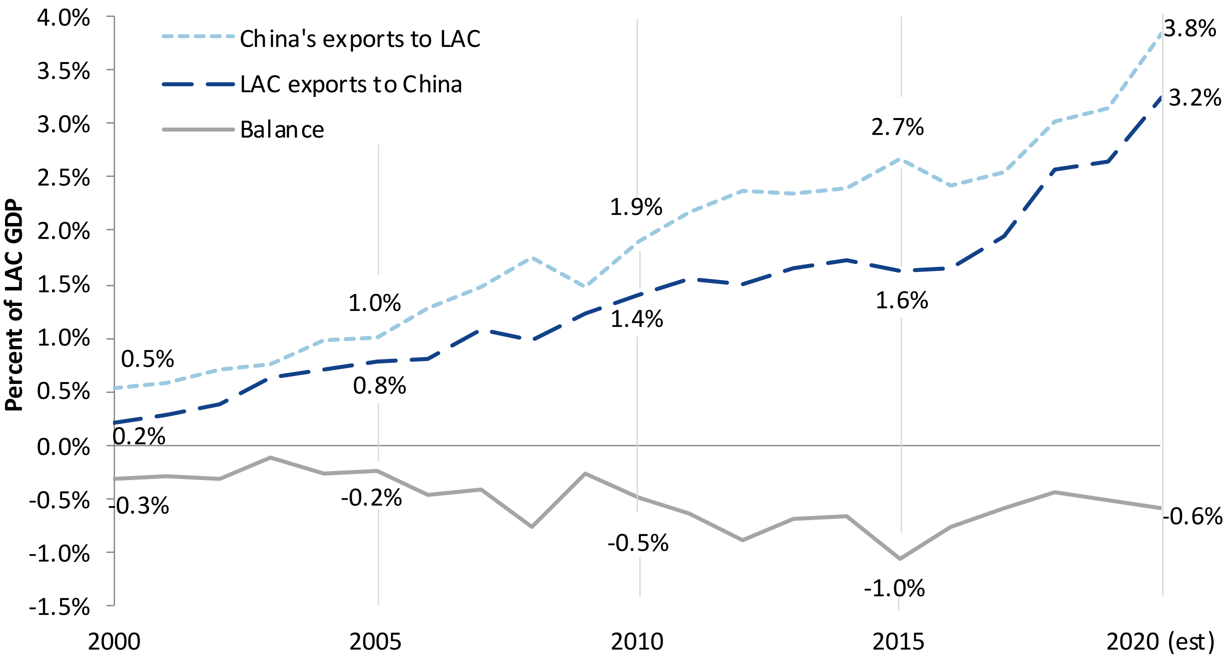
LAC-CHINA TRADE: HOLDING STEADY AMIDST A GLOBAL DOWNTURN

LAC-China merchandise trade stayed almost perfectly flat in 2020. This is noteworthy in itself, as LAC GDP fell by over 7 percent in 2020 according to IMF estimates, losing a decade's worth of growth, and regional merchandise exports fell overall (United Nations 2021). Nonetheless, because of steady trade with China amidst such steep economic decline, LAC's merchandise trade flows with China grew to record high levels of regional GDP.

LAC's merchandise exports to China rose slightly from $135.2 billion to an estimated $135.6 billion, and China's merchandise exports to LAC fell slightly from $161.3 billion to an estimated $160.0 billion. But as LAC regional GDP fell sharply, both imports and exports rose significantly as a share of GDP, and the balance grew slightly, from 0.5 percent to 0.6 percent of regional GDP.

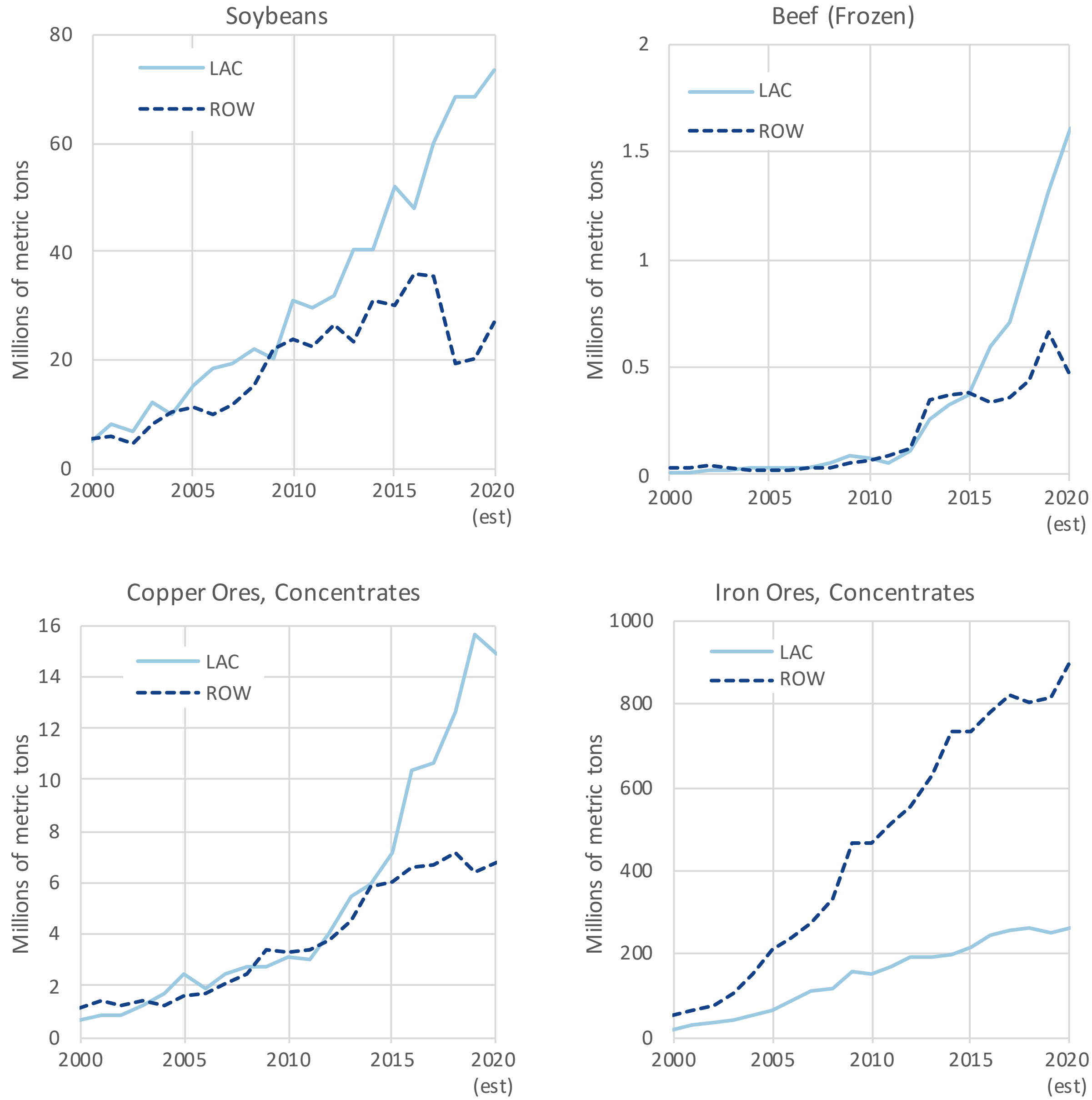
Contributing to LAC-China exports' resilience was China's growing demand for LAC commodities, particularly foodstuffs like beef and soy, as Figure 7 shows. China's demand for these LAC products accelerated in 2017, when China imposed penalties on U.S. agricultural goods amid the U.S.-China trade tensions. The 2020 "Phase One" trade deal between the U.S. and China was expected to reverse this trend, but research by the Peterson Institute for International Economics indicates that China's demand for those U.S. commodities has not rebounded as anticipated. In fact, China's imports of U.S. agricultural goods have only reached about two-thirds of their commitments under the deal (Bown, 2021). So it is not surprising that China's imports of beef and soy from LAC continued to grow in 2020.

Figure 6: Merchandise Trade Balance with China



Source: Author calculations using China General Administration of Customs, UN Comtrade, and IMF WEO data. Note: these data are not equivalent to overall trade balances, because they do not include trade in services.

Figure 7: China's Imports of Major Commodities, by Source Region



Source: Author calculations using China General Administration of Customs and COMTRADE data.

China's agricultural purchases from LAC grew further in 2020 as China began importing Bolivian beef under a new 2019 agreement (Liang 2019). The first exports of 664 metric tons arrived in 2019; 2020 saw this total jump to 10,867 tons. While not yet on par with larger beef producing neighbors like Uruguay (which sent China 228,341 metric tons in 2020), Argentina (whose beef exports to China approached a half-million tons), or Brazil (which shipped China nearly 850,000 tons), Bolivia has established itself as a significant new member of this supply chain.

Unfortunately, cattle farming is closely linked with deforestation in the biomes of the Amazon rivershed, often characterized by "leakage" of ranching activity from Brazil to the relatively less-regulated Bolivia (see for example de la Vega-Leinert 2019; le Polain et al, 2019). Thus, the expected expansion of cattle ranching through this export agreement with China has raised sustainability concerns among observers (see for example Jemio 2019).

Another sector with rising importance is shellfish. Since 2015, Chinese imports of LAC crustaceans have shot up tenfold. Almost all of this increase is due to shrimp from Ecuador, which skyrocketed from 138 to over 300,000 metric tons in the last five years. Shrimp is Ecuador's second most important export, after petroleum, and China is now by far the most important purchaser, accounting for 65 percent of the international market (Zumba 2020). This rapid rise is particularly noteworthy given the suspension of Ecuador-China shrimp exports in July, after COVID was found on a package of Ecuadorian frozen shrimp (Patton and Valencia 2020).

Seafood brought diplomatic complications in 2020, as a hundreds-strong Chinese fishing fleet was discovered just outside Ecuador's exclusive economic zone surrounding the Galapagos Islands (Ford, 2020). Despite their location in international waters, Ecuador sought—and received—permission from China to monitor the fleet (Velez, 2020). However, Ecuador reported that roughly half of the vessels turned off their communications systems, making them much more difficult to track (Garcia, 2020). China responded by enacting additional regulations on its distant-water fishing fleet, prohibiting illegal, unreported, and unregulated (IUU) fishing activity and announcing a moratorium on squid fishing near the Galapagos (Chun, 2020; Fitt, 2020). The fleet was later observed just off of Peruvian—and later Argentinian—waters (Mazzoleni, 2020). Regional governments are currently planning a joint response and cooperative marine resource management strategy, through the Organización Regional de Ordenamiento Pesquero del Pacífico Sur (Torrico, 2020; Velez, 2021).

Beyond foodstuffs, LAC exports to China were also boosted by rebounding prices for metals—and especially iron—as China's economic stimulus drove new construction (Bradsher, 2020). World iron prices rose by over 10 percent in nominal terms in 2020, bolstering export revenue for producing countries, particularly Brazil. Moderating this revenue increase was a drop in China's petroleum imports from LAC, with zero Chinese imports from Venezuela amid tightening U.S. sanctions. However, the impact of this stoppage on regional export revenue is ambiguous. Official statistics dramatically undercount LAC-China oil exports, which are mostly routed through intermediary countries for refining.

Overall, a few commodities continue to dominate LAC-China exports. From 2015 to 2019 (the last year with complete data), nearly 70 percent of the LAC-China export basket was made of just five goods: soybeans and other oilseeds; crude petroleum oil; copper ores and concentrates; iron ores and concentrates; and refined copper. As Table 1 shows, each of these commodities is heavily concentrated geographically, with just a few countries providing most exports.

As Figure 6 shows, these countries are important not just in China's imports from LAC, but also in China's imports globally. For example, Figure 6 shows that China buys a significant majority of its soybeans from LAC, and within those imports, Table 1 shows that nearly all of those shipments originate in Brazil and Argentina. Interestingly, while Peru and Chile are both important sources of copper, Chile accounts for the majority of refined copper, while the two are more split on their sales of copper ores and concentrates. Overall, approximately 90 percent of LAC-China trade flows in these top commodities originate in four countries: Brazil, Chile, Peru, and Venezuela. It is worth noting that Figure 6 and Table 1 under-estimate the value of LAC-China petroleum exports, which are typically destined first for intermediary countries for refining before eventually arriving in China.

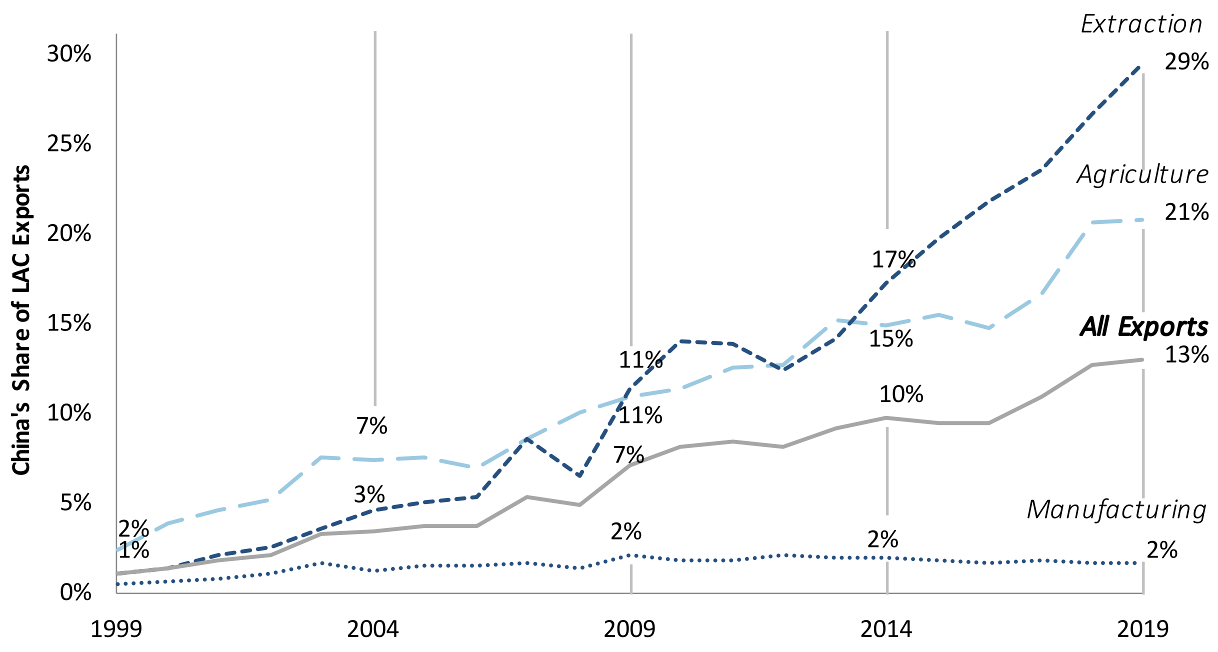
Table 1: Top LAC-China exports, 2015-2019

Commodity	Share of LAC-China Exports	Top source countries
Soybeans, other oilseeds	20.6%	87% Brazil, 12% Argentina
Crude petroleum oil	16.2%	51% Brazil, 31% Venezuela, 13% Colombia
Copper ores, concentrates	14.6%	47% Chile, 41% Peru
Iron ores, concentrates	10.1%	88% Brazil
Copper	8.5%	82% Chile, 10% Peru
Total, top 5	**69.9%**	**51% Brazil, 20% Chile, 11% Peru, 8% Venezuela**

Source: Author calculations using UN Comtrade data. Note: These values underestimate LAC-China petroleum exports, which typically go first to intermediary countries for refining before eventually arriving in China.

Given the continued importance of raw commodities then, it is not surprising that as of 2019, China accounted for a record 29 percent of LAC extractive commodities and 21 percent of agricultural commodities, compared to its relatively constant 2 percent of manufactured commodities, as shown in Figure 8.

Figure 8: China's Share of LAC Export Basket, by Sector



Source: Author calculations using UN COMTRADE data. China includes Hong Kong and Macao. Sector classification is based on UNCTAD classifications.

Foreign Direct Investment

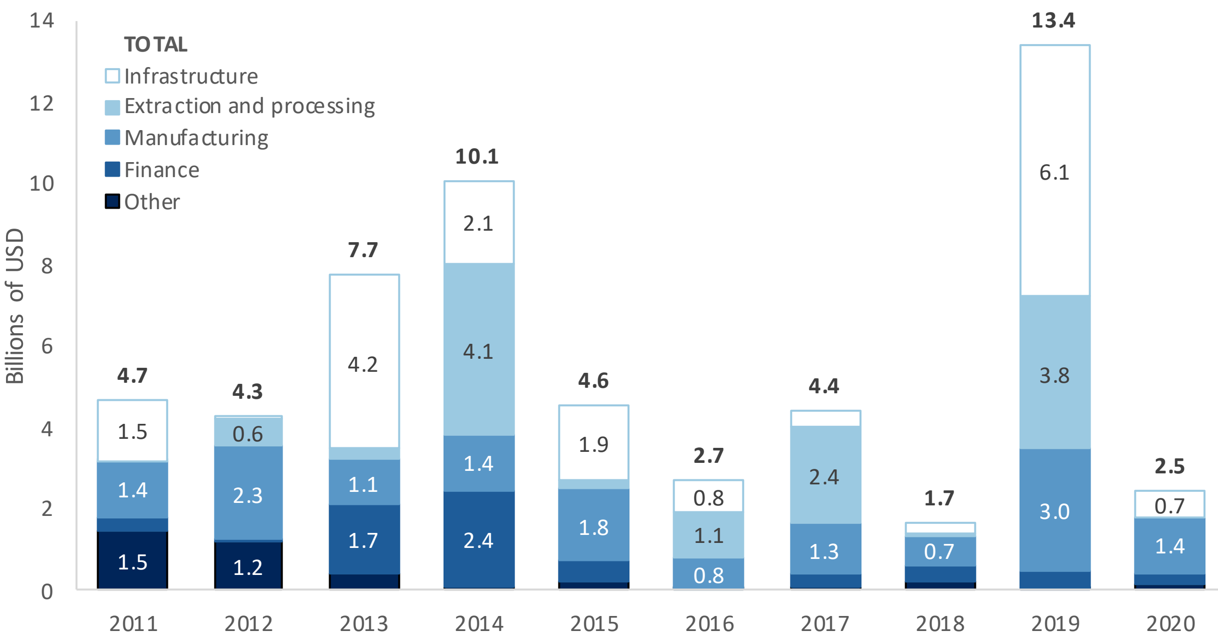
FDI projects can arrive in one of two avenues: new "greenfield" projects or mergers and acquisitions (M&A) deals: the acquisition of, or merger with, existing projects. The greenfield (GFDI) projects shown here are firms' announced intentions to begin new projects; the financial flows themselves often take years to occur after the announcement itself, as new enterprises are established slowly. In contrast, M&As consist of the purchase of existing assets, and are already complete by the time they are listed here. Thus, this section looks at each avenue separately. (For a deeper analysis of Chinese investment trends in LAC, see Dussel Peters2020).

In 2020, announcement of new Chinese GFDI projects fell sharply, while M&A deals rebounded somewhat, as western investors sold off LAC assets to Chinese buyers. Infrastructure continues to dominate both types of investment deals, particularly in the electricity sector.

GREENFIELD FDI

Unsurprisingly, announcements of total GFDI projects into LAC fell dramatically in 2020, from over $100 billion in 2019 to just $55 billion last year. This trend is even more stark for Chinese companies' GFDI announcements in LAC, which fell from $13.4 billion in 2019 to just $2.5 billion last year, as Figure 9 shows.

Figure 9: Chinese GFDI Announced in LAC, by Sector



Source: Author calculations from Financial Times data.

In January 2020, before the COVID-19 pandemic reached its current proportions, three Chinese auto manufacturers announced their intentions to establish or expand production in Mexico: BYD, which specializes in electric vehicles, and two state-owned Chinese auto makers: Changan, based in Chongqing, and Anhui Jianghuai Automobile Co, known as JAC, based in Anhui Province ("At Least Three", 2020). Together, these three announcements entail roughly $1 billion in investment, but they have not yet materialized.

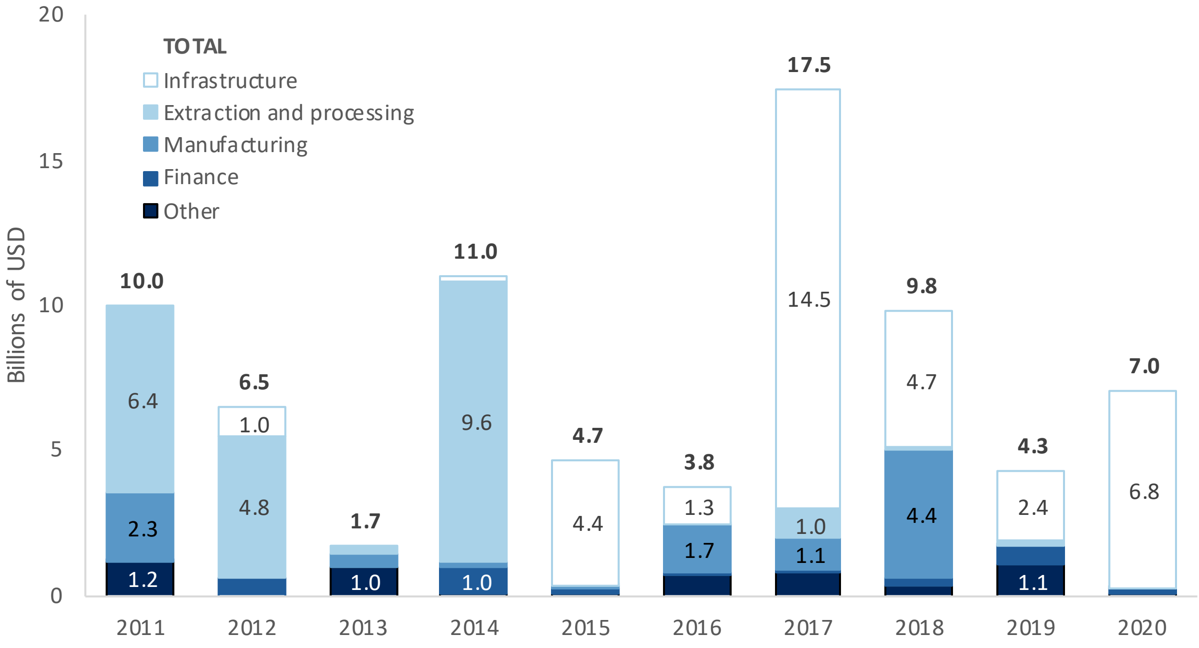
In November 2020, CGN Brasil Energia, a subsidiary of China General Nuclear Power Corporation, announced its intention to nearly triple its renewable energy generation assets in Brazil, including a 200MW expansion of its Santa Vitória do Palmar wind power station in Rio Grande do Sul and establish additional solar generation capacity of close to 600 MW. Together, these announcements represent over $300 million in investment, with negotiations expected to continue into 2021 (Costa, 2020).

MERGERS AND ACQUISITIONS

In 2020, Chinese mergers and acquisitions in LAC did not fall but actually rebounded somewhat from their low 2019 level, to $7 billion. They were almost entirely concentrated in one sector: electricity infrastructure. Three major electricity-sector deals in Peru and Chile were finalized, totaling $6.8 billion, while another $5.0 billion deal was announced at the end of the year and is still pending.

While several of these large deals involved western investors selling off their LAC assets, they were all first announced in the fall of 2019, so they are not symptoms of a COVID-19 related panic among multinational corporations. Most of these deals involve sales by U.S. based Sempra Energy, which

Figure 10: Chinese Mergers and Acquisitions in LAC, by Sector



Source: Author calculations using DeaLogic.

announced in 2019 that it intended to sell of its South American assets to concentrate on its home market of North America. Notable deals finalized in 2020 included the following:

- China Three Gorges Corp bought Sempra's 83.6 percent stake in Peru's Luz del Sur, the largest electric company in Peru, for $4.1 billion
- State Grid Corp of China bought Chilquinta Energia, the third largest distributor in Chile, from Sempra for $2.4 billion
- State Grid bought Sempra's 50 percent stake in Chilean Eletrans for $217 million.
- The Industrial and Commercial Bank of China (ICBC) purchased a 20 percent stake in ICBC Argentina assets from South Africa's Standard Bank Group for $181 million. Standard Bank first became involved in ICBC Argentina when it bought BankBoston Argentina in 2006, then sold 80 percent of the assets to ICBC in 2012. The bank was rebranded ICBC Argentina in 2013. The 2020 deal saw the remaining 20 percent of assets sold to ICBC.

One additional deal was announced in November 2020, but not yet completed. Spain-based Naturgy agreed to sell the Chilean utility Compañía General de Electricidad SA to State Grid Corp of China for $5.0 billion. This will bring the total of State Grid's announced or completed M&As in Chile's electrical sector in 2020 to a total of $7.6 billion.

CHINA-LED MULTILATERAL INITIATIVES: AIIB AND BRI

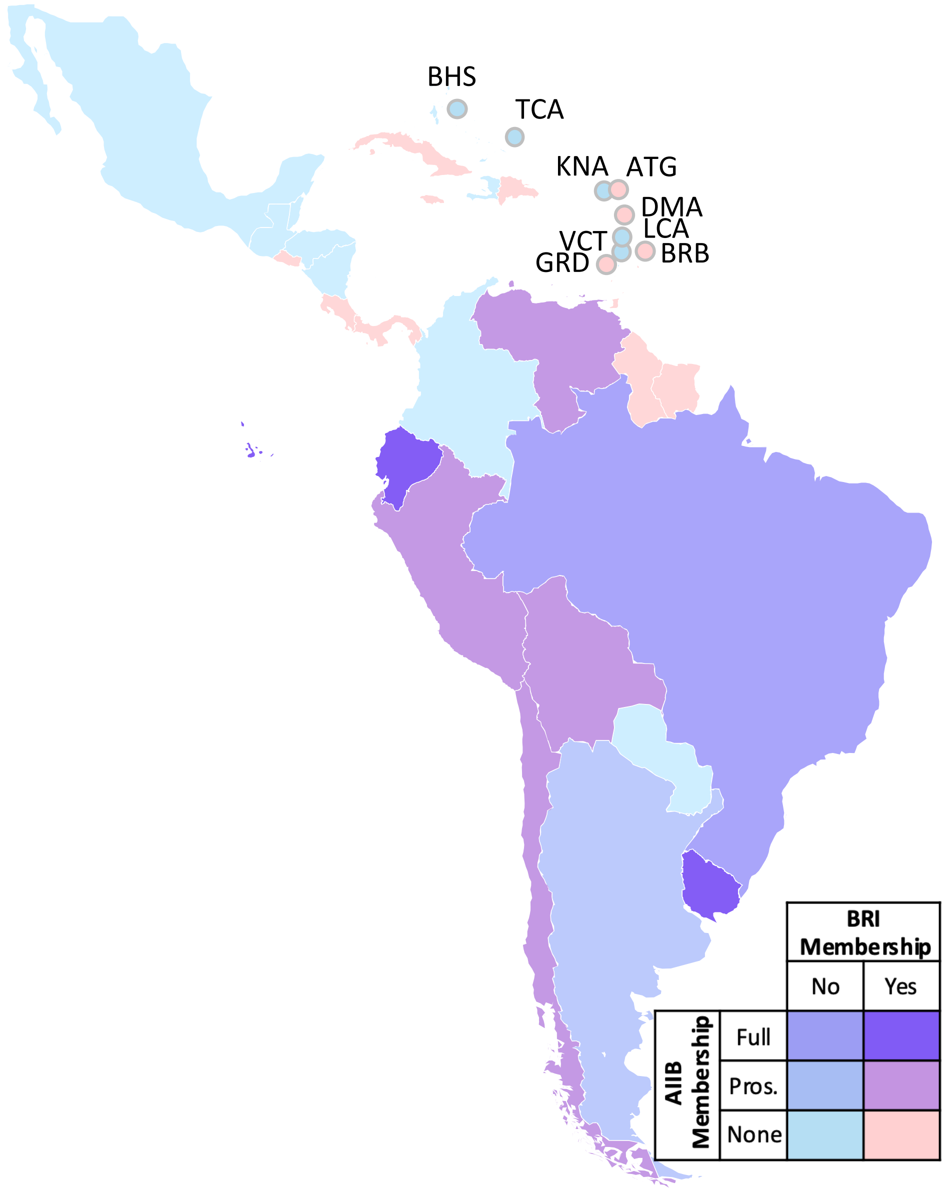
In 2020, LAC countries continued to build up the ranks of the Asian Infrastructure Investment Bank (AIIB), as Brazil and Uruguay became full members. Uruguay became the second country to become a full member of both the AIIB and the Belt and Road Initiative (BRI), after Ecuador did the same in 2019. Brazil became the first country to join the AIIB as a full member without also joining the BRI.[1]

The current arrangement of LAC country membership in these China-led multilateral efforts is shown in Figure 10. Dark purple countries (Ecuador and Uruguay) are full members of the AIIB and also BRI signatories. Medium pink countries (Bolivia, Chile, Peru, and Venezuela) are BRI signatories but only *prospective* AIIB members, having not yet paid their bank shares. Brazil, the only country in dark blue, and Argentina, the only country in light blue, are not BRI members but are full (Brazil) or prospective (Argentina) AIIB members. Thirteen additional countries are shown in light pink, having joined the BRI but not the AIIB.

AIIB membership is concentrated among countries with strong trade and investment relationships with China, particularly in South America. BRI membership is concentrated among countries with strong diplomatic ties, particularly in Central America and the Caribbean. As Myers and Barrios (2021) have pointed out, this includes the three countries whose relationships with China have earned special designations not shared by any other country: Cuba ("good friend"), Jamaica ("friendly partnership for common development"), and Trinidad and Tobago ("comprehensive cooperation partnership of mutual respect, equality, mutual benefit, and common development").

[1] BRI affiliation denotes having signed a BRI memorandum of understanding, BRI cooperation agreement, or BRI framework agreement

Figure 11: AIIB, BRI Membership

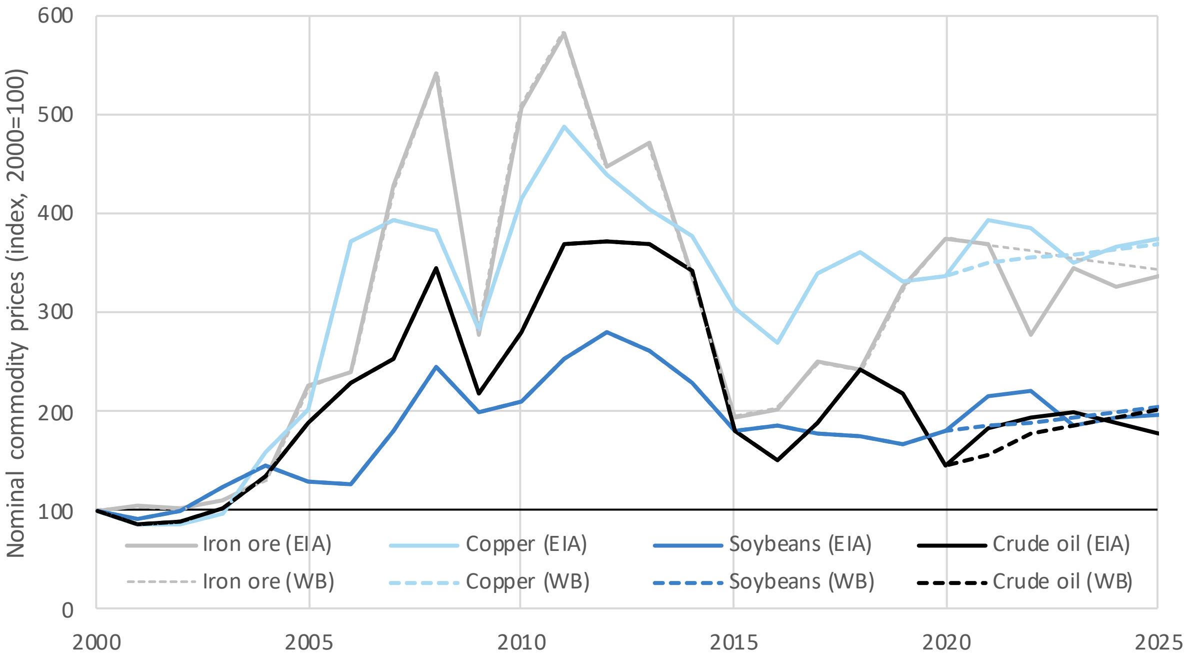


Source: Author calculations using DeaLogic.

OUTLOOK FOR 2021 AND BEYOND

Chinese official finance to LAC governments is likely to rebound. As mentioned above, Ecuador ended 2020 still in negotiations for a loan package with CDB and ICBC. If the package is finalized in 2021 in its current form, it will bring in $1 billion in finance from CDB and $1.4 from ICBC.

Figure 12: Commodity Prices and Forecasts for Major LAC-China Exports



Source: Author calculations using EIU and World Bank data.

COVID-19 engagements are also likely to shift toward finance. In 2020, China offered up to $1 billion in loans to LAC to support purchases of Chinese-manufactured vaccines. As of this writing, no countries have used this offer yet, but as LAC vaccine deployment is still in its early stages, it is likely to be used in the coming months (Secretaría de Relaciones Exteriores 2020).

Investment may rebound in 2021 as well. For example, Argentina and China have begun negotiating a $30 billion package of investment plans across 15 key infrastructure and energy projects in Argentina (Dinatale, 2021). Several of the projects associated with this package have been frequent features of Chinese cooperation in the past, including the San Martín, Roca, and Belgrano Cargas rail lines. Over the coming months these projects may return to the fore.

Trade is likely to see the effect of continued volatility in metals prices as the world economy rebounds and the effect of China's stimulus on construction recedes. Although metals prices rose in 2020, as Figure 12 shows, the Economist Intelligence Unit and the World Bank expect the price of iron to decline again in the coming years, while the outlook for copper is somewhat more optimistic. Soybean and petroleum prices are expected to rise moderately but remain well below their peak levels of earlier this decade.

Additional trade volatility may come in the form of China's choice of source country for soybeans and beef. If China fulfills its commitments under the "Phase One" deal with the U.S., it would entail significant cutbacks in demand for South American soybeans. However, the Argentina-China investment deal currently in negotiation is reported to include a $3.8 billion investment in pork farms, which could eventually raise Argentina's pork exports by $2.5 billion (Dinatale, 2021).

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Boston University
53 Bay State Road
Boston, MA 02215
gdp@bu.edu
@GDP_Center
bu.edu/gdp

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