CHINA

CHINA LOOKS TO LATIN AMERICA AMIDST U.S. TRADE DISPUTE

* By Margaret Myers

As the Sino-U.S. trade war rages on, China is looking to boost commercial activity in Latin America and other regions through new projects and agreements. These efforts, Beijing hopes, will lessen the effects of trade-related "wind and rain," especially as China grapples with a range of structural economic issues at home.

In Latin America and the Caribbean, China remains focused – under the auspices of the Belt and Road Initiative – on boosting and securing trade by improving transport logistics. Chinese construction firms such as China Harbour Engineering Company and China Communications Construction Company are involved in a wide variety of infrastructure connectivity projects across the region, with particular attention to port development and operation.

Large-scale, China-backed projects such as Argentina's Belgrano Cargas rail renovation and the Peru-Brazil railway – stretching from the coast of Peru to Santos, Brazil – have been slower to materialize, but would all presumably deliver commodities and other goods to ports at lower costs. Peru is expected to invite bids for portions of the Peru-Brazil railway project as early as 2019.

In addition to improving trade logistics, China is also working to establish a series of commercial agreements with Latin American and other nations. These include a request for joint action with the European Union against the United States in the World Trade Organization and continued support for the Regional Comprehensive Economic Partnership, which comprises Association of South East Asian Nations (ASEAN) members and the six countries that have free trade agreements (FTAs) with them.

In Latin America, Beijing has largely focused on establishing new bilateral trade ties and upgrading existing ones. China currently has three bilateral FTAs in Latin America – with Peru, Costa Rica, and Chile. The latter was upgraded in 2017 to include new e-commerce and other provisions. Peru will likely upgrade its trade pact with China in the coming months. And China and Panama are scheduled to hold their third round of FTA negotiations in October in Panama City.

Though largely politically motivated, China's recent overtures in Central America might also boost Chinese trade. In exchange for El Salvador's diplomatic partnership, China reportedly expressed interest in developing a special economic zone (SEZ) adjacent to the country's La Union port.

China-backed SEZs are intended to improve economic prospects for host countries, but would also likely increase demand for Chinese-made machinery, decrease China's trade tensions, and help it to bypass European or North American export barriers.

In aggregate, China's efforts to strike new trade deals, strengthen existing ones, and internationalize production could help to address some of its more disappointing growth numbers, whether or not the trade war endures. Regardless of the effect at home, Beijing's trade-related outreach in Latin America will likely strengthen China's overall ties to the region – specially if Latin American governments are able to achieve increasingly balanced trade.

In spite of numerous warnings from the Trump administration about the perils of Chinese engagement, Latin Americans are largely optimistic about prospects for more extensive Chinese involvement. **LT**

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