Xi Jinping’s Latin American trip places trade ahead of ideology

By John Paul Rathbone in London

Washington fears over Chinese president’s visit are overblown

When Xi Jinping went to Latin America last year he visited US allies such as Mexico and Costa Rica – leading some in Washington to worry Beijing wanted to steal a march on the US in its own backyard.

This year it is the other way round. The Chinese president is on a week-long tour to countries often considered opponents of the US, such as Venezuela and Cuba, or with which it has lukewarm ties, such as Argentina and Brazil. Yet some in Washington now fear Beijing wants to rally its ideological enemies in the region.

Both worries are overblown.

In China, Mr Xi’s Latin America visits are often cast as heartwarming examples of distant and faintly barbarian republics queueing up to pay homage to the glorious Red Dragon. In fact China’s attention to resource-rich Latin American countries in part simply mirrors the remarkable growth in bilateral trade flows, which soared to $200bn in 2010 from almost nothing a decade before. Venezuela, for example, now accounts for 6 per cent of Chinese oil imports.

Beijing’s continued courtship of some Latin American countries also often says less about its ideological preferences than its ability to cut state-to-state deals – $100bn in loan commitments have been made since 2005 – and the problems that this has thrown up.

“With the exception of Cuba, I don’t see Beijing’s Latin American ties as primarily ideologically based – they have been about dealmaking,” says Margaret Myers, director of the China and Latin America program at the Washington DC-based Inter-American Dialogue. “But now Beijing’s thinking [on dealmaking] may be changing.”

The prompt for any rethink lies in potentially misspent loans made to Venezuela, dawdling economic reforms in Cuba and once-promising Argentine projects that have been as difficult for Chinese companies to develop as they have for others.

So while Mr Xi, who sets off for Argentina from Brazil on Friday, may well announce new commercial initiatives on his tour and extol the virtues of deepening South-South ties – especially after this week’s creation of a Shanghai-based “Brics” development bank – there will probably be some testy background conversations too.

That is likely to have been so in Brasília, which has long complained that cheap Chinese goods undercut local manufacturers even as Brazilian companies such as Embraer, the aircraft manufacturer, struggle to make inroads in China.

It is probable in Argentina, where in 2012 the government cancelled a rail concession in which a Chinese company had a stake, shortly after Wen Jiabao, former Chinese president, announced a $10bn loan facility from the China Development Bank.

It is almost certain to be true in Havana, where China is impatient with Raúl Castro’s dawdling economic reforms that Beijing once thought would mimic its own speedy economic rise.

But it is especially certain in Caracas, which has taken almost $50bn in oil-backed loans since 2007. In 2011, Beijing reportedly dispatched inspectors to Venezuela’s ministries to study how its loans had been spent.

“President Xi’s trip … [is] less about deepening already healthy ties with strong regional allies than seeking to mitigate deep anxieties about its commercial and diplomatic relations with dysfunctional friends,” suggests Matt Ferchen, analyst at the Carnegie-Tsinghua Centre for Global Policy.

For the region as a whole China has become an important alternative source of finance and trade. That is largely how Washington-based multilaterals such as the International Monetary Fund and World Bank see it.
So does the US state department, which largely views China’s presence in the region as part of a benign process of economic diversification that is good for Latin America and therefore the US.

Certainly, more competition can only help the region’s economies. Moreover, as China encounters many of the same problems there that others have before, it will shine a fresh light on countries’ various merits and shortcomings.

Best of all, any subsequent Chinese criticism will carry extra weight as it comes without the usual baggage of the neoliberal West. Globalisation will then be revealed as much the same whether it is north-south or south-south. In the more highly-charged ideological environments of countries such as Venezuela or Cuba, that too can only be a good thing.