China's influence in Latin America is increasing

China wants to expand its influence in business and culture. And it wants to secure a new source of commodities, too. Latin America benefits by receiving fresh funds, but the ties come with some strings attached.

Whether Li or Xi, Latinos get plenty of news about Chinese top politicians via the Spanish website of People's Daily, the central organ of the Communist Party, or via state broadcaster CCTV (China Central Television). Both President Xi Jinping and Prime Minister Le Keqiang are on TV frequently and at length. The CCTV's Spanish program started in 2007 and the Spanish website of the People's Daily went online in 2011. These are just some indications that the Asian giant wants to increase its influence in Latin America. Since the beginning of the new millennium, the two continents have moved closer together. Over the last years, China has opened 32 new Confucius Institutes all over Latin America, a Chinese foreign ministry deputy announced. Even hotels get prepared for an increasing number of Chinese tourists -- the menus are available in Mandarin now. And in political terms, the relations are becoming closer as well. Since 2004, China has permanent observer status at the Organization of American States and since 2008, China is a member of the Inter-American Development Bank. The visits of Latin American presidents in China and return visits become more frequent.
China is an important importer of natural resources

China’s growing influence is particularly impressive in the economic field. China is now one of the most important buyers of commodities like oil, minerals and metals. The exports from Latin America to China tripled from 2000 to 2007. The trade volume and China's direct investment in Latin America increased from 621 million US dollars in 2001 to 44 billion US dollars in 2010, according to the UN Conference on Trade and Development.

Nicaragua's president Ortega and Hong Kong businessman Wang Jing present the agreement for the Nicaragua Canal

And there seems to be no end to the China’s commitment. In Nicaragua, a Hong Kong based company was awarded with the contract to build a channel which will connect the Pacific with the Caribbean Sea. The costs will come up to 30 billion euros – a giant project. Other Chinese investors are expected to invest in this project. And in Rio de Janeiro, three state-owned Chinese companies compete with eight other contenders for concessions to the 'Libra' oil field in Brazil.

Asia and Africa are not enough

The Asian giant's economy is slowing down but on a global level, it is still strong. Therefore, China needs commodities which it cannot and does not want to import just from Asia and Africa anymore. China wants to gain a broader position. "China tries to diversify its markets and to secures its trading partners and commodity-sources", Ana Soliz from the Giga-Institute in Hamburg said. The Latin American countries want more independence from their two other main trading partners – the US and Europe. Many South American countries benefit from the new relationship with China. They were hardly affected by the economy crisis in Europe, for example.

But the new bonds harbor some risks, Claudia Detsch from the Friedrich Ebert Foundation in Buenos Aires said. "Many Latin American countries believe that they become more independent. But some warn against new emerging dependencies."

Long-term investments are missing

Current data seems to prove it. In the last two years, China’s economy slowed down and due to falling commodity-exports, Latin America had to reduce its forecast for its economic growth from 3.5 percent to 3 percent. The UN Commission for Latin America and the Caribbean (ECLAC) lately warned: "Latin America needs to extend its production structure and increase its productivity through more investments." The strong dependence on commodity-exports to China and Europe weakens the region.

"The intense trading with China sustains Latin America’s traditional economic model," said Detsch. Many presidents, like Rafael Correra from Ecuador, invest in infrastructure projects and short-term social schemes. But long-term projects and investments, helping the countries to become more independent from exporting marginal processed products and commodities, are
lacking, according to Detsch.

Children are playing in the Yazuni park. Soon, there will only be an oil well there.

**The environment and the people need more protection**

Experts also see risks for the environmental protection. The route of the Nicaragua Canal will pass through protected areas. Environmental activists already announced protests. **Environmental organizations blame Beijing** and its appetite for oil for the failure of the well-known Yasuni-Initiative, which fought against the exploitation of protected rain forest. "The Chinese expansion will damage the region if we don’t talk about how to protect our nature and our traditional culture," said Thiago Gehre from the Institute for International Relations at the University of Brasilia. "But if the Chinese presence is accompanied by contracts that protect our interests, it will be positive for us."

Until now, bilateral relations are predominant, says Claudia Detsch. She believes that the region needs a consistent strategy for handling China to prevail against the political and economic heavy-weight from Asia. "If more Latin American countries would join together, it could be beneficial for the continent."