

# THE CHINA-CELAC FORUM



BRICS Policy Center Centro de Estudos e Pesquisas - BRICS

This fact sheet outlines the increasing presence of China in Latin America and the cooperation between China and the newly found China-CELAC forum, as a way to enhance South-South cooperation.



SOCIO AMBIENTAL  
PLATFORM



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PUC

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## What is CELAC?

- The Community of Latin American and Caribbean States
- New regional bloc in the Americas – February 2010
- No institutions, serves as a stage for dialogue and agenda-setting between international and regional leaders
- 33 countries from the Americas representing around 600 million people

## What is China-CELAC?

- Platform for intergovernmental cooperation between the member countries of CELAC and the foreign ministries of China, established on July 2014
- First ministerial meeting happened in Beijing – January 2015.
- Established to formally create a mechanism for China to interact with Latin America.
- **Objective:** Strengthen bilateral economic and political cooperation between China and Latin America, and to make new contributions to south-south cooperation, guided by the principles of respect, equality, cooperation and openness in order to promote multilateralism between them ([China-CELAC forum, 2015a](#))

## Structure

- The ministerial meetings – every three years – are the main mechanism and are held to discuss different ways to improve cooperation. Host alternates between China and the current presidency country of CELAC.
- The Dialogue of Foreign Ministers of China are also an important mechanism. Its goal is to maintain discussions on the forum, and on issues that are of common concern. The forum also consists of different sub forums and funds, with some being created at the first ministerial meeting, and others being incorporated into the new China-CELAC structure ([China-CELAC forum, 2015b](#)).

1. Antigua and Barbuda
2. Argentina
3. Bahamas
4. Barbados
5. Belize
6. Bolivia
7. Brazil
8. Chile
9. Colombia
10. Costa Rica
11. Cuba
12. Dominican Republic
13. Dominica
14. Ecuador
15. El Salvador
16. Grenada
17. Guatemala
18. Guiana
19. Haiti
20. Honduras
21. Jamaica
22. Mexico
23. Nicaragua
24. Panama
25. Paraguay
26. Peru
27. Santa Lucia
28. Saint Kitts and Nevis
29. Saint Vincent and the Grenadines
30. Suriname
31. Trinidad and Tobago
32. Uruguay
33. Venezuela
34. China



### CHINA-LAC SPECIAL LOAN FOR INFRASTRUCTURE

Offers a total credit of \$20 Billion and is operated by the CDB. Loans granted will be used to support Chinese enterprises in infrastructure projects in LAC.



### CHINA-LAC COOPERATION FUND

Started by the Chinese government with investments of \$5 billion. Consisting of the China Co-financing fund and the PE fund, focus is on a range of vast areas such as education, energy and manu- facturing.



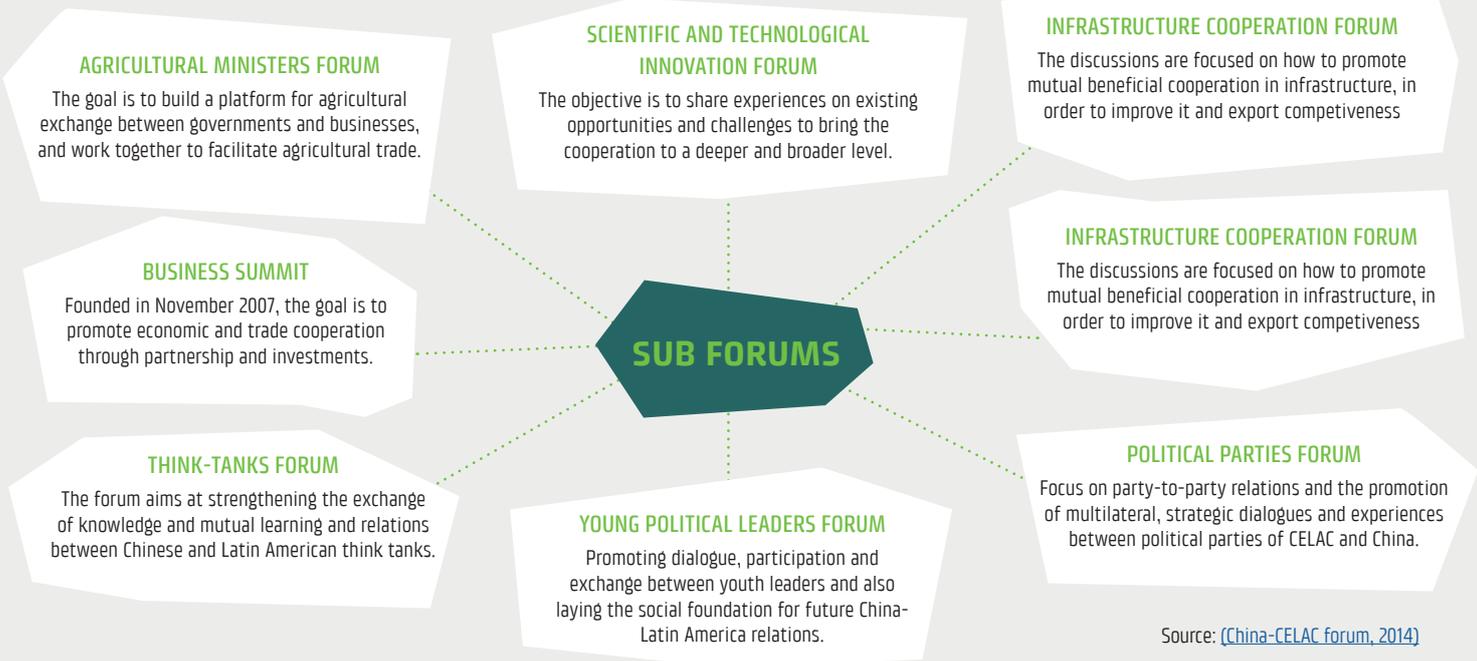
### PREFERENTIAL LOANS

Offers a total amount of \$10 Billion. Divided in two categories; Concessional loans with low interest rates, and preferential buyers credit, with focus on promotion of trade cooperation.

(China-CELAC  
forum, 2015 d; e; f)

# Sub-forums of the China-CELAC forum

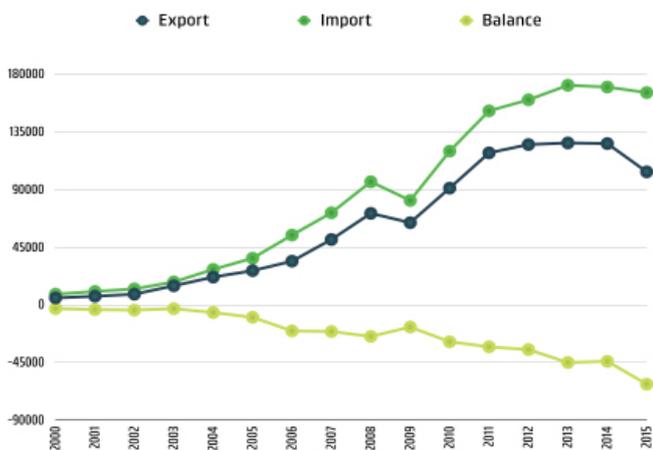
In the cooperation plan it is stated to explore the possibility of an "Energy and Mineral Resources forum", China-LAC Capital City Mayors Forum" and "China-LAC Local Governments Cooperation Forum" in due time (China-CELAC forum, 2015c).



Source: (China-CELAC forum, 2014)

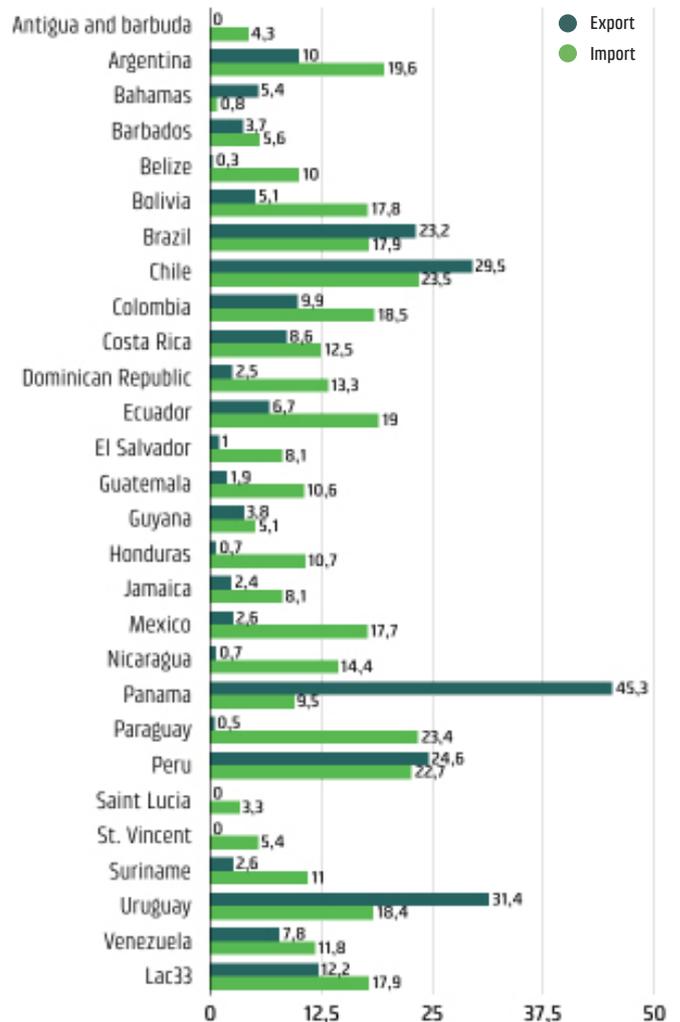
# China in Latin America

Increase in bilateral trade LA with China, all commodities, Import, Export and trade balance Source: (ECLAC, 2016)

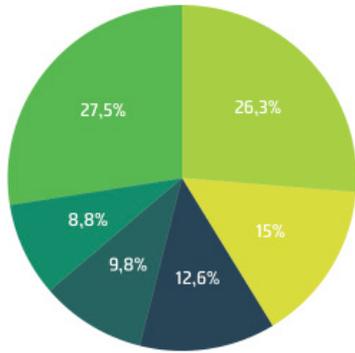


- The creation of the China-CELAC forum was due to China's increasing presence in the region. The value of trade between the continents and China increased 22-fold between 2000 and 2013 (CEPAL, 2015b).
- China is LAC's second largest source of imports, and the third largest market for LAC exports (European Commission, 2016).
- China imports 40 percent of global production of soybeans, taking almost 75 of it from Brazil and Argentina. China also buys a third of Iron ore and a fifth of the copper on the world markets with most coming from Latin America (Pineo, 2015).
- China has free trade agreements with Chile '2006', Peru '2010' (Peters, 2015). Further Uruguay has recently confirmed willingness to reach a free-trade deal with China (China-CELAC forum, 2016).

Concentration of LA countries trade to China as a % of total trade value, 2015 Source: (United Nations Statistics Division, 2016)



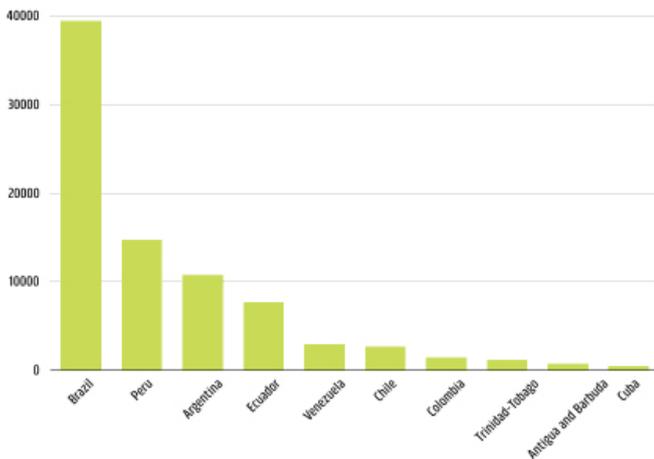
Top Exports and Imports between LA and China, 2015  
Source: (ECLAC, 2016)



- Soybeans and other oilseeds
- Ores & concentrates
- Copper
- Iron ore & concentrates
- Crude petroleum
- Others

## Chinese investments in Latin America

Investments in different countries, 2005-2016  
Source: (Heritage Foundation & American Enterprise institute, 2016)



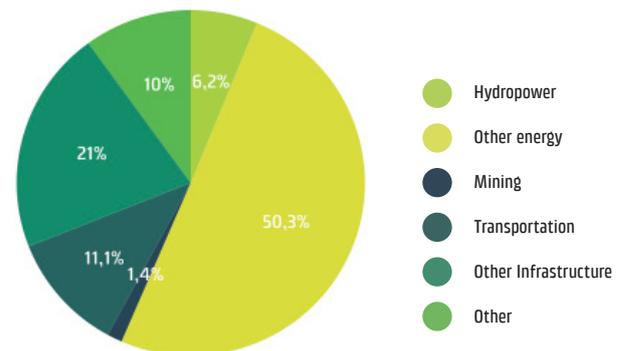
- LAC accounted for 10.5% of China total FDI outflow of the past decade (CSIS, 2016).
- The annual Chinese FDI into LAC has increased dramatically, totaled \$84.40 billion between 2005 and 2016 in May, with \$430 million in 2006 to the peak at \$23.61 billion in 2010 (Heritage Foundation & American Enterprise institute, 2016).
- Outward FDI from Latin America to China is weak with few investments made by Latin American companies in China (CEPAL, 2015a).
- Abundant natural resources make LAC a desirable destination for investment for China, with 55 percent of the investment over the past decade going into the energy sector (CSIS, 2016).

## Chinese Loans to Latin America

Chinese loans (China Development Bank and China Exim Bank) to LAC, 2007-2016  
Source: (Gallagher & Myers, 2015)



Sector distribution, Chinese financing to LAC (2007-2015)  
Source (Gallagher & Myers, 2015)



- In 2015, the funding from the China Development Bank and China Exim Bank to LAC governments and companies was a total of \$29 billion, surpassing the World Bank and Inter-American Development bank combined (Myers, Gallagher & Yuan, 2016).
- In 2015 the loans were focused on infrastructure and raw material, with the loans not imposing conditions, but sometimes contingent of the use of Chinese equipment and construction firms (ibid.).
- In total China has delivered up to \$125 billion in finance to LAC since 2005, in support of 67 projects in 13 countries, with Venezuela and Brazil being the largest recipients of \$65B and \$21.8B (Gallagher & Myers, 2015).

# China-CELAC cooperation plan

The China-CELAC Cooperation Plan '2015-2019' was adopted at the First Ministerial Meeting of the China-CELAC Forum, under the principles of voluntary participation and flexibility ([China-CELAC forum, 2015c](#)). The plan shows keen interests and commitment by the Chinese in strengthening ties with LAC, and addressing the region as a whole. As of now, the Forum is fairly new and mostly symbolic; with few of the commitments having been implemented ([Myers, 2015](#)).

## DEEPENING COOPERATION IN TRADE AND INVESTMENT



- Work together to make trade balanced
- Pledge from China to invest US \$250 billion in Latin America over the next 10 years
- Increase the level of bilateral trade to US\$ 500 billion in 10 years

## INCREASE OF CULTURAL EXCHANGE



- Increase in visits and meetings between political parties, local governments and youth of China and CELAC countries
- Pledge to provide CELAC member states with 6000 scholarships and 6000 trainee positions in China within 5 years

## CARRY OUT COOPERATION ON CLIMATE CHANGE



- Within the framework of South-South cooperation
- Including promotions of renewable and low-carbon technologies and sustainable development

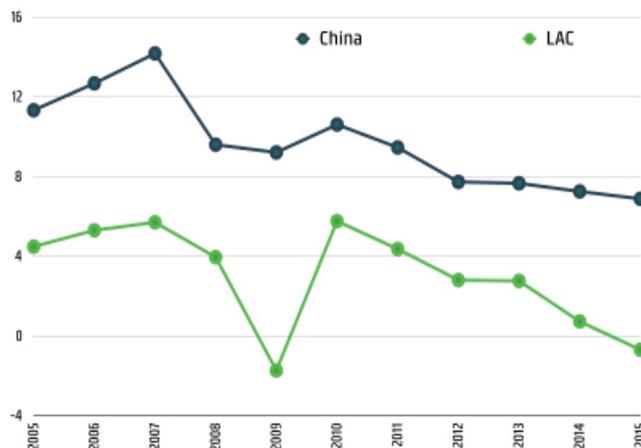
Source: ([China-CELAC forum, 2015c](#))

# China-CELAC and the environment

Chinese investments and Latin American exports to China are concentrated in primary commodities and extractive commodities and have a higher concentration of greenhouse gas emissions than the exports to the rest of the world ([Ray et al., 2015](#)). The China-CELAC cooperation plan does call for advancing the climate negotiations and investment in renewable energy, but as of right now, no steps have been taken other than the statements in the cooperation plan, and no sub-forum exists in this area, with the focus more on economic growth ([Chun, Veiga & Soutar, 2015](#)).

# Obstacles and outlooks for the forum

GDP growth for China and LAC, annual % Source: ([World Bank Group, 2016](#))



## Situation with China's largest trading partners in LA

Source: ([IEP, 2016; Smith, 2016; BBC, 2016](#)). GPI: Global Peace Index, a survey that ranks independent countries in terms of their level of peacefulness (IEP, 2016). With 161 countries included in the survey, a higher number 'Ex. 143/161' means lower peace and stability and a higher number 'Ex. 1/161' meaning higher peace and stability



### VENEZUELA

**143/161** in the GPI. Highest inflation rate in the world, with food shortages, lack of medical supplies, and the government and the opposition blaming each other



### BRAZIL

**105/161** in the GPI. National debt has doubled. Currency has hit record lows. Increase in political instability, with corruptions and criminal misconduct scandals.



### COLOMBIA

**147/161** in the GPI. Outflow of refugees, deriving from the conflict between the government and the FARC guerrillas, with ongoing peace negotiations



### MEXICO

**140/161** in the GPI. At the bottom of the ranking in the region, due to a rising security and military presence and increase in displaced people, resulting from the ongoing drugs war.

The outlook is an increasing interest from China in enhancing links with Latin America, in order to increase trade and diversify Chinese investment flows, and bring about more growth in LAC. But the forum is still at an early stage, and more corporation is needed in order to fully access the funds and summit ([CEPAL, 2015a](#)). Further China's economic growth is expected to slow down, and may dampen the demand for imports. In 2015 the annual GDP rate was the lowest in 25 years. This could mean, according to the IMF, a shift in Chinese policy priorities from investment to consumption and could be a major obstacle in the prospects of the cooperation plan ([Ray & Gallagher, 2015](#)). Also due to the recent fall in commodity prices and the regions' history of political instability ([Smith, 2016](#)), that could be an obstacle for deepening the relationship between China and CELAC. The question is therefore if the prospects of the cooperation plan is enough to help the countries out of their respective crises.