

China's Investment in Latin American Energy Resources:

Comparative Asian Perspectives

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Structure of the Study

- Geopolitics of China's energy strategy, compared with that of South Korea and India.
- Asian investments in specific Latin American countries, comparing the three Asian countries
- View from Latin America – implications for governments and politics

Chinese Oil Imports, 2010

(million tones)

- Middle East 118.4
- Africa 43.7
- Europe and Eurasia 33.3
- Asia Pacific 28.8
- South & Central America 24.1
- Source: BP Statistical Review of World Energy, June 2011, “Major trade movements 2010” p. 18 bp.com/statisticalreview

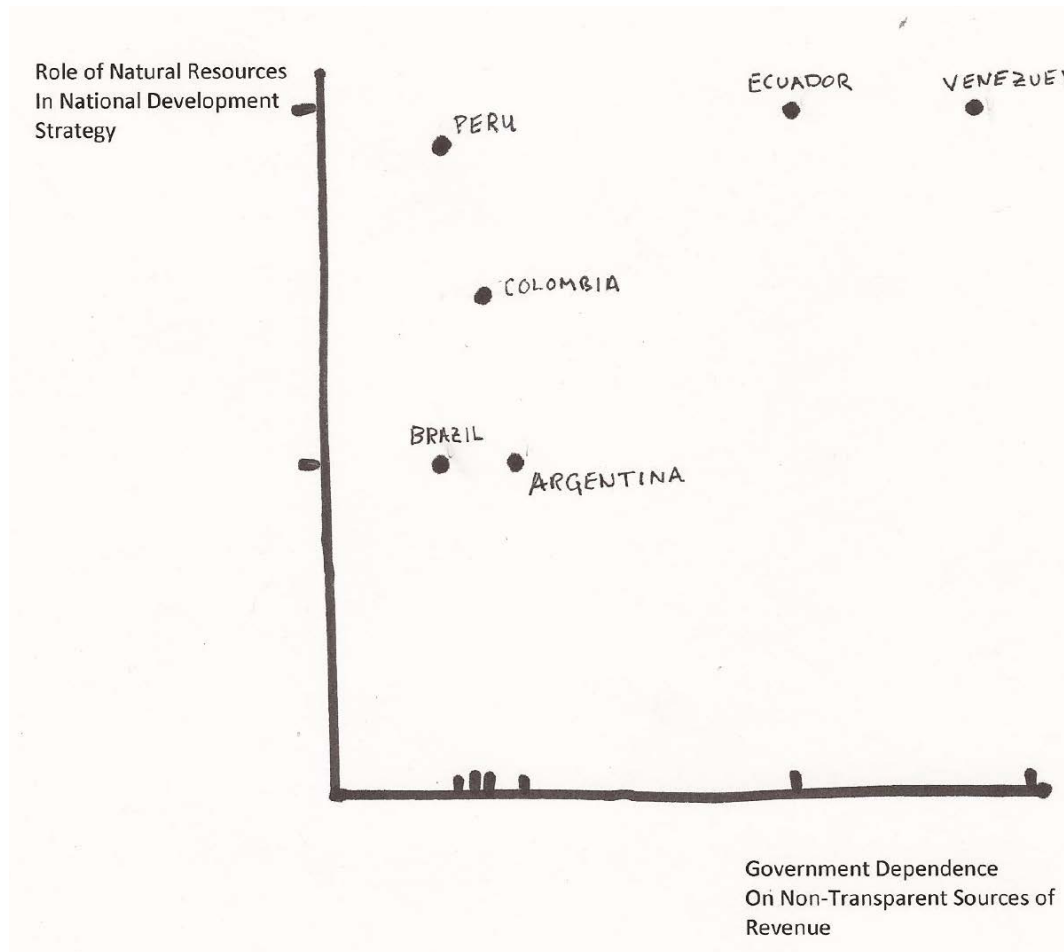
Main Destinations

- China:
 - Venezuela, Brazil, Argentina, Ecuador,
- South Korea
 - Peru, Colombia (SK left Brazil 2010)
 - Venezuela gas?
- India
 - Brazil, Colombia

View from Latin America

- Tenor of the Relationship with China
 - China looks beyond commercial & contractual promotes ‘win-win’ & friendship to guarantee supply & the investment
 - “Unconditional friend”
 - Business Partner and Competitor
 - Subject to ‘normal’ way of doing business
 - » Forced contract renegotiations
 - » Outright exclusions from specific areas
 - » Seizure of assets

Bilateral Relations China-LA



Implications for Latin American Politics

- Chinese packing increases the sustainability of inefficient development policies
 - For how long?
- Lack of transparency in Chinese package facilitates the corruption and clientelism that sustains Latin American authoritarian efforts to undermine democracy

Conclusions

- Three new Asian players have invested in ten countries
- Only six have attracted significant levels of Asian investment:
 - Venezuela, Brazil, Argentina, Ecuador, Colombia and Peru.
- Tend to invest in different countries
 - Risk is a factor

- Chinese NOCs are more likely to accept investment terms that include
 - expensive resource rents and other constraints imposed by resource nationalism
- SK and Indian approach is more commercially oriented
 - reducing their risks in the more stridently nationalistic investment environments in Latin America.

Chinese Advantage

- Chinese firms are better able to pay higher rates for energy assets because their access to preferential finance is stronger
- Chinese firms raise more capital via corporate bonds
- Chinese government willing & able to package deals including loans and development financing to secure access for Chinese oil & gas investors
- SK & Indian governments have not been able to mobilize these assets to the same degree