



INTERNATIONAL TRADE
BY THOMAS MANNING

Crouching tiger

The Great Wall of China is purportedly the largest cemetery on earth, as it entombs the many millions of forced labourers and prisoners who were pitilessly worked to death during the Wall's construction.

The long line of emperors who kept extending the Wall between the 7th Century BC and 1644 AD didn't give a fig for its incredible cost in human lives as they rigorously suppressed individualism and prioritised geopolitics, national security and dynastic succession above all else, as the Communists who have ruled China since 1949 still do.

While the 20th Century saw the rise and fall of many totalitarian states including Nazi Germany and the Soviet Union, China has survived and prospered.

China's first Communist ruler, Mao Zedong, was a slavish ideologue whose 27-year reign plunged the country into deadly famines with the ill-advised 'Great Leap Forward' and the murderous bedlam of the Cultural Revolution.

Embracing capitalism ...sort of

Six years after Mao's death, a pragmatic party apparatchik, Deng Xiaoping, became chairman of the all-powerful Central Advisory Commission and, sobered by the disintegration of the Soviet Union, he embraced capitalism as a means of saving China from the same fate.

China's modern renaissance began in earnest with Deng's reforms which engendered a wave of modernisation and entrepreneurialism albeit still subject to overarching totalitarian control.

Deng's hybrid totalitarian-capitalist economic model has proved to be incredibly powerful as it has enabled China in just under four decades to arbitrarily bulldoze infrastructure, industry, technology and trade development to a level which has taken the democratic West 150 years to achieve.

The fruits of China's fast-track modernisation have been mind-boggling engineering, cutting-edge science and technology and the creation of multinational industrial and commercial behemoths.

Historically China has always expanded in times of plenty such as in the early 1400s when Admiral Zhang He's 'Great Fleet' of 317 ships with 28,000 crew voyaged throughout Asia and as far as the Middle East and Africa, and greatly expanded Chinese trade and influence.

With its economic fortunes restored China, is expanding its global influence again with the 'Belt & Road Initiative', which calls for investment of US\$2.5trillion in trade and transportation infrastructure in 69 Asian, African and European countries during the next decade.

Latin American connection

Although Latin America is not part of Belt & Road, China has provided the region with numerous infrastructure loans and in just the past 10 years has become its largest creditor (over US\$150 billion).

China has lent Argentina, US\$18bn; Brazil, US\$42bn; Chile, US\$3bn; Ecuador, US\$17bn; Mexico, US\$11bn; and Venezuela US\$62bn, to boost their energy, infrastructure and mining sectors.

Chinese loans are increasingly being seen in Latin American capitals as "debt traps", as they allow China to take ownership of key national assets at discount prices when nations fall into repayment arrears or default, as is increasingly common.

In the hydropower space alone China is building dams in Argentina, Belize, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Guyana, Honduras, Peru and Venezuela.

Latin America's indebtedness to China has its critics including Brazil's newly-minted president, Jair Bolsonaro, who damned China on the election trail when he said, "China isn't buying in Brazil, it's buying Brazil".

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El Salvador's President-elect Nayib Bukele has accused China of "developing projects that are not feasible, leaving countries with huge debt that cannot be paid back and they use that as financial leverage".

In Ecuador's case, repayment of its US\$19 bn Chinese debt became unsustainable and it has been obliged to relinquish equity in its state-owned oil company, with China now taking 80 per cent of Ecuador's oil production which it on-sells for profit.

If the new presidents of Brazil and El Salvador are to be believed, China's high-interest development loans are Machiavellian debt traps designed to produce a win/win for China on both geopolitical and commercial terms, at the expense of the Latin American nations that have been ensnared by China's duplicitous blandishments.

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