In this July 14, 2012 photo, train tracks cross a farm near Pergamino, Argentina. China agreed to cooperate in financing the modernization of the Belgrano Cargas railway, which connects Argentina capital Buenos Aires with 13 of Argentina's 23 provinces, including the main soybean producing areas in the north of the country. China is a leading buyer of Argentine soybeans. China has emerged in recent years as the largest provider of development loans to Argentina, Venezuela and Ecuador, according to the Gallagher report. (AP Photo/Natacha Pisarenko)

MEXICO CITY (AP) — When Venezuela seized billions of dollars in assets from Exxon Mobil and other foreign companies, Chinese state banks and investors didn't blink. Over the past five years they have loaned Venezuela more than $35 billion.

Elsewhere around the Caribbean, as hotels were struggling to stay afloat in the global economic slowdown, the Chinese response was to bankroll the biggest resort under construction in the Western Hemisphere — a massive hotel,
condominium and casino complex in the Bahamas just a few miles from half-empty resorts.

All over the world, from Latin America to the South Pacific, a cash-flush China is funding projects that others won't, seemingly less concerned by the conventional wisdom of credit ratings and institutions such as the World Bank.

EDITOR'S NOTE — This story is part of "China's Reach," a project tracking China's influence on its trading partners over three decades and exploring how that is changing business, politics and daily life. Keep up with AP's reporting on China's Reach, and join the conversation about it, using the hashtag (hash)APChinaReach on Twitter.

The Chinese money is breathing life into government infrastructure projects that otherwise might have died for lack of financing. For commercial projects such as the Caribbean resort, China is filling a gap left by Western investors retrenching after the 2008 financial crisis.

But some in the Bahamas worry what will happen if the sprawling Baha Mar project fails. They picture an economy saturated with hotels, dragged down by an expensive Chinese white elephant. Likewise, the infrastructure loans are loading financially shaky countries with more debt and letting them avoid economic reforms that other lenders would likely have demanded.

"The Chinese play by other rules," said Kevin Gallagher, a Boston University international relations professor who has studied Chinese lending to Latin America. "We'll give you financing with no conditions, and we'll finance things the International Monetary Fund won't fund, things others won't fund anymore, like big infrastructure projects. It allows countries to shop around, which has good and bad sides."

Venezuelan leader Hugo Chavez talked up his independence last year while highlighting another $4 billion in Chinese loans, part of a wave of money that has translated into new railways, utilities and other projects.

"In a few days, they're going to deposit 4 billion little dollars more from Beijing," Chavez told reporters, holding up four fingers for emphasis.

"Fortunately, we don't depend on the dreadful bank. What's that one called that you mentioned? The World Bank. Poor are those countries that depend on the World Bank, the International Monetary Fund."

Venezuela's Oil and Mining Minister Rafael Ramirez says China has loaned his country $36 billion since 2008, and others put the figure even higher. The Spanish-language version of a report co-authored by Gallagher, "The New Banks in Town: Chinese Finance in Latin America," estimates it at $46.5 billion.

The loans have added to Venezuela's $95.7 billion in public foreign debt as of mid-2012, which has risen even as the country rakes in record-high oil revenue. Some analysts say the spending helped Chavez win re-election in October, despite battling cancer.

China has emerged in recent years as the largest provider of development loans not only to Venezuela but also to Ecuador and Argentina, according to the Gallagher report. All three are junk bond countries, ratings agencies say. In contrast, the World Bank and Inter-American Development Bank remain larger lenders in Brazil and Mexico, both countries with higher bond ratings.
In cases such as the tiny South Pacific islands of Tonga, China is lending enormous sums to countries few expect will be able to repay.

What has surely given the Chinese banks courage is the trillions of dollars in reserves the country holds in U.S. Treasury bonds, investments that pay almost nothing in interest. Making that money work harder for a return overseas has become nothing less than a national priority, part of China's trumpeted "going out" strategy.

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China's economy is the second largest after the U.S., and many of the deals stipulate repayment in oil and natural gas, locking in the commodities China will need to sustain its growth for decades to come.

In 2009 and 2010 alone, the China Development Bank extended $65 billion in such loans to energy companies and government entities from Ecuador to Russia and Turkmenistan, according to a report by Erica Downs, a China expert at the Brookings Institution, a U.S. think tank.

"If you're lending tens of billions of dollars to a borrower ..., you want to make sure that loan is secured against something," she said. "In the case of Venezuela, it's the most valuable thing they can offer. It's just one way to ensure they get paid."

In dozens of cases, the Chinese have also demanded that their own companies build the infrastructure that will help governments extract and ship the commodities used to pay back the loans. In Argentina, that means agreements to bring in Chinese companies to revamp the country's decrepit rail system, which would speed up shipments of soy to Chinese consumers.

"The money goes from one account in the China Development Bank into the hands of small- and medium-sized businesses in China," Gallagher said, while noting the majority involve big state companies.

The Chinese also hold a valuable trump card: They're betting that Chavez and other financial pariahs won't dare alienate their last source of affordable money by defaulting on Chinese loans or seizing Chinese assets.

"The Chinese have the upper hand," Downs said. "The China Development Bank sees this country that's thumbed their nose at the IMF. And if they borrowed from the IMF and had to be subjected to IMF conditionality, the regime would fall."

Perhaps with that in mind, more than 30 Chinese consultants toured Venezuela in 2011 and handed Chavez a thick binder with recommendations on everything from exchange rate reform to agriculture.

While news cameras clicked, Chavez held up the book, thanked his Chinese benefactors and pledged to study the prescriptions. Unlike IMF loans, however, the Chinese recommendations weren't a requirement, and Chavez has shown no sign of curbing public spending.

The investments and loans have contributed to a substantial shift in commerce toward China. Venezuela, for example, saw its trade with the U.S. drop from 26 percent of its GDP in 2006 to 18 percent in 2011, according to an Associated Press analysis of IMF databases. Meanwhile, Chinese trade grew from virtually nothing in 2001 to nearly 6 percent a decade later, much of it in the form of oil to repay loans.

But the money doesn't necessarily save countries from their own bad financial bets.

Zimbabwe, which has received generous Chinese financing, saw inflation peak at 79.6 billion percent a month in November 2008. At one point, a loaf of bread reportedly cost 500 million Zimbabwe dollars. Gideon Gono, governor of the Reserve
Bank of Zimbabwe, suggested one possible remedy: Adopt the Chinese yuan as the official currency. (Zimbabwe eventually overcame the crisis by switching to a mix of Western and African currencies.)

Argentina is fighting off an economic reckoning despite receiving more than $12 billion in Chinese loans, according to the Gallagher report. In 2001, the country defaulted on some $100 billion in loans. It struck a deal with most of its lenders, but over the past year, a group of creditors is insisting on payment in full.

"It's extremely concerning," said Margaret Meyers, a China expert at the U.S. think tank the Inter-American Dialogue. "Chinese financing won't be able to sustain these economies unless they go through substantial macroeconomic reforms. For Argentina, that means open markets, reforming institutions, reforming the banking system, fiscal accountability, ending lots of misspending."

Some in the borrowing countries have watched with worry as the Chinese bets play out.

Opposition politicians in Venezuela have slammed the deals for locking in contracts for everything from Chinese-made refrigerators to Chinese construction workers while giving Chavez free rein to spend billions of dollars.

"There's no doubt we're going to need China, they are an economic powerhouse," opposition leader Henrique Capriles said last year. "But many of the agreements the government has signed involve political loyalties that don't interest us."

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On the beaches of New Providence in the Bahamas, hundreds of Chinese construction workers are toiling around the clock to ready the Baha Mar project for a scheduled grand opening in late 2014.

The project will add thousands of hotel rooms not far from the island's biggest resort, the Atlantis.

"Going forward, we have to achieve a sustainable tourism product," said James Smith, the former state minister of finance for the Bahamas. "If we don't, Baha Mar could be cannibalizing Atlantis."

Baha Mar has opened sales offices all over Asia to promote and presell hundreds of pricey condos, hoping to imprint new travel habits on a continent that's traditionally spent beach vacations in Southeast Asia. It is also working with the Bahamian government to open more consular offices in China to issue visas.

"In general, you would assume that a project of that size is generating its own demand and the idea would probably also be with Chinese money comes an influx of Chinese travelers," said Jan Freitag, senior vice president of hospitality industry research firm STR. "The Chinese would argue that we can maybe attract a clientele that has not been with you before."

When completed, the complex is set to boast brands such as the Grand Hyatt, Rosewood and Mondrian, and 313 $1-million condos being marketed to the international elite.

Business leaders have openly questioned the investment as Baha Mar rises just blocks from storefronts left empty during the latest downturn. The Wyndham hotel was closed for all of September and most of October because of low occupancy levels, and on Feb. 8 announced the need for "substantial cutbacks," including layoffs.

"In a vibrant economy, we wouldn't be having any concerns. The reason it comes into question is whether it's right at this time," said Winston Rolle, CEO of the Bahamas' Chamber of Commerce.

The project had, in fact, been conceived in a different moment, more than six years ago, when the U.S. housing boom and
global tourism seemed unstoppable.

One of the original developers, Caesar's Entertainment Corp., formerly Harrah's Entertainment, backed out of the project in 2008, and Chinese financiers stepped in after reaching a deal with project CEO Sarkis Izmirlian. The agreement brought in a state-owned Chinese construction company to build the resort.

"This project is essential to developing business in the Caribbean and into the U.S.," said Tiger Wu, vice president of the construction company, to Bahamian media. "It's only the beginning."

All evidence indicates the Chinese are charging forward. They've made their $3.5 billion gamble in the Bahamas. Elsewhere, they've promised tens of billions of dollars for everything from dams to railroads. Guyana has hired the state-owned Shanghai Construction Group to build a 197-room Marriott Hotel on the southern edge of the Caribbean.

Meanwhile, traditional investors in the U.S. and Europe have been left on the sidelines. It's China's game now. And the rest of the world is waiting to see how the big gambles pay off.

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Associated Press writers Jeff Todd in Nassau, Bahamas; Ian James in Caracas, Venezuela; Ben Fox in San Juan, Puerto Rico; Michael Warren in Buenos Aires, Argentina; and Nick Perry in Wellington, New Zealand, contributed to this report.

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Venezuela did not "seize billions of dollars in assets from Exxon Mobil and other foreign companies" as you stated, Jack Chang. Venezuela paid for them. Please temper your "Red Scare" fearmongering.

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