

## CHINA: THE BEST OPTION IN THE FACE OF IMF CONSTRAINTS

*The economic model of growth has a foot in its decision to invest in Latin America*



It is understandable the distrust of the first years of the Argentine government to promote a greater participation of Chinese companies in the development plans of infrastructure, energy, mining and oil considering the sensitivity that this approach could arouse in the United States and the prior friendly relations between the government of Cristina Kirchner and China.

Similar degree of mistrust awoke in the government what we might call the traditional "local contractors cartel" affected by a similar entente with the previous government (as if they had not had it with all governments) and by the north winds from Brazil of a threat of a "lava jato" in Argentina.

This position would have been acceptable if there had been equivalent options at the time of investments by other countries and international companies with the capacity to carry out the works ahead with its own financing such as that offered by China. But the government explored these possible alternatives and did not exist or did not meet qualitative differences in technical matters and transparency. But because of excessive confidence in the international bond market, it did not matter, there were sufficient funds available. The country could continue to place debt at international and local levels for many years. And with that, among other things, to carry out works.

But historical events are often unpredictable. And it's not the on-duty ruler's fault that there were changes in the direction of the wind and the financial bond market collapsed. Would someone blame the coach of Argentina's national team, Sampaoli, if two of its best players Messi and Mascherano get injured? A run on the Argentine currency was unavoidable. The government fortunately found the IMF to cover the financial aspects of the crisis and correctly left the management of finances to former Minister of Finance Luis Caputo.

But the IMF imposed important conditions on other areas of government and development economy, including a cut of more than 80% in infrastructure works. Curious, because investment in infrastructure should be those that could generate growth and therefore indirectly genuine resources to cover the deficit. But Wall Street celebrated because it will have a guarantor of the payment of interest on the debt. It was assumed that another run without backup would be avoided.

China supported Argentina in its decision to go to the IMF. Certainly not a surprise. Those of us who have had the good fortune to interact with Chinese companies know what are the rules that Sinosure imposes to grant financing and the importance of it. The entity has been instrumental in supporting China's international business, as demonstrated by the economic crisis that erupted in 2008, in which Sinosure acted as growth stabilizer and risk litigator. Until the end of 2015, it has helped more than 10 thousand Chinese companies to do international business and investments abroad for a total of 2,400 million dollars.

It had already facilitated many Latin America government credit projects: in dams and Ferrovía Belgrano Cargas train in Argentina, in CCS dams and other plant and highway projects in Ecuador, as well as corporate credit projects such as the Acominas steel plant in Brazil, the Nextel telecommunication network 3G by Huawei, also in Brazil, a copper mining plant in Toromocho (Peru), and a wind power project in Uruguay (Gamesa).

The government has already begun negotiations to expand the currency swap between the central banks of both countries, a program that started with the previous government and ratified Prat Gay and there is renewed interest in attracting Chinese investments. But a responsible person is missing. A "special envoy" whose mission is to identify the infrastructure projects that Argentina needs and negotiate with China and its companies the realization of the same associated with local state or private companies.

The tailwind for this government is China. Xi Jinping sees an opportunity to strengthen its leading role worldwide without confronting the United States. Such role is not one of domination. The "belt and road initiative" promoted by China is a win-win scheme in which it understands that to sell and expand, countries and regions must grow and develop.

On the other hand, after fifteen years of negotiations, in mid-May the total opening of the Chinese market for frozen, cooled, boneless and boneless Argentine beef was signed. And there are similar measures for table grapes, blueberries, peas, honeys and cherries and he announced that he will buy Argentine soya oil again. But in contrast, the Argentine government suspended until further notice works for a fourth and fifth nuclear power plants in the country. The total amount of construction was estimated at 14 billion dollars and China was expected to finance it by 85% with a soft loan.

It seems to me that little is known about the structural reforms implemented by China and that they are an example for Latin American countries that need similar changes. China is transforming and modernizing its economic and social structure. A process that does not go through the pure "free market". China is showing Latin America how without abandoning a market economy, the state can guide and transform its productive structure and make it competitive.

The economic reform launched in China more than two decades ago, modified the main economic parameters. It created industries with high technology and launch them into the world to compete. Even to quote on foreign stock exchanges. It supported continuous growth with gradual reduction of subsidies.

It bet to expand into foreign markets to place its production. Latin America has benefited from this and Argentina could benefit even more in this time of crisis. In 2017, the total trade volume between China and Latin America increased 18.8 percent to almost 260 billion dollars, and China is the second largest trading partner in the region today.

The transformation of China has been an engine of the world economy and will continue to be so. When China grows, the whole world grows. For Latin America, the best way forward is to expand cooperation with China. The rain of investments in Argentina will come from the East.

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