CHAPTER 3

LOAN-BACKED CONSTRUCTION—
THE NEW MODEL

Overview

Paralleling the expanding presence of Chinese companies in the primary product sectors of Latin America and the Caribbean, P.R.C.-based firms have also made significant advances across the region in construction, including work on public buildings, transportation and logistics infrastructures, and commercial facilities. A key part of the Chinese approach has been to bring to the table in a coordinated fashion the company that will do the work and the associated Chinese institution that will finance the project, with a loan relatively free of conditions not tied directly to the project itself. Such a combination has been a significant factor for Chinese companies in winning work in a region where obtaining timely financing for major projects has always been a challenge. The combination has been particularly attractive for regimes such as Venezuela, Ecuador, Nicaragua, and Argentina which, to varying degrees, have rejected or excluded themselves from financing through traditional private and multilateral institutions. It has also been successful with smaller Caribbean basin countries that have historically lacked easy access to capital for large-scale projects. In all cases, it has allowed regional governments from a broad range of political orientations willing to incur debt, to successfully complete infrastructure projects that deliver visible, tangible benefits to their populations, even if the quality of those projects or the terms under which they have been achieved may be questioned.

In many cases, local businessmen and government personnel from the region play a key role as partners in such projects, with the local associates helping to establish the legal presence of the Chinese firm in the country and helping to navigate local political and administrative hurdles, while the Chinese partner typically provides access to financing and, by

R. E. Ellis, China on the Ground in Latin America
© R. Evan Ellis 2014
association, the construction companies and other firms that will do the work.

As seen in the previous chapter, with the expanding presence of Chinese companies in Latin American primary product sectors, a key effect of the proliferation of Chinese construction projects has been to expand the physical presence of Chinese subcontractors and workers in the region in ways not previously seen. As these projects proliferate in the ALBA countries, the Caribbean, and even places such as Colombia and Honduras, Chinese have begun to arrive to work on the projects as managers and technical personnel, and to some degree, as laborers as well. Although the Chinese employed in these projects have generally been isolated from the societies in which they worked, their mere physical presence and their contact with local workers has been sufficient to cause major impacts in the countries involved.

The remainder of this chapter examines the key Chinese loan-based construction projects in Latin America and the Caribbean. The number of such projects is increasing so rapidly that this book does not represent them all, but rather, offers a “snapshot” in to give the reader a sense of the range of projects, their major groupings, and some of their general characteristics.

The three major categories of construction projects discussed in this chapter, which increasingly put Chinese companies and workers on the ground in Latin America are:

- Projects associated with gifts from the P.R.C. to local governments,
- Projects paid for by Chinese investors, and
- Projects paid for by Latin American governments.

Construction Projects Associated with Gifts from the P.R.C. to Local Governments

**Overview**

The earliest channel through which Chinese companies and workers began to have a presence in Latin America in the current era has arguably been gifts from the P.R.C. to Latin American governments.

In the late 1990s and early 2000s, before Chinese construction companies and other Chinese service firms had established a significant presence in Latin America, the P.R.C. used “gifts” of sports stadiums, roads, and government buildings as a tool to convince Latin American and Caribbean governments which diplomatically recognized the Republic of China (Taiwan) to change their position, and also to ensure that