CARI/ CONSEJO ARGENTINO PARA LAS RELACIONES INTERNACIONALES

COMITÉ DE ASUNTOS ASIÁTICOS

Grupo de Trabajo sobre China

Boletín Nº 19 – Junio 2016

中国新闻

阿根廷国际关系协会 – 中国工作组

En este número:

El Canciller chino, sobre América Latina.

China ante las dificultades latinoamericanas.

Don´t Panic: los bancos chinos están en buenas condiciones.

China se globaliza con sus bancos de inversión.

Avanza el segmento europeo de la Nueva Ruta de la Seda (OBOR).

El Pentágono lee una novela sobre futura guerra naval EE.UU./China.

China invierte en Hollywood.

Bonus Track: link a informe sobre situación y perspectivas América Latina-China de OCDE/CEPAL/CAF.

Uruguay 1037, piso 1º / C1016ACA Buenos Aires / República Argentina
Tel. 005411 4811 0071 al 74 / Fax 005411 4815 4742
cari@cari.org.ar / cari.org.ar

Las opiniones expresadas en esta publicación son exclusiva responsabilidad de sus autores y no reflejan necesariamente el pensamiento del CARI.

Wang Yi (Ministro de Relaciones Exteriores de China) habla sobre las relaciones China-América Latina: tres características permanecen "sin cambios"

En una conferencia conjunta con Susana Malcorra, sostuvo que la confianza china en el desarrollo de AL, las oportunidades mutuas y la política de fortalecimiento de la cooperación permanecen inalteradas.

Wang Yi Talks about China-Latin America Relations: Three Features Remain "Unchanged"

GEGI - 19/5/2016

On May 19, 2016, when jointly meeting the press with Foreign Minister Susana Malcorra of Argentina after their talks, Foreign Minister Wang Yi stated at inquiry China's stance on whether the changes of situation in Latin America will affect China-Latin America relations.

Wang Yi expressed that recently some changes have indeed occurred in the Latin American situation, drawing attention from the international community. China's opinion on this can be summarized as follows:

First of all, China's confidence in the development prospects of Latin America remains unchanged. Since the 21st century, Latin America has made remarkable progress in development, laying a sound foundation for future development. The difficulties that now Latin America is facing are temporary. As long as all Latin American countries continue to advance various reforms and strengthen regional coordination, they can surely conquer the difficulties and safeguard regional development and stability.

Secondly, the pattern that China and Latin America present each other with opportunities remains unchanged. China and Latin America share strong complementary advantages, and bilateral cooperation has vigorously boosted respective development. Influenced by the commodity price, currently the trade volume of traditional commodities of China and Latin America has slightly dropped, but bilateral cooperation in emerging fields including investment, finance, production capacity, and infrastructure construction is seeing rapid promotion, which will inject strong impetus to China-Latin America cooperation.

Thirdly, China's policy of enhancing cooperation with Latin American countries remains unchanged. Latin America is an important direction of China's diplomacy. China has established comprehensive strategic partnership with major Latin American countries, and the overall cooperation between China and Latin America has set sail. We support Latin American countries to

actively explore the development path in line with their own national conditions. China will also vigorously facilitate the improvement and upgrade of China-Latin America cooperation with the aim of establishing a Five-in-One new pattern of China-Latin America relations put forward by President Xi Jinping in 2014, so as to achieve higher-level complementary advantages as well as common development, and make efforts to build China-Latin America community of shared destiny for common progress.

¿Es todavía posible la cooperación win-win entre China y América Latina?

La relación económica entre las partes creció aceleradamente en los últimos años pero en América Latina se presentan problemas como el estancamiento de proyectos de inversión de China y el deterioro de las economías, especialmente la de Venezuela.

Is China-LatAm win-win cooperation still possible?

By Sumantra Maitra*

China.org.cn - 21/5/2016

Latin America is going through a precarious situation right now. Venezuela is imploding right in front of our eyes, and there is concern over a potential civil war. It is unfortunate that a country which is one of the top oil producers in the world is facing such a crisis, but the situation is more complex than generally portrayed in the media.

Venezuela, like Russia, is a primarily mono-industrial nation, with an economy based on oil and gas. Oil and gas, which are related to geopolitical upheavals and market forces in the world, have obviously gone down, taking the economy of both countries along with it. Just three years back, the Guardian was touting that the Venezuelan economy would not collapse – and now here we are.

Similarly, Brazil is having a constitutional crisis, which has nothing to do with economy but centers around the nepotism and corruption of the ruling government. How does it impact China and Chinese trade in Latin America?

Recently a paper titled "Economic perspectives for Latin America 2016 – towards a new partnership with China," co-authored by the OECD, the Economic Commission for Latin America (ECLAC), and the Latin America Development Bank (CAF), said that "Latin America has not been

very proactive in its relationships with China and the world. It has been very passive, Latin America will have to redefine its economic structure." The report suggested that to stave off an economic slowdown in Latin America, countries need to diversify their economy, and as a result, "China is and will continue to be an important actor and agent for "real change" in Latin America." China can also help Latin America with infrastructure development, which ironically is still one sector that has been stagnating since the 1980s.

Trade between China and Latin America has grown phenomenally. Last year China invested $65 billion in the region, which includes a plan to construct a railroad from Brazil to Peru. According to a report from the China Latin American Economic bulletin, China surpassed the United States as the most important destination for South American exports.

However, there are problems facing China. First of all, some Chinese projects are stuck, such as those in Colombia, due to structural problems. Latin American bureaucracy is stuck in a 1980s-style structuring, and is beset with delays and cultural differences in its work culture, not to mention infighting among political parties and corruption. Chinese policy makers are also being careful about Venezuela's oil dependent economy, which is going belly up. As reported in CNN, IMF economist Alejandro Werner said at the Council of Americas in New York that "...some of these projects...ended up in very unstable political destinations," something that China is well aware of.

So, what next? Obviously the first suggestion for Chinese policy makers is to wait and watch. There are a lot of unknown variables in Latin America. Here's the important part: The instability in Brazil and Venezuela will not last forever. Incidentally, these are the two countries that China cares about the most, because investment is dependent on these two giants.

Of the two, Brazil is in comparatively better shape, as the political instability in the country stems from fratricidal politics and will subside with a stable hand at the reigns. Although the country is beset by structural problems, Brazil could manage a decade of solid growth if it can stabilize its political rulers. Cutting down on corruption, increasing mobility for the passage of laws, and speeding up the operation process are the three most urgent things for Brazil to do.

Venezuela, on the other hand, is more difficult. Venezuela's problem is not operationalization but planning. Venezuela will be a dead economy if it can't diversify faster, and looking at the country's political situation, this will be something easier said than done.

My advice then is this: have patience with Brazil and be cautious with Venezuela. Is the win-win cooperation still possible? Yes, but it will need more time.

* *Sumantra Maitra is a columnist with China.org.cn. For more information please visit:*

http://www.china.org.cn/opinion/SumantraMaitra.htm

No es necesario asustarse, los bancos chinos están en buen estado

Si bien la deuda corporativa está aumentando y algunas empresas tienen dificultades para pagar, China está lejos de una crisis financiera porque tiene elevados ahorros y la deuda es mayoritariamente en moneda local.

No need to panic, China's banks are in pretty good shape

By Nicholas Lardy*

Financial Times - 1/6/2016

The extraordinarily rapid rise of debt in China, particularly in the corporate sector, has given rise to fears that the country may be unable to avoid a banking crisis that would slow its growth and have substantial negative spillovers on the global economy. This fear is based on recent estimates by the International Monetary Fund and some investment banks that a substantial portion of new lending in recent years has gone to state-owned companies producing oversupplied goods where profits have turned -negative.

In fact, while lending more to corporates unable to pay interest and principal on previous loans means financial risks are clearly rising, it is likely that China is years away from a potential banking crisis, providing it with a window to slow the growth of credit to a sustainable level. A key reason for this judgment is that while the ratio of debt to gross domestic product is quite elevated, China also enjoys a high rate of national savings. The level of debt a country can sustain depends significantly on the share of domestic savings in GDP.

Second, China's debt build-up is almost entirely in domestic currency. Local companies have been paying down their foreign currency debt since the third quarter of 2014 and it now accounts for only 5 per cent of domestic debt. In contrast, a recent study of other emerging markets found that the median foreign currency debt as a share of total debt is four times the Chinese share. Moreover, China remains a large net creditor to the rest of the world. Thus, the country is not vulnerable to a financial crisis such as the one in Asia in 1997, which was precipitated by a refusal of foreign lenders to roll over their credit to Asian corporates.

Third, banking crises almost always begin with problems on the liability side of bank balance sheets. But Chinese banks' liabilities are overwhelmingly deposits, which are very sticky. Bank reliance on wholesale funding is minimal. Thus, loans plus off-balance sheet assets are roughly equal to deposits, far from the 120-150 per cent ratios frequently seen in countries before the onset of banking crises. In any case, the central bank has substantial tools to deal with potential

bank runs. For example, the required reserve ratio imposed on banks is currently 17 per cent. This could be cut with hugely positive effects on bank liquidity.

Fears of an impending banking crisis are often based on the assertion that China's banks are far weaker than advertised. Given the huge acceleration of credit growth beginning with the global financial crisis, non-performing loan ratios in the 1 to 2 per cent range are not credible on this view. But this argument does not recognise that some banks have been aggressively writing off NPLs, making low reported NPL ratios more plausible. For example, Citic Bank and Bank of Communications in the first half of 2015 disposed of 75 and 30 per cent, respectively, of their year-end 2014 non-performing loan balances. More generally, the average provision coverage ratio of Chinese banks is about 150 per cent of reported NPLs.

Is it likely that weakened banks will ultimately be forced dramatically to slow their extension of credit, leading to a lengthy period of slow growth? This was the pattern in Japan, which some argue China is doomed to follow. But in the 1990s, when excess lending to poorly performing state-owned enterprises led Chinese banks to the brink of insolvency, the government initiated a massive recapitalisation programme that allowed the institutions to continue to lend, supporting the strong growth achieved in the first decade of this century. This was very unlike the situation in Japan, where the authorities for a decade refused to recognise weak bank balance sheets.

In addition, Chinese banks have far less exposure to poorly performing state-owned corporates than in the 1990s. In the mid-1990s, before the recapitalisation of the banking system, loans to SOEs accounted for 62 per cent of all renminbi loans of banks and other financial institutions. Today, that share has fallen to 30 per cent, largely because banks have increasingly lent to private companies and to households. The former earn an average return on assets that is two to three times that of state companies and the latter have relatively strong balance sheets.

To reduce the risks that are accumulating in the financial sector, the authorities must move aggressively to curtail the flow of credit to chronically unprofitable, mostly state-owned corporates. The central government's campaign to close down these so-called zombie companies is already under way, but not surprisingly it is meeting resistance at the local level.

This resistance must be overcome and the central government must also deal with the existing stock of bad assets by some combination of accelerated write-offs and securitisation of underperforming bank assets and even partial recapitalisation of the weakest financial institutions.

**The writer is Anthony M Solomon Senior Fellow at the Peterson Institute*

China se globaliza con sus bancos de desarrollo

En una década China se convirtió en un líder mundial en el financiamiento del desarrollo compitiendo con bancos multilaterales y de otros países. Las principales inversiones están en Asia pero también son importantes en América Latina.

China goes global with development banks

By Rohini Kamal and Kevin P Gallagher* (Boston University)

Bretton Woods Project - 5/4/2016

This briefing examines the trajectory of China's evolving leadership in international development finance. It looks like the impact of China's massive increase in development finance for developing countries, arguing that it provides a useful alternative to Western-dominated institutions. It notes that it is too soon to tell if Chinese finance will support socially and environmentally sustainable projects and that concerns remain about transparency, accountability, and the environmental and social safeguards used by Chinese institutions.

In just over a decade, China has become a global leader in development finance. China has established a number of bilateral and multilateral funds across the world, in addition to two policy banks, the China Development Bank (CDB) and the Export Import Bank of China (C-EXIM). China has also led efforts to establish new multilateral development banks (MDBs), the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB), that promise to provide significant financing capabilities into the regime as well.

The record thus far of the CDB and C-EXIM has raised questions whether Chinese banks are properly incorporating social and environmental risk into these activities, and the extent to which the project cycle is governed in a transparent and accountable manner.

These banks and funds have the potential to provide an enormous increase in the availability of development finance for a world economy in desperate need of public finance for long-run economic development that is environmentally sustainable and socially inclusive. What is more, they have the potential to provide an alternative to the Western-dominated system that has struggled to fill the glaring gaps in development finance, particularly in infrastructure, and to maintain legitimacy among many borrowing countries and segments of civil society.

The globalisation of China's policy banks

Two of China's policy banks, the CDB and the C-EXIM, already hold more assets than the combined sum of the assets of the Western-backed multilateral development banks. Table 1 shows

that the C-EXIM and the CDB have over $1.8 trillion in assets, whereas the Western-backed banks hold just over $700 billion. That said, the CDB's international holdings are just 30 per cent of total assets, putting the two banks' international assets at around $0.5 trillion. These banks provide concessional and non-concessional (in the case of the C-EXIM) finance in virtually every corner of the world.

Founded in 1994 and fueled by the Chinese growth miracle on the mainland, the CDB is perhaps the largest development institution in the world with $95 billion in base capital and over $1 trillion in assets, compared to less than $600 billion in assets of the entire World Bank Group. As part of China's broader 'go out' strategy, the CDB has been making loans to foreign governments since the early 2000s. In some countries in Latin America and Africa the CDB is often the largest single source of development bank finance. The CDB does not raise its capital through private deposits, but by issuing bonds with terms of up to 30 years to institutional investors on China's interbank bond market and foreign markets in both renminbi and other currencies. It is the second-largest bond issuer in China after the ministry of finance and its bonds enjoy a credit rating equivalent to government bonds. The Chinese state has full ownership of the Bank and implicitly guarantees its debt, enabling the CDB to provide lower interest rates and longer-term loans than other Chinese banks. The CDB is also China's largest foreign currency lender, drawing directly on China's vast foreign currency reserves.

In addition to the CDB, the C-EXIM plays an important role in supporting the state's foreign trade and economic development in the global arena. C-EXIM provides financing for trade in high-technology products and equipment; offshore construction contracts, overseas investment projects; and provides international guarantees. Furthermore, C-EXIM is mandated to promote China's long-term access to strategically important natural resources through conventional Export Credit Agency (ECA) methods, including export credits – a form of subsidy in which an ECA assumes the risk of a foreign borrower's default, and unconventional ones, such as direct lending and credit guarantees.

China-backed global development funds

China has also pioneered a host of bilateral and regional development funds. These funds combine to add upwards of $100 billion in development finance provided by the chinese in recent years. Table 2 exhibits the major funds that we were able to confirm.

A major portion of the investments is in Asia, with the largest being the $40 billion Silk Road Fund established in 2014 with investment from state institutions including the C-EXIM and CDB. The fund is open to investors from other countries as well and has provisions to expand maritime connectivity between China and the rest of Asia (Central, South and Southeast Asia, and the Middle East), North and Northeast Africa, and Europe. A related fund is the Green Eco-

logical Silk Road Investment Fund, a private equity fund for improving the ecological environment in the region.

In the larger Eurasian region, investments include the China-Central and Eastern European (China-CEE) Fund– set up to facilitate financing of projects to enhance inter-connectivity in the region, specifically in Eastern Europe– and the bilateral Russia-China Investment Fund (RCIF) established by two government-backed investment vehicles, the Russian Direct Investment Fund and China Investment Corporation (CIC). The RCIF will invest 70 per cent of its capital in Russia and other Commonwealth of Independent States (CIS) countries (currently Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan and Ukraine) and 30 per cent in China.

Chinese finance also plays a prominent role in Latin America and the Caribbean. The largest instrument to do so is the $20 billion CELAC (Community of Latin American and Caribbean States) -China Investment Fund for infrastructure projects, followed by the $10 billion dollar China -LAC Industrial Cooperation Fund for medium- and long-term financing for industrial investments. The China-LAC (Latin America and the Caribbean) Cooperation Fund finances projects in areas including education, water conservation, and energy. The Fund includes a private equity fund administered by the C-EXIM. In addition to these, the China-Mexico Investment Fund was set up to support Chinese and Mexican companies investing in infrastructure, mining and energy projects in both countries.

Over the last decade China has created a massive platform of public and private investments in Africa. To date the largest of such initiatives is the China-Africa Industrial Capacity Cooperation Fund Company Limited (CAICCF), jointly established earlier this year by the China Foreign Exchange Reserves and C-EXIM. The fund supports infrastructure development, particularly in the transit sector, as well as provides financing for manufacturing and agriculture projects. Among the state-backed funds is the China-Africa Development Fund (CAD Fund), a Chinese private equity fund financed by the CDB, set up in order to stimulate investment in Africa by Chinese companies in power generation, transportation infrastructure, natural resources, and manufacturing. The Africa Growing Together Fund (AGTF), co-financed by the African Development Bank (AfDB) and the People's Bank of China, is to finance eligible sovereign and non-sovereign guaranteed development projects in Africa.

In the larger arena China seeks to strengthen South-South relations and contribute to global development. To this end, China announced the creation of the $3.1 billion South-South Climate Cooperation Fund in a China-US joint presidential statement on climate change in September 2015, to be used to finance initiatives in developing countries worldwide to combat climate change. China also pledged $2 billion for the creation of a South-South Cooperation Fund aimed at assisting developing countries in implementing their post-2015 development agenda, as announced last year at the UN Sustainable Development Summit at the UN headquarters in New

York. Plans to create an Academy of South-South Cooperation and Development were also announced, with the aim to facilitate studies and exchanges by developing countries on theories and practices of development suited to their respective national conditions.

With much fanfare, China helped spawn two global development banks, the NDB and the AIIB. The NDB was launched in July 2015 by Brazil, Russia, India, China and South Africa – collectively known as the BRICS countries. The NDB will provide financing to developing countries to help finance development projects, at least initially in infrastructure and with a focus on renewable energy. Each BRICS member is expected to put an equal share into establishing the startup capital of $50 billion with a goal of reaching $100 billion. Under the current set-up membership may not just be limited to BRICS nations. Future members could include countries in other emerging markets blocs. Each member country will send either their finance minister or central bank chair to the NDB's representative board. The bank is set up in a way so that no country will have veto power over voting decisions, in pointed contrast to the veto power the US enjoys over World Bank (and IMF) decision-making.

The AIIB was created to support infrastructure construction in the Asia-Pacific region. It was proposed by China in 2013 and formally started operations in December 2015, after the Articles of Agreement (AoA) entered into force with ratification from 17 member states holding 50.1 per cent of the shares. This is in accordance with the AoA, which requires ratification from 10 member states holding a total number of 50 per cent of the initial subscriptions of the authorised capital stock. By end of February this year, all 57 of AIIB's Prospective Founding Members (PFMs) had ratified the AoA. The Memorandum of Understanding (MoU) specifies that the authorised capital of AIIB is $100 billion and the initial subscribed capital is expected to be around $50 billion. AIIB's investment capacity could reach $250 billion by the end of 2020 in accordance with provisions made in its AoA. The AIIB is likely to co-finance projects with the World Bank and Asian Development Bank (ADB), particularly in the first years of its operations.

The PFMs include most developed nations, with notable exceptions being US, Canada, and Japan. China currently holds the largest share of voting rights of the AIIB, just above the one-quarter threshold needed to block any decisions requiring a super majority vote (a super majority is defined by the articles to be three-fourths of the voting power and two-thirds of the members). This gives China the power to potentially block decisions involving structure, membership, capital increases, and other significant issues laid out in the articles that require a super majority of votes, but not decisions related to day-to-day operations.

Based on the minimum thresholds set for board seats – 6 per cent of voting power among regional members and 15 per cent among non-regional members – the set-up of the governing body composition is projected to be as follows: China and India, largest shareholders of AIIB with 30.34 per cent and 8.52 per cent stake respectively, will have single votes, enjoying voting shares of 26.06 per cent and 7.5 per cent respectively.

In terms of operational details, the AIIB is expected to be overseen by an unpaid, nonresident board of directors. This set-up aims to accelerate the speed of loans approval process. The AIIB will open bidding for projects to all, unlike the ADB, which restricts contracts to member countries. The procurement policy will be "more streamlined" in terms of its operational details relative to the other development banks. The Environmental and Social Framework (ESF) was approved in February 2016 with the possibility for updates after the first three years of operation if needed.

There were concerns raised by civil society regarding not only the public consultation process of the ESF, but also its contents, in particular the reliance on corporate and country systems; lack of detail on the AIIB's oversight mechanism; the omission of coal from its exclusion list; its adoption of the phased approach, which allows plans for impacts on indigenous groups to be made after project approval; and the lack of mandatory environmental or social impact assessments for projects in Category B, defined as having limited environmental and social impacts.

Opportunity and challenge

There is no doubt that China has massively increased the scale of development finance to developing nations across the world. It also appears that China-backed development banks represent a different emphasis for development policy than the Western-backed system, with a focus on infrastructure and structural transformation. The record thus far of the CDB and C-EXIM has raised questions whether Chinese banks are properly incorporating social and environmental risk into these activities, and the extent to which the project cycle is governed in a transparent and accountable manner. There is also concern regarding the implication of the more streamlined social and environment safeguard provisions in China-led development initiatives on the ongoing safeguards review at the World Bank.

It is too early to tell whether the new multilateral funds and new multilateral development banks will steer such finance toward infrastructure that is more environmentally sustainable and socially inclusive. China has put green finance as a major focus of its G20 presidency, co-chairing a Green Finance Study Group that will look to "green" global finance. A developing country-led effort to green global development finance in a manner that is inclusive, accountable, and green would be a welcome addition to the global development-banking regime. Such an outcome is not inevitable however, and should be the goal of policy-makers and civil society alike.

Beijing está gastando millones de dólares en nuevos puertos y líneas ferroviarias, pero sus ambiciones en relación a Europa son más geopolíticas que comerciales.

Si bien Europa es un mercado más grande que otros, las inversiones chinas en el continente buscan también resultados políticos y diplomáticos. El papel de las grandes empresas chinas consolidadas y apoyadas por el Estado. Las inversiones en la periferia europea.

China's New Silk Road Into Europe Is About More Than Money

By Keith Jonhson

Foreign Policy - 1/6/2016

China is actively building out the European portion of its ambitious new "Silk Road" plan, with port deals from Greece to the Netherlands, railroad investments in Greece, Serbia, and Hungary, as well as a handful of historic, high-profile state visits this spring by President Xi Jinping.

Beijing's multibillion-dollar plans to build overland and maritime links across Central and South Asia — whether that means huge investments in Pakistan or gas pipeline deals in places like Kazakhstan and Uzbekistan — grab the lion's share of attention. But the ultimate prize in the Silk Road plan — also known in China as the "One Belt, One Road" initiative — is someplace else: Europe.

That's true both because Europe represents a bigger and richer market than the relatively poor countries that dot the steppe, and because Beijing's ambitions aren't purely commercial.

"It is not an economic project, it is a geopolitical project — and it is very strategic," said Nadège Rolland, an analyst at the National Bureau for Asian Research, a think tank. As it has across Asia, Africa, and Latin America, China is trying to parlay its economic heft into bigger diplomatic influence in Europe, especially in cash-strapped states in the east and southeast.

That task is made easier thanks to the increasing weight and reach of Chinese state-owned companies. Beijing began encouraging consolidation among competing firms last year as a way of trying to deal with overcapacity in Chinese industry, where having several giant firms in the same sector was leading to inefficiencies.

The resulting mergers created giants like such as CRRC Corporation, formerly a pair of railroad equipment makers and now the world's second-biggest industrial company, and COSCO, cobbled together from a pair of state-owned shipping firms and now the world's fourth-largest shipping company.

Both of those mega-firms are active in China's recent European investments: COSCO is snapping up stakes in ports, while CRRC is working to build new rail lines in Eastern Europe. Another state-owned giant, ChemChina, has been on a European buying spree in the last year, gobbling up

agricultural firms, tire makers, and machine tool manufacturers. And their state-backed involvement makes clear that more is at stake than the financial bottom line.

“Most Chinese foreign direct investments are not normal foreign direct investments,” said Philippe Le Corre of the Brookings Institution, co-author of the recently published book China’s Offensive in Europe. “With a few exceptions, they just happen to have the whole Chinese state behind them.”

One of the unstated purposes of China’s entire Silk Road program is to buy political goodwill from countries along the way. Decades ago, Chinese investment in Africa often brought support from those countries for Chinese positions in the United Nations. Chinese investments in Afghanistan, for instance, have recently translated into Kabul’s support for China’s territorial positions in the South China Sea disputes.

In Europe, China’s investment push has indeed led to a few diplomatic victories. Fueled by big investments in the energy sector, Xi received red-carpet treatment from British leaders on a state visit last year, and China considers the U.K. its best friend in the West.

Several of Europe’s biggest countries, including the U.K., France, Germany, and Italy, supported China’s creation of a new international development bank, the Asian Infrastructure Investment Bank, despite heated objections from the United States.

China is perhaps making its biggest inroads on Europe’s periphery. It has created a new grouping, known as the “16+1,” of the 16 Central and Eastern European countries including some inside and some outside the European Union. The informal club has responded to Chinese infrastructure investment with closer ties and a more compliant approach to issues that are prickly for Beijing, especially human rights.

The Czech Republic, for example, once outspoken on the subject of Tibetan independence, now hews closer to Beijing’s line regarding its continued control of the Himalayan nation. Beijing hailed Slovenia as one of a group of 40 countries China says back its position on the disputes in the South China Sea; plenty of other countries on that list, from Afghanistan to Mozambique to Venezuela, have also been on the receiving end of China’s economic largesse.

But China is also encountering plenty of pushback — and not just in Europe. In Central Asia, Beijing is a preferred partner for the region’s many autocratic governments who welcome China’s non-interference in their affairs. But China’s growing footprint there has received a much cooler reception from the local population.

Kazakhstan, which has inked $50 billion worth of deals with China, has been wracked since April by protests over the fears the government will open the country up to large-scale Chinese purchases of land. In neighboring Kyrgyzstan, mounting public pressure caused the government

to abandon plans to offer mining concessions to Chinese firms in lieu of paying back $1 billion in loans.

In Europe, China's geopolitical ambitions have run into growing opposition, both in the street and among some governments. Protesters defaced Chinese flags in the Czech Republic during Xi's visit this spring, for example. And earlier this month, the European Parliament recommended against granting China "market economy status," a label Beijing craves and which it believes it is entitled to 15 years after joining the World Trade Organization. The EU reticence is driven, in part, by concerns of continued unfair Chinese competition, including "dumping" the detritus of its industrial overcapacity in Europe, which makes life more difficult for struggling European firms.

Europe has also begun to push back against China's territorial ambitions in the South China Sea. Slovenia made clear, in contrast to Beijing's public pronouncements, that it does not take sides on the dispute.

In April, France signed a $40 billion deal to build advanced new submarines for Australia, prompted by French concerns about Chinese military expansion in the Western Pacific. More recently, Britain urged all countries including China to respect an upcoming ruling by an international arbitration panel on the South China Seas imbroglio; Beijing has attacked the tribunal's legitimacy and vowed to ignore whatever ruling it hands down.

Those setbacks suggest there's a limit to the leverage that Chinese investment can buy in Europe, despite the region's continued economic woes, said Le Corre.

"The European part of One Belt, One Road will not be a walk in the park," he said. "It's not that simple to say, 'China is going to come and rescue Europe.' I don't think there's appetite for this."

Una novela sobre una guerra con China toca un punto sensible en el Pentágono

Oficiales leen y comentan "Ghost Fleet", sobre una futura guerra con China y Rusia. En el escenario: en China, ante las turbulencias sociales, un directorio militar da un golpe de estado. El papel de la tecnología de guerra.

A Novel About War With China Strikes a Chord at the Pentagon

By Dan De Luce

Foreign Policy - 15/5/2016

It's on the desks of four-star generals and junior naval officers, and it has found its way on to the recommended reading lists for every branch of the American military. Ghost Fleet, a novel about a future world war pitting China and Russia against a complacent United States, has become fodder for training sessions and seminars at bases across the United States, as well as briefings for national security council staff at the White House.

At a time when commanders and intelligence officials are worried about retaining America's technological edge against resurgent great power rivals — crystallized in Friday's release of the Defense Department's annual report on China — the book has captured imaginations and sparked debate inside the Pentagon. Ghost Fleet has landed at an auspicious time: After 15 years of grinding ground wars against elusive insurgents armed with homemade bombs, the U.S. military is both yearning to get back to its roots in high-end conflict and wondering how to counter old adversaries with new hi-tech tools.

An unabashed, 21st century update of the Tom Clancy thrillers that won a huge following in the 1980s and '90s, the novel's action ranges from space, where Beijing has disabled America's satellite network; to cyberspace, where Chinese digital warriors have penetrated sensitive U.S. networks through the cell phone of a gardener at the offices of the Defense Intelligence Agency; to Japan, where Russian fighter jets and drones stage a terrifying air raid on American bases on Okinawa.

The geopolitical premise of the story is drawn in broad brushstrokes; the book's meat, and the reason military leaders at all levels can't put it down, lies elsewhere. In the not-too-distant future, the novel posits, China's Communist Party has been ousted after cracking down on riots by urban workers. A "Directorate" of military officers and business magnates then launch a preemptive attack on Hawaii — with some help from Russia — to ensure control of a lucrative natural gas field discovered deep on the Pacific Ocean floor in the Mariana Trench. The U.S. troops left behind in occupied Hawaii take a page from their former enemies in Afghanistan and Iraq and organize an insurgency, dodging lethal, robotic quad-copters on mountain bikes as they plant explosives and stage ambushes.

What's struck a chord among both soldiers, spies and scholars in the United States and overseas is the interplay of old and new weapons, how troops react to them, and how they could revolutionize warfare. Most importantly, the story games out just how America's latest, high-tech revolution in military affairs could leave the country vulnerable to increasingly skilled foes.

The book illustrates "the potential vulnerabilities of the way we're building the force today, and maybe that we need to be watchful about," said Gen. Robert Neller, commandant of the U.S. Marine Corps and a big fan of the novel.

With its depictions of troops using medical stimulants to extend physical endurance and Google glass-like goggles, Neller says Ghost Fleet offers a fresh look at how warfare could look in the very near future. "If you haven't been thinking about this, it kind of opens up the aperture and makes you realize that the future is here. It's not five to 15 years from now."

Over the years, other books about war have become "must reads" for Washington's strategists and decision makers. During the height of the debate inside President Barack Obama's administration over the war in Afghanistan, opponents of a troop surge cited Gordon Goldstein's Lessons in Disaster to bolster their argument. And during the U.S. occupation of Iraq, Gen. David Petraeus and other proponents of a retooled counter-insurgency doctrine sought inspiration from The Centurions, the 1960 novel by French writer Jean Larteguy set during the France's war in Algeria.

Previously, other fiction writers have helped shape public and official thinking about wars before they'd begun. A pair of H.G. Wells tales predicted elements of World Wars I and II. "Invasion literature," including The Riddle of the Sands, was an English staple as the British-German naval race heated up at the turn of the 20th century.

Ghost Fleet, which debuted last year, was written by a military analyst and non-fiction writer, Peter W. Singer, and a former Wall Street Journal defense reporter, August Cole, and will come out in paperback later this month. Unusual for a work of fiction, it's loaded with nearly 400 footnotes meticulously documenting the real-world roots of the fictional fights.

"It's fiction, but it's grounded in hardcore research. Our rule was every single technology, every single trend had to be pulled from the real world," Singer said.

The book's account of crippling attacks on U.S. satellites and computer networks, malware infecting the military's supply chain and Chinese long-range missile assaults – as well as robotic craft operating in tandem with manned vessels or aircraft – reflect the real-world worries and priorities of Defense Department officials.

The Pentagon's No. 2 official, Robert Work, who has read the book, has repeatedly warned that America's high-tech superiority could erode without crucial investments in research and development in cyberwar, space, missile defense, and other new technologies. The latest Pentagon report on China stresses that the U.S. technology edge is steadily eroding, even as China makes great strides in creating its own version of "net-centric," IT-heavy warfare. Meanwhile, even as Ghost Fleet features an eccentric Silicon Valley billionaire coming to the rescue of the U.S. war effort, Defense Secretary Ashton Carter has made high-profile appeals to tech firms to work on joint projects with the Pentagon.

But unlike the often mind-numbing non-fiction reports generated inside the Pentagon or at think tanks, the novel allows officers and analysts to discuss some uncomfortable scenarios in a

more free-ranging way.

“If it had been presented as nonfiction, a lot of people would have deemed it unlikely or unthinkable,” Cole told FP.

Yet the co-authors said the novel is not meant to stir up fears of an imminent war with China, but instead to provoke fresh thinking in Washington about how to build a military force for the future.

“As we make clear in the book, the story is a work of fiction, not an act of prediction,” Cole said. “Neither of us want a war with China or Russia. We want to avoid that. But you can’t avoid it if you don’t squarely address it. In a sense, the bigger risks for the U.S. are believing that a conflict in the next decade is not possible because of Pacific trade ties, or assuming that we will automatically prevail militarily in a conflict with China.”

If fiction turned to fact and the U.S. found itself in a conflict with China, the four-star admiral at the center of the storm would be Adm. Harry Harris, head of U.S. Pacific Command.

While Harris has been a blunt critic of China’s assertive tactics in the South China Sea, calling its massive island-building operation a “great wall of sand,” the admiral has repeatedly said that he does not expect a conflict with China and doesn’t think Beijing is seeking one either. But he is clearly fascinated by Ghost Fleet.

“Just like people don’t read Moby Dick because it’s about whaling, no one should conclude that people are reading Ghost Fleet because it involves a war with China,” Harris told FP in an email.

“Rather, warfare novels like Ghost Fleet help us to question assumptions and prevent complacent thinking that inhibits innovation. How can we take action today to improve our warfighting readiness for tomorrow?”

U.S. lawmakers and defense industry executives have often cited the threat of China’s military buildup as a rationale for an array of big-ticket weapons. And skeptics will likely view the novel as feeding the sometimes overheated rhetoric about China. But the authors are unflinching about the shortcomings of the American military and some of its high-profile weapons, castigating the F-35 fighter jet and Littoral Combat Ships as costly disappointments. And unlike a Clancy novel, the American-made weapons sometimes malfunction.

The book does not glorify the prospect of a global war, and there is death and destruction on all sides. Although the Americans eventually manage to bounce back thanks to a combination of Wal-Mart logistics, Silicon Valley pluck, and a makeshift fleet of retired warships called out of mothballs — hence the title Ghost Fleet — there is no triumphant ending.

The stealthy USS Zumwalt, the Navy’s new model destroyer that is now going through sea trials,

plays a starring role in the story as one of the ships called out of retirement, along with its electromagnetic railgun. And one of the unlikely protagonists is not a soldier but a small robot dubbed "Butter" that crawls out of the ocean on eight legs. The black "lobster" bot sneaks up on a Chinese soldier at nightfall on an Oahu beach, knocking him out with a poisonous dart in the leg. That allows commandos to swim in unseen, part of an advance guard for a counter-offensive to liberate Hawaii.

The lobster bot scene was inspired by a bona fide nanotechnology project carried out by researchers at Northeastern University in Massachusetts. And the novel seems to suggest that devices like the black lobster — agile and innovative but also cheap and disposable — represent the way forward for a U.S. military that has often been too wedded to huge, expensive weapons that take years to build and which are often obsolete soon after they're fielded.

Although the book has gained traction among military officers, it's not winning any literary awards. The authors say they weren't out to emulate Jonathan Franzen, but rather fast-paced technology-driven thriller writers like Clancy and Michael Crichton.

Perhaps the highest compliment the book gets is within Pentagon corridors. When one U.S. Army general recently wanted office memos written with more flair, he instructed his staff to "ghost fleet" their reports.

Inversores chinos ingresan masivamente a Hollywood

A diferencia de los japoneses en los ochenta, se orientan menos a la compra de estudios y más a la búsqueda de contenidos para abastecer la creciente demanda de películas en China. Los estudios están abiertos a las inversiones chinas porque les interesa ampliar su participación en el mercado de acceso restringido para los extranjeros.

Chinese investors flood into Hollywood

By Matthey Garrahan (in New York) and Henny Sender (in Hong Kong)

Financial Times - 8/6/2016

Bullish international investors have long ignored screenwriter William Goldman's warning that "Nobody knows anything" about success in Hollywood.

Over the past 25 years, investors from Japan, France and later India have arrived in the enter-

tainment industry capital in waves, convinced that their cash and know-how could unlock untapped Tinsel Town riches.

Now it is China's turn, with its companies involved in a flurry of recent Hollywood deals. Tang Media Partners, created by businessman Donald Tang and backed by Tencent, the Chinese internet group, last week announced the purchase of IM Global, a Hollywood film financier and sales agency, in a deal that also involved Li Ruigang's China Media Capital and the Huayi Brothers media group.

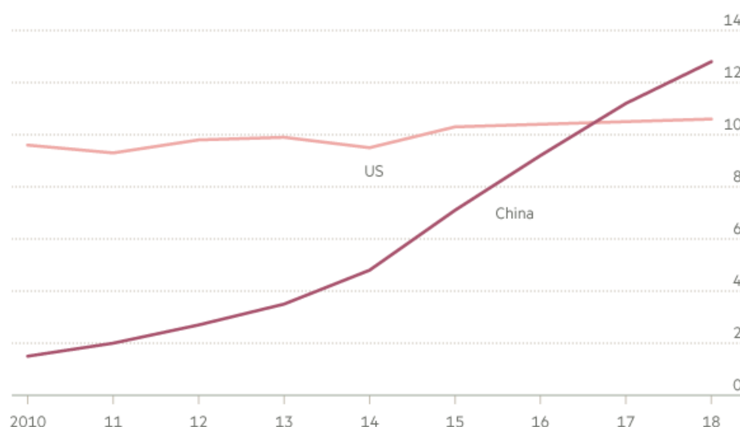
The IM Global acquisition came five months after Dalian Wanda, the property and media group controlled by Wang Jianlin, China's richest man, paid $3.5bn for a controlling stake in Legendary Entertainment, which has produced films such as *Godzilla* and *Pacific Rim*.

These two investments join a wave of other Chinese forays into Hollywood. CMC's Mr Li has done deals with movie studio Warner Brothers, while state-controlled group Hunan Television and Broadcast has put money into Lions Gate Entertainment, the studio behind *The Hunger Games* films and television series such as *Mad Men*.

Some of the Chinese groups are buoyed by high valuations in mainland stock markets and able to splash out at high prices. Others want to invest outside of the country ahead of future currency devaluations, analysts say.

Chinese investors are also seeking to tap into US expertise at a time when the rising middle class in China is seeking entertainment and per capita income has grown 20-fold in a generation. In 2014, US filmed entertainment generated a trade surplus of $16.3bn, according to the Motion Picture Association of America.

There is significant growth to be had in the Chinese movie market. The box office there has defied the slowing economy with multiplex construction continuing to add screens to a cinema market that will surpass the US and become the world's largest by 2017, according to PwC.



The Beijing government has also been generally supportive of outbound investment aimed at providing entertainment and services to Chinese customers, three bankers and investors with experience in the sector say.

For their part, Hollywood companies have been open to Chinese investment because in some cases it helped them get around the quota system that has limited their ability to show films on the mainland.

"This is the proven Chinese model: use deals with global players to build up capabilities [and] support a robust and strong Chinese domestic business that can compete head to head with foreign companies," says Christopher Vollmer, global entertainment and media advisory leader for PwC's Strategy& consultancy.

Rivalries and alliances on the Chinese mainland are now being played out on both sides of the Pacific, with some of the biggest internet and entertainment companies circling Hollywood.

After last week's Tencent deal, rival Alibaba is said to be among the possible buyers, along with Wanda, of a possible sale by Sumner Redstone's Viacom of a minority stake in its Paramount Pictures studio.

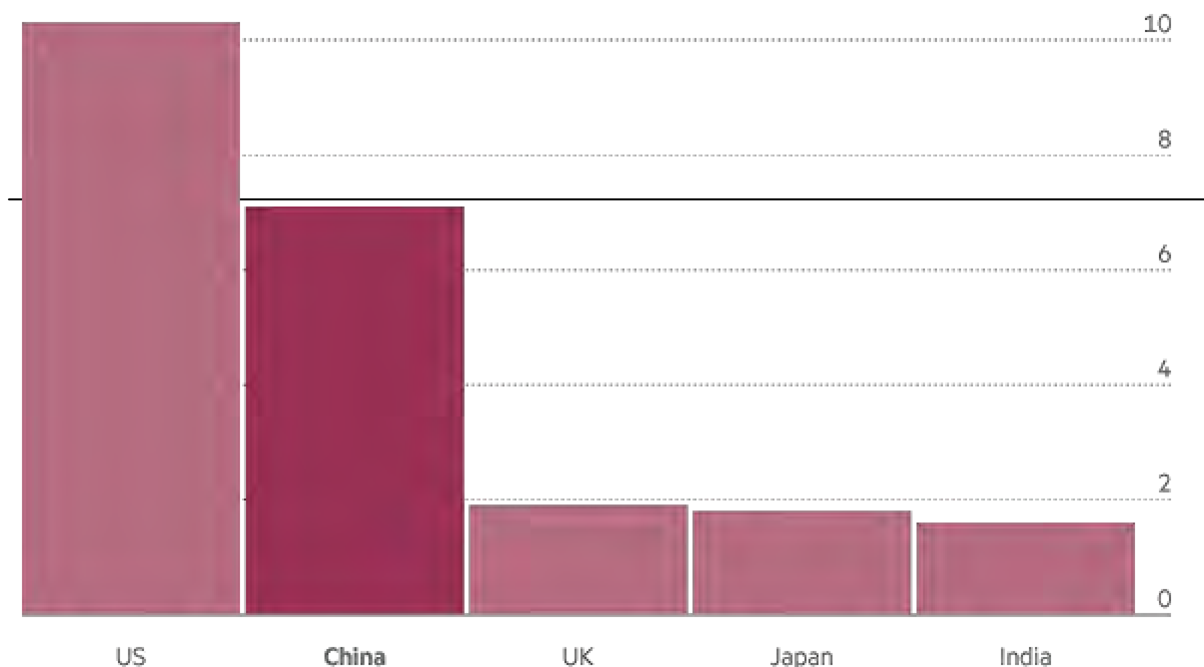
"Everyone in China wants to monetise their platform by acquiring content," says Steven Xiang, who left Weil, Gotshal & Manges in Shanghai to become chief executive of Hong Kong-listed Huanxi Media Group.

It is too early to tell if Chinese investors will avoid the largely miserable experiences of other international buyers. In 2008, when an Indian group controlled by billionaire Anil Ambani invested in Steven Spielberg's DreamWorks studio, a local mogul observed: "Hollywood has a long, distinguished record of eating up foreigners and then spitting them out".

The first big wave of international investment came from Japan in 1989 when Sony, keen to avoid a repeat of its failure with the Betamax video format, paid $3.4bn for Columbia Pictures and its sister company, TriStar Pictures. It renamed the studio Sony Pictures Entertainment and hired Jon Peters and Peter Guber, a pair of producers fresh from two of that decade's biggest hits – *Batman* and *Rain Man*.

Mr Guber and Mr Peters became known for their lavish spending and presided over a string of flops. Sony eventually wrote off more than $3bn in losses related to the acquisition.

Matsushita of Japan had no better luck. In 1990 it purchased Lew Wasserman's MCA Universal – later renamed Universal Studios – in hopes of using the studio's content and theme park to drive sales of its electronics goods. But as the Japanese economy hit the skids, Matsushita cut its investment and sold the company after only five years.



Jean-Marie Messier, the flamboyant former chief executive of Vivendi, the French utility, also came a cropper in Hollywood, buying Seagram — which had acquired Universal from Matsushita — in 2000. However, he was ousted from the company's board and the businesses he had assembled were broken up a few years later.

The $325m investment by Mr Ambani's Reliance Big Entertainment in 2008 was supposed to herald a new era of co-operation between Hollywood and the Indian film industry. But despite the tie-up with Mr Spielberg's DreamWorks, Reliance has failed to release a consistent number of hits.

Now the Chinese have arrived. CMC's Mr Li, who was part of the IM Global deal, is among the most active mainland investors in Hollywood. He created Flagship Entertainment with Warner Brothers to co-produce films and recently took a stake in Imagine Entertainment, a production company led by Ron Howard and Brian Glazer that made the film In the *Heart of the Sea.*

STX Entertainment, a new studio, received investment from Hony Capital, a Chinese private equity firm, while Studio 8, a production venture started by former Warner Brothers executive Jeff Robinov, is backed by Fosun International, the Chinese conglomerate.

The current string of Chinese deals may be fated to become the latest punchline in Hollywood jokes about "dumb money" offered by cash-rich but naive overseas investors.

But some think that this time could be different, in part because of the focus on acquiring content rather than on studios per se.

“With the Japanese it was all about trophy assets,” says an advisory banker in Hong Kong. “This is about content.”

After all, Chinese investors in Hollywood have several things in their favour, notably a direct route into their home market.

China is “hungry for filmed entertainment product and is still growing,” says Mr Vollmer. Chinese investors in the US “are already earning a reputation in Hollywood for being strategic, analytic and long-term focused.” he adds. “Many of the requirements for success appear to be present.”

Donald Tang — bridging the flows

When Wang Jianlin, the founder of Dalian Wanda, decided to buy cinema chain AMC in 2012, AMC and its part owner Apollo Global Management reached out to Donald Tang, the former head of Bear Stearns Asia and a long-time resident of Los Angeles, for advice, *writes Henny Sender.*

That transaction began a Hollywood land grab by Chinese entrepreneurs, and Mr Tang, who grew up in Shanghai but has deep relationships with the movie industry since moving to LA in 1982, sits at the middle of many of those flows. Recently, he has made the transition from being adviser and banker to being an entrepreneur in his own right.

His company, Tang Media Partners, enjoys the backing of some of the most powerful media players in China including CMC, Huayi Brothers, and Tencent with its $200bn market cap and insatiable appetite for digital content. Last week, Tang Media Partners bought IM Global, a small Hollywood studio.

The stakes — and the price tags — for Chinese investors have been and will continue to rise. And if Chinese buyers are to avoid the cultural challenges faced by Japanese investors who bought Hollywood assets in the 1908s they will need people like Mr Tang, a denizen of both worlds.

Aside from his understanding of how both sides think, Mr Tang speaks English fluently — though that was not always the case. When his girlfriend (now wife) moved from Shanghai to LA, Mr Tang, then a lovesick 17-year-old, called the emergency number of the US consulate in Shanghai to urgently request a visa. Since he knew no English he could not apply for a student visa. Fortunately, the consul general spoke Chinese and took pity on the hapless young man. Eventually, Mr Tang applied to a language school in California and arrived in the Golden State

with $20 in his pocket – the most the Chinese government then allowed its citizens to take out of the country.

Mr Tang believes that within 10 years, "of the six major studios, maybe two will have Chinese names on them. The Chinese market is so big and their desire is so big to learn the storytelling magic".

He himself harbours no such ambition, in part because, he says, the Hollywood movie business model needs fixing. "The risk reward structure is totally warped. Television, which is business to business, is a much more rational business model than film, which is business to consumer, with its ridiculous marketing expenses."

That is why he has linked up with Tencent for a TV joint venture. "Tencent is a social media company. They care about access to the best content," he says. "We have to make sure China doesn't learn Hollywood's bad habits."

Informe Annual Latin América Economic Outlook de la OCDE/CEPAL/CAF

"Economic perspectives for Latin America 2016 – towards a new partnership with China," co-authored by the OECD, the Economic Commission for Latin America (ECLAC), and the Latin America Development Bank (CAF), said that "Latin America has not been very proactive in its relationships with China and the world. It has been very passive, Latin America will have to redefine its economic structure."

Link

Editor responsable del Boletín: Julio Sevares.