



One indicator of China's ascent as a global power is its ability to have an economic impact far beyond its border. In today's world, events in China, both positive and negative, are affecting nearly every continent. During the period of China's spectacular growth, world markets were particularly transfixed on Chinese trade, investment, and loans. China continues to contribute about 30 percent to global economic growth, down from a 50 percent contribution between 2009 and 2011. Its demand unleashed a commodities boom that benefited nations in Africa and Latin America. Growth at 10 percent and massive trade surpluses helped to ease the worst effects of the global recession of 2008-2009, with the United States and Europe [borrowing Chinese cash to pay for their stimulus programs](#). China's economic slowdown, or more accurately, its shift from export and investment-driven development to consumption, has had an equally dramatic effect around the globe. The world is starting to feel this shift as countries that became overly dependent on the Chinese demand for commodities are feeling the pain.

In Africa, Zimbabwe's lifeless economy — with nearly 80-95 percent unemployment—has subsisted on Chinese loans, investments, and mining exports for the last two decades. The government of 91-year-old Robert Mugabe, who has been in power since 1987, has relied almost exclusively on foreign aid and considerable largess from the People's Republic of China (PRC). But recent events may signal a significant change. On February 5<sup>th</sup>, *The Zimbabwe Independent* reported that: Zimbabwe and China's much-vaunted multi-billion dollar mega-deals in various sectors of the economy are hanging in the balance amid indications that Sinosure, a leading Chinese insurance company, is reluctant to guarantee more financial loans from Chinese banks unless Zimbabwe clears at least US\$50 million in debt arrears and shows commitment to paying its debts estimated at US\$1.5 billion. [With more than \\$1 billion](#) in Chinese concessionary and preferential loans and another \$100 million in grants and interest-free loans, the government in Harare has coasted in the absence of policies geared to increase output and secure employment for its poverty-stricken population. The *Zimbabwe Independent* article also reported that Zimbabwe's vice president was recently sent to Beijing in hopes of securing an emergency rescue package for the faltering economy. Chinese authorities, however, seem concerned about the African country's poor loan repayment history. What is plainly obvious is that given the current economic situation at home China is about to remove the punch bowl at Mugabe's party. The same recalculation of China's external economic relations is having seismic repercussions in Latin America. With the largest infusion of Chinese investments, loans, and grants, Venezuela is in economic free fall. After 17 years of failed economic policies, the nation with the world's largest oil reserves has reached basket-case status. Plummeting oil prices (from a high of \$90 a barrel to a current \$25) have brought the country to the brink of collapse. By its own account, the economy contracted by 4.5 percent in the first nine



months of 2015, while inflation reached 141.5 percent in September, the highest in the world. A projection by the International Monetary Fund, however, expects an inflation rate of 720 percent in 2016. Most recently, the government of Nicolás Maduro was forced to [devalue the nearly worthless bolivar and to raise gasoline prices](#), traditionally dirt cheap and hence a subsidy to the wealthy classes who own automobiles, by a staggering 6,000 percent. But the news has only gotten worse. *The Miami Herald/Nuevo Herald* reports that on a recent visit by the PRC's foreign minister, Wang Yi, Chinese officials expressed concern about the country's instability and refused to extend a grace period to pay the massive debt owed by the Venezuelan government. Instead, China [proposed an increase](#) in the amount of petroleum Venezuela exports to China to pay for over \$45 billion in debt. Given its declining output, Venezuela will have to sell more oil to acquire additional revenues while simultaneously having to increase its exports to pay its debts to China. In 2016, the Venezuelan government is scheduled to pay \$11 billion to global financial institutions in addition to what it owes China. The problem is that the estimated \$18 billion in revenues for 2016 will be insufficient to cover \$13 per barrel in production costs, the payments to creditors, and the minimum cost of imports estimated at \$35 billion. In December 2015, the Venezuelan opposition won a two-thirds majority in the National Assembly elections underscoring vast discontent with the Maduro regime. Both political polarization and economic disintegration have combined to turn Venezuela into a very bad risk for China's investments, loans, and grants. At the height of global oil prices and China's massive demand for imports, the Venezuelan government used revenues to buy votes and to extend their influence abroad, fueling a "pink tide" throughout Latin America. Very little of the vast sums obtained from China and others was used to build anything resembling a productive economic base. The political atmosphere in Latin America is also shifting. The pink tide is ebbing. In November 2015, Argentines rejected the candidate of Peronist Cristina Fernández de Kirchner and elected a center-right president, Mauricio Macri. After twelve years of economic mismanagement, debt default, and an intensifying undermining of governing institutions by an increasingly erratic executive, Argentines had enough and called for a change. Of course, Mr. Macri has much to undo, but his direction is toward representative government and a liberalized economy. For more than a decade, Latin America radical anti-U.S. governments interpreted the presence of China as an economic and political counterweight to U.S. influence. The problem was these governments were ill equipped to make productive use of Chinese capital and focused instead on internal repression and external conflict. A lost decade of waste, inefficiency, corruption, and mismanagement was unveiled as oil and commodity prices dropped, in part, due to China's economic re-engineering. Today, as China recalculates its economic and geopolitical strategy in Latin America it should reconsider its conception of "[shared prosperity](#)." China should grasp the future of Latin America by seriously considering a series of policy shifts.



First, as its own economy restructures to meet growing expectations at home it should institute “stop loss point” mechanisms abroad to safeguard its capital and revenue for future generations. This will also have a profound effect abroad by projecting China as a major source of capital promoting productive enterprise and not a rich uncle who ignores a profligate relative. Second, it must reconsider a shift to those countries that have actually raised living standards and brought people out of poverty through sound policies and practices. These countries will be less of a burden to China and more of a significant and expanding trade bloc leading to mutual prosperity. Third, by focusing on sound economic principles instead of propping up anti-American governments China will be viewed with less suspicion and concern by the United States, and that in turn may actually encourage greater economic cooperation. Read the original, from China US Focus, [here](#).