

Global Insider: China-Argentina Trade Relations

The Editors | 02 Feb 2011

China and Argentina [recently signed a round of agricultural trade agreements](#). In an e-mail interview, [R. Evan Ellis](#), an assistant professor at the Center for Hemispheric Defense Studies of the National Defense University and author of "[China in Latin America: The Whats and Wherefores](#)," discussed China-Argentina trade relations.

WPR: What is the current state of trade relations between Argentina and China?

R. Evan Ellis: Argentina is running a trade surplus with China, driven by the export of soy products. Yet Argentine manufacturing interests are being undercut by Chinese companies that sell ever-more goods in the country, beginning with toys, footwear and textiles but advancing into higher value-added sectors such as autos, computers and communication equipment, and industrial machinery. The two countries are now moving past the 2010 showdown in which China stopped accepting deliveries of Argentine soy oil, a \$1.4-billion-per-year revenue stream. The move was widely interpreted as a response to Argentine protectionist measures against Chinese products. The dispute was the principal focus of the July 2010 visit to China by Argentina's president, Cristina Fernández de Kirchner. As a result of that visit, China resumed accepting Argentine soy oil, while Argentina committed to making Chinese companies a central part of a \$12 billion railroad-modernization project.

WPR: Beyond trade, how extensive is Argentina-China cooperation?

Ellis: Argentina has historically looked north to the United States and east toward Europe, with the Andes Mountains separating it from the Pacific. Nonetheless, the country is a regional leader with respect to investment and technical ties with China. The \$10.2 billion Argentina-China debt swap, formalized in February 2009, was the first such deal in the region. The China National Offshore Oil Corp. purchase of a \$3.1 billion interest in Argentina's Bidas, and Sinopec's \$2.4 billion purchase of Occidental's Argentine holdings put Argentina on par with Venezuela, Brazil, Ecuador and Peru with respect to Chinese investment deals. Argentina is also one of only four Latin American countries to have purchased military vehicles from China, buying four WMZ-551 armored personnel carriers for the Cruz del Sur peacekeeping brigade, and is one of the few countries to cooperate with China in space, including an early Chinese role in the ARSAT satellite program and a laser-ranging facility at the San Juan observatory. The Argentine nuclear agency, CONEA, has talked with the Chinese about joint projects, and both major Chinese telecommunications companies, Huawei and ZTE, have a significant presence in Argentina.

WPR: What are the opportunities and challenges facing the relationship going forward?

Ellis: So long as Argentina's politically well-mobilized manufacturing and labor sectors see themselves as harmed by growing competition from China, and so long as China perceives Argentina as increasingly dependent on China as an agricultural market, there will be a possibility for showdowns such as the 2010 dispute over soy oil. China's not-so-subtle use of its economic influence may mobilize counterbalancing coalitions, not only in Argentina, but also in the region.

Argentina must better leverage Chinese investment and trade. It needs more-effective national branding and greater business-government coordination to place higher-value-added products in the Chinese market. A similar combination of government pressure and business initiative could prompt Chinese companies to partner with Argentine entities, creating jobs and technical capability in Argentina, rather than displacing Argentine products with Chinese ones.