

FEATURE

China widens trade highway in South America with new mega port project

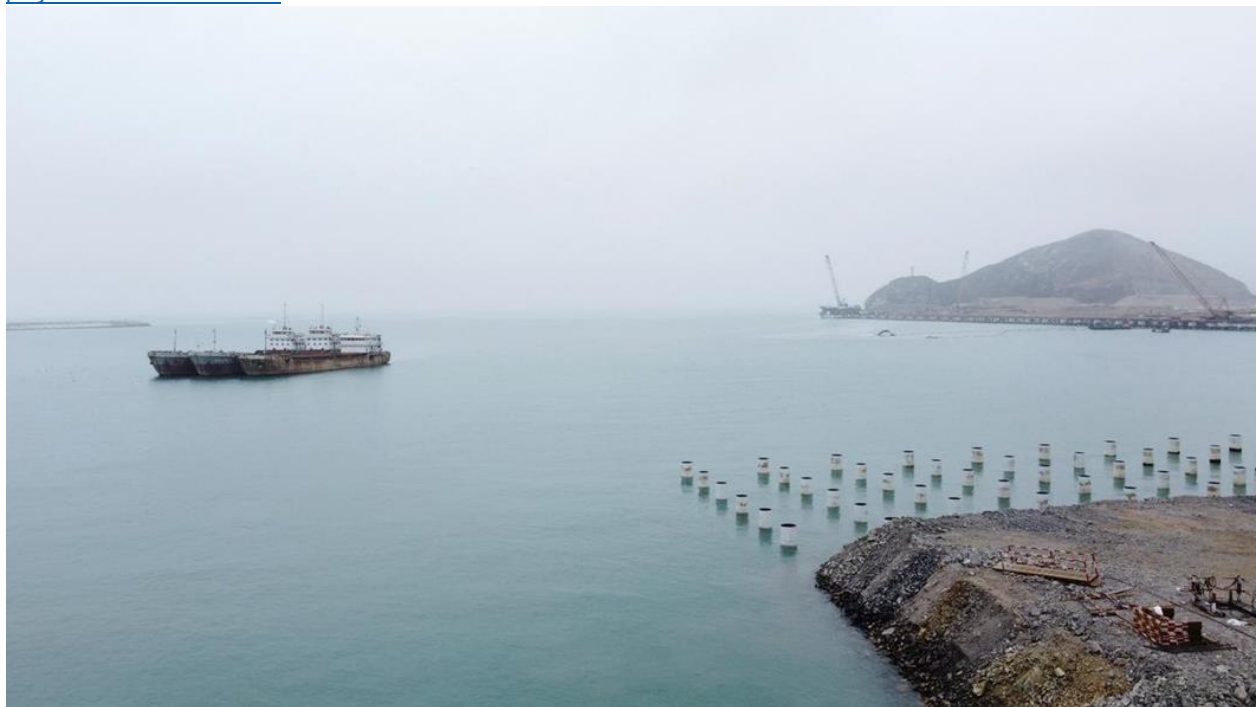
The \$3.5 billion deep water port in the Peruvian fishing town of Chancay will be the first controlled by China in South America; set to start operations late this year, the project, which is a part of China's Belt and Road Initiative, will provide the Asian nation a direct gateway to the resource-rich region.

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Ships are anchored near the construction site of a new Chinese mega port, in Chancay, Peru. | Photo Credit: Reuters

In September, a group of Brazilian farmers and officials arrived in the Peruvian fishing town of Chancay. The draw: a new Chinese mega port rising on the Pacific coast, promising to turbo charge South America's trade ties with China.

The \$3.5 billion deep water port, set to start operations late this year, will provide China with a direct gateway to the resource-rich region. Over the last ten years, Beijing has unseated the U.S. as the largest trade partner for South America, devouring its soy, corn and copper.



Karen Norris/Staff (Excerpted from <https://www.csmonitor.com/World/Americas/2022/0603/In-Latin-America-China-steps-in-where-US-has-stepped-out>)

The port, majority-owned by Chinese state-owned firm Cosco Shipping, will be the first controlled by China in South America. It will be able to accommodate the largest cargo ships, which can head directly to Asia, cutting the journey time by two weeks for some exporters.

Beijing and Lima hope Chancay will become a regional hub, both for copper exports from the Andean nation as well as soy from western Brazil, which currently travels through the Panama Canal or skirts the Atlantic before steaming to China.

“The Chancay mega port aims to turn Peru into a strategic commercial and port hub between South America and Asia,” Peru’s Trade Minister Juan Mathews Salazar said.

Gaining leverage

Part of China’s decade-old ‘Belt and Road’ drive, the new port embodies the challenge facing the U.S. and Europe as they look to counter Beijing’s rising influence in Latin America. China’s trade muscle has helped it win allies and gain leverage in political forums, finance, and technology.

Full construction started in 2018 at Chancay, some 80 kilometre north of Lima.

Workers are now laying thousands of piles and breakwaters; work signs are written in white-on-red Chinese characters.

The first phase of Chancay is set to be completed in November 2024. Chinese President Xi Jinping, expected in Peru for an Asia-Pacific Economic Cooperation (APEC) summit that month, could inaugurate the port, a diplomatic source in Lima said.

China’s embassy in Lima did not respond to queries.

“It’s part of China’s new Silk Road,” said Mario de las Casas, corporate affairs manager for Cosco Shipping, which holds a 60% stake in the port. The remainder is controlled by local miner Volcan, in which Glencore owns a stake.

Jose Adriano da Silva, a farming entrepreneur from Brazil’s western Acre State who visited the port, said the project would accelerate regional development. He said talks between Peruvian and Brazilian officials were underway to resolve overland transport challenges.

Peru’s government is planning an exclusive economic zone near the port and Cosco wants to build an industrial hub near Chancay to

process raw materials that could include grains and meat from Brazil before shipping them to Asia.

Brazil's ambassador in Peru, Clemente Baena Soares, said there were plans for meetings between officials early this year to seek to resolve logistical, sanitary, and bureaucratic hurdles at the border so Brazilian trucks can more easily reach the port. "It's an opportunity for grain and meat production — especially from Rondonia, Acre, Mato Grosso and Amazonas — to go to Asia through the port of Chancay," said Mr. Soares, who also visited Chancay in September, naming four States in western Brazil.

"(Brazilian businesses) are delighted with the possibility of not using the Panama Canal to take their goods to Asia."

He added there would need to be investment in an existing road known as the Interoceanic Highway — which runs from further south in Peru across the Andes to Brazil — to improve transport routes. A long-discussed rail link remained in the study phase, he said.

China overtook the U.S. on trade in South and Central America under former President Donald Trump, despite his administration warning the region about the dangers of getting too close to Beijing. Under President Joe Biden the gap has widened despite attempts to reverse it. U.S. officials are now taking a different tack, arguing that the U.S. offers the region other things beyond trade, including investment in high-tech industries.

"I think using the metric of trade to evaluate the influence of China is not an accurate

way," Juan Gonzalez, a White House adviser and the National Security Council's Western Hemisphere senior director, said in Buenos Aires.

"We're confident in our ability to compete with China," he added, urging regional governments to ensure there were no "political strings attached" to trade with Beijing.

'Win-win investment'

Beijing says its trade and investment in Latin America is a win-win for both sides. Some 150 countries have signed on to the Belt and Road with China, including 22 in Latin America.

The change over ten years is stark. A decade ago, Peru, the world's no. 2 copper producer, traded slightly more with the U.S. than China. Now, China has a more than \$10 billion lead in bilateral trade, the latest annual data show.

That trend is playing out around the region.

Part of the shift is pragmatic. Fast-growing China needs the copper and lithium from South America's Andes, along with the corn and soy from the plains of Argentina and Brazil.

But its widening trade lead — some \$100 billion around South America in the most recent annual data — brings extra clout.

Beijing has in the last year upgraded ties with Uruguay and Colombia to "strategic partnerships" — the latter a U.S. ally.

Argentina's President Javier Milei, once highly critical of China, has softened his stance since taking office last month, reflecting Beijing's importance to the crisis-hit economy.