

Weekly Asado



Wilson Center

Argentina Project

Friday, January 18, 2019

An Answer to Rising Chinese Influence in Latin America



Putting Your Money Where Your Mouth Is

The BUILD Act combines the Overseas Private Investment Corporation (OPIC) with USAID's Development Credit Authority, creating the U.S. International Development Finance Corporation.

The BUILD Act

\$60 billion

**Portfolio
Financing**

A New Focus

- OPIC has expanded its focus towards Latin America, with more money and two new initiatives
 - The Northern Triangle Initiative will mobilize \$1 billion in private investment in El Salvador, Guatemala and Honduras
 - The 2X Americas Initiative will mobilize \$500 million in private capital for women's economic empowerment

The BUILD Act: Countering Chinese foreign investment

In October 2018, the U.S. Congress passed the Better Utilization of Investments Leading to Development (BUILD) Act, broadening the mandate of the Overseas Private Investment Corporation (OPIC). Historically, OPIC has helped U.S. companies invest overseas. Now, its mission includes slowing China's [growing economic](#) and geopolitical influence in the

developing world, including in Latin America.

The BUILD Act aims to strengthen OPIC by vastly expanding its lending, and encouraging it to operate in countries that previously might not have qualified for OPIC-financed projects.

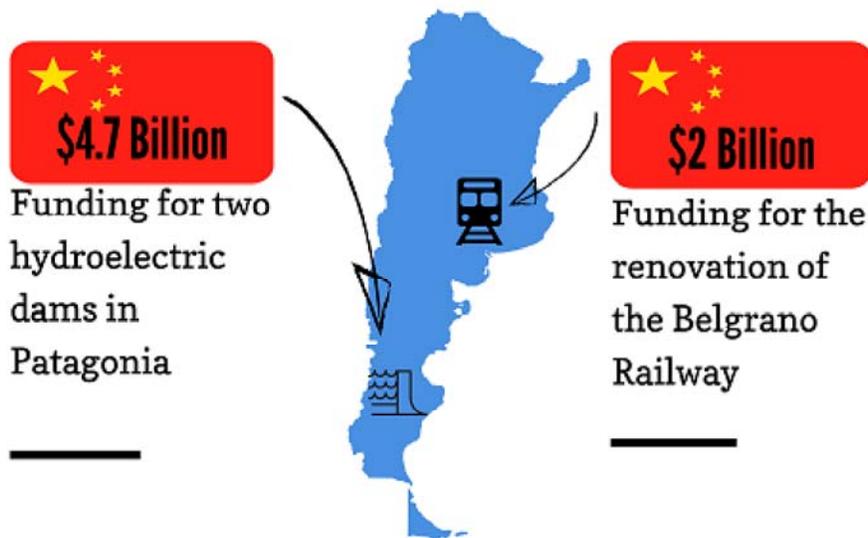
- Under the BUILD Act, OPIC will absorb USAID's Development Credit Authority and be renamed the U.S. International Development Finance Corporation, with a \$60 billion lending portfolio – *more than twice OPIC's current resources.*
- For the first time, OPIC will take equity stakes in private sector projects; provide technical assistance; and issue loans in local currencies.

Under the Obama administration, OPIC was already broadening its presence in Latin America, but that trend has accelerated in the last two years.

- *OPIC's footprint in Latin America grew from 10 projects in 2016 to 21 in 2018.* Today, the region accounts for a quarter of OPIC's portfolio.
- In 2018, OPIC announced two new initiatives in Latin America:
 - The Northern Triangle Initiative aims to mobilize \$1 billion in private investment in El Salvador, [Guatemala](#) and Honduras. It focuses on the energy and agricultural sectors, and provides support for small businesses.
 - The 2X Americas initiative aims to mobilize \$500 million in private capital for women's economic empowerment.

Chinese Investment in Argentina

As of 2017, Chinese state lending in Latin America reached \$150 billion.
In Argentina, this investment is mainly in infrastructure.



OPIC's transformation reflects concern over China's rapidly growing portfolio of infrastructure projects worldwide, [including in Latin America](#), where the United States had long enjoyed [unchallenged influence](#) and economic dominance.

- From 2005 to 2017, Chinese state lending in Latin America totaled \$150 billion, and President Xi Jinping has pledged a total of \$250 billion in state and private investment in the region by 2025.
- *OPIC's expansion will not match that pace.* "We are not trying to match them dollar-for-dollar," Ray Washburne, OPIC's CEO, has said.
- Instead, OPIC offers market-based alternatives, which the U.S. government argues address development needs without the potential pitfalls of Chinese support, such as corruption, labor abuses, environmental degradation and dependency. OPIC's approach also differs in its focus on small- and medium-sized enterprises, and in its selection of projects.

A Multibillion Dollar Response

In November 2018, OPIC CEO Ray Washburne announced \$813 million in financing for \$3 billion in infrastructure projects in Argentina.

\$350 Million



Tecpetrol and Transportadora de Gas del Sur

\$118 Million



Genneia

\$250 Million



Astris Infraestructura

\$50 Million



YPF Luz

\$45 Million



Plaza Logística



Sources: Reuters, OPIC, Inter-American Dialogue



By Eli French

So where does this leave Argentina?

- China has invested massively in infrastructure in Argentina, during previous leftist administrations and under the current center-right government of President Mauricio Macri, including for a multibillion dollar renovation of the Belgrano Railway, and for the construction of two hydroelectric dams in Patagonia.
- During President Trump's [visit](#) to Buenos Aires in November 2018, OPIC announced \$813 million in funding for projects in [infrastructure](#), [energy](#) and logistics. They will also involve private investors, and cost over \$3 billion in all. These include:
 - \$315 million for Tecpetrol and Transportadora de Gas del Sur for the construction of a natural gas pipeline and related projects in Vaca Muerta.
 - \$250 million for Astris Infraestructura to expand and upgrade a toll road.
 - \$168 million for Genneia and YPF Luz to construct and renovate renewable energy power plants.
 - \$45 million for Plaza Logística to improve logistics and

management.

Mil Disculpas

In the January 11, 2019 Weekly Asado, an infographic about Elisa Carrió misstated her dispute with Argentina's justice minister. Ms. Carrió has spoken in favor of the prosecution and incarceration of former presidents. The infographic also mistakenly demoted the justice minister to secretary. *Mil disculpas*.

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