I was waiting for the ship to come in. In fact, so was everyone else in Nicaragua. Gas lines stretched around the block. The supermarket shelves were nearly bare. Lights went out again and again, plunging the country into frequent darkness. Telex machines couldn’t work, and we reporters had to depend on the few places with generators to file our stories (for younger readers, this was pre-computer and smart phones). U.S. President Ronald Reagan had imposed a trade blockade on Nicaragua in May 1985. The Soviets were sending oil, dodging the blockade.

We reporters did what we always do: we reported on the ship’s arrival. But we also breathed a collective sigh of relief. The arrival of the Soviet ship meant hot showers and light to read by.

Energy is intensely political. It shapes nations and trade and fuels wars and blockades. Energy, I discovered then, is also intensely personal. It shapes our lives on a daily basis. It’s not only a matter of how we get around or whether we have enough food to eat; energy production affects the communities that receive it and those that produce it. It shapes attitudes toward gender and race and nationalism and identity. It pollutes the air and the rivers. It offers immense economic opportunities. Or it does both.

You might not think of Latin America and the Caribbean right away as a big energy producer or consumer. But Venezuela stands ninth in global oil production with gas reserves almost triple those of Canada. Three countries—Venezuela, Brazil, and Mexico—account for about 90 percent of the region’s oil production. And Latin America and the Caribbean also have the capability to provide abundant alternative and renewable energy sources: wind, solar, geothermal and biomass, among others.

Perhaps because of my experience in Nicaragua, I started to conceive this issue in terms of meta-politics. And there is certainly a lot of politics related to energy in the region: the political upheaval of Brazil as a result of corruption scandals in the national oil company; the turmoil in oil-rich Venezuela; the impact of the semi-privatization of Mexico’s oil industry; the targeting of Colombia’s energy installations by guerrilla forces in a show of strength in the context of the ongoing peace process.

But then I thought back on how the arrival of oil had been experienced on a very local and personal level. I began to hear stories about the production of energy: what it felt like to grow up in an oil camp, how energy production affects indigenous women in one particular region, the turmoil of a family left homeless in Colombia by the targeting of their geothermal energy site by guerrilla forces. I saw the story in the context of the ongoing peace process.

And just recently Alvaro Jiménez, Nieman Affiliate at Harvard ‘09, happened to mention to me that he was starting a website “Crudo Transparente,” a site that monitors the Colombian oil industry. Out of curiosity—and as a quick break from proofreading this issue—I took a peek. The site focuses on five areas: local economy, contracts and royalties, environment, security and human rights and ethnic conflicts. I was pleased to see how much overlap there was with the themes I had chosen for this issue of ReVista.

Although the website deals with only one country—Colombia—it felt like an affirmation of the focus I had chosen for this wide-ranging topic. Energy is political. Energy is personal. Energy matters.
China in Latin America
Seeking a Path Toward Sustainable Development

BY REBECCA RAY

All Eyes Will Be on China in 2016, as it Pre-
pares to Host Its First-ever G-20 Sum-
mmit. While the rest of the world dis-
cusses this symbolic act of new global pro-
minence, Latin America knows that China’s prominence is nothing new nor
merely symbolic.

In fact, for much of the last decade
China has driven Latin America’s trade
and investment. Unfortunately, dur-
ing this China-led commodity boom,
policy makers overlooked the intrinsic
dangers of commodity-led growth. Now
that the boom is ebbing, those weak-
nesses have become glaring. They are
particularly visible in energy sectors
such as oil and coal, where issues of land
tenure and water and air contamina-
tion have united environmentalist and
indigenous resistance. These are the
findings developed in the recent report
by my colleagues and me at Boston Uni-
versity, Universidad del Pacífico (Lima)
and Centro de Investigaciones para la
Transformación Buques). China in Latin
America: Lessons for South-
South Cooperation and Sustainable
Development, which explores the role
of Chinese trade and investment in Argen-
tina, Bolivia, Brazil, Chile, Colombia,
Ecuador, Mexico and Peru. China is now
the top export destination for South
American goods—mostly petroleum,
cocker, iron and soy—and second only
to the United States for exports from
the entire Latin America and Caribbean
(LAC) region. The China and Commu-
nity of Latin American and Caribbean
States (CELAC) summit in December
2014 generated projections of $250 bil-
lion in new Chinese investments within
the next decade, including two new oil
concessions in Ecuador, shale oil and
gas concessions in Peru, and a transconti-
nental railway that Premier Li
Keqiang discussed on his trip through
the region in May.

Chinese demand for raw commodi-
ties has been an independent driver of
social and economic change in Latin
America, putting pressure on water-
ways, forests, and traditional liveli-
hoods. LAC exports to China have larger
environmental impacts, and support
fewer jobs, than other regional exports.
But our research also finds that Chinese
investors are capable of living up to
local standards where Latin American
governments enforce them consistently.
Taken together, these results mean that
policy makers have the chance to set
the terms of their relationships with China,
but if they neglect this opportunity and
fail to set and enforce high standards
they will have to reckon with serious
social and environmental consequences.

Chinese Investor Performance

As the region boomed over the last
decade, companies from China and
across the world arrived to get in on the
opportunities. Chinese firms, with less
experience abroad than their Western
counterparts, found themselves particu-
larly challenged by unions, local com-
munities, indigenous groups, and global
civil society networks. However, our
case studies show that Chinese investors
are flexible and able to adapt, often out-
performing their domestic and Western
counterparts.

Perhaps most tellingly, Sinopec (a
large Chinese petroleum state-owned
enterprise) shows that the government has fallen
for new hiring structure, but unsurprisingly
this has been met with fierce resistance
from the CABs themselves.

In Argentina, Sinopec’s environ-
mental record has been better than in
Colombia, but belatedly so and only
after coming under heavy public scru-
tiny. Sinopec arrived in 2010, purchas-
ing Occidental Petroleum’s holdings
in Argentina and PetroOriental) to purchase Occi-
dental’s Ecuadoran holdings in 2006.
In doing so, they inherited a history of water
and soil contamination dating back to the infamous days of Chevron.
Sinopec, like many other firms, hires through local Community Action
Boards (CABs). CABs—and by associa-
tion, Sinopec—have come under fire for
bargaining with job positions, offer-
ing them to well-connected families far
away instead of local applicants. The national government has proposed a
new hiring structure, but unsurprisingly
this has been met with fierce resistance
from the CABs themselves.

in his recent visit to the region, calling
for protection of the Amazon and its
inhabitants. These are the first new con-
cessions in Ecuador under a new citi-
zen participation law, but our fieldwork
shows that the government has fallen
short in implementing this new law and
failed to adequately consult affected
indigenous populations before granting
the concession. While Chinese investors
are the face of the new development, it
is the Ecuadoran government that has
set the stage for this conflict.

Taken as a whole, our case studies
show that local governments and civil
society have a crucial role in ensuring
that foreign investors live up to local
standards. Nonetheless, when social
and environmental standards are con-
sistently enforced, Chinese investors in
particular have shown themselves capa-
ble of rising to the challenge.

Commodities, the Environment and Employment

China’s demand for commodities is
often linked to environmental degra-
dation and conflict. In five of our eight case
studies—in Argentina, Bolivia, Colom-
bia, Ecuador and Peru—we examine conflicts that have arisen between
Chinese investors and local communi-
ties. In each case, the same two trig-
gers consistently explain most causes of
conflicts: scarce job creation and com-
petition for natural resources (water
use, land tenure, and contamination of
water and soil).

These same trends emerge in our
statistical analysis. We find that LAC
exports to China have heavier environ-
mental impacts, and support fewer jobs

Chinese Investment (current and planned)

20 Revista Fall 2015

MAP BY REBECCA RAY

Chinese Investment Figure I

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The Politics of Oil
than other LAC exports. These two factors combine to create a perfect storm for conflict, as oil wells, plantations and mines for export to China outcompete communities for natural resources, but do not replace those livelihoods with new jobs.

From 2009 to 2013 (the last five years of available data), we find that LAC exports to China support about 20 percent fewer direct jobs than other exports, per million real dollars, and fewer than half as many direct jobs as overall economic activity. This jobs deficit is due to the outsized importance of extractive industries (oil, gas, and mining) among the region’s exports to China. Over the last five years, extractive products made up over half of LAC exports to China, but just one-third of the region’s exports overall. Meanwhile, extractive industries support only about one-sixth as many jobs in LAC as manufacturing, per million dollars of output. So the export basket to China is much less labor-intensive than the LAC economies, and its sites are heavily concentrated on sensitive terrain. Chinese dams, mines, oil concessions and railways often intersect important centers of biodiversity.

The darkest green areas on the map—with extremely rich biodiversity—exist only in northern Peru and eastern Ecuador. The dark green areas in Ecuador are nearly invisible due to the presence of Chinese oil concessions, including two new blocks recently won by Andes Petroleum, discussed above. Also, a long-anticipated transcontinental railway may finally come to fruition after being a major focus of Premier Li Keqiang’s recent trip to Latin America. The map shows two possible routes currently under discussion, highlighted in red. The northern route cuts through indigenous territory in the interior of Peru, as well as over highly biodiverse land. The southern route largely avoids those risks. Which route the governments of Peru, Brazil and China pick will have enormous consequences for its environmental and social impacts.

While Chinese investment is not creating new jobs, its thirst for natural resources is squeezing communities pursuing traditional livelihoods. Ecuador shows a striking example of this dearth of new jobs. From 2008 to 2012, extractive products made up 58 percent of all Ecuadoran exports, but 70 percent of exports to China. Meanwhile, extraction supports just one direct job and 16 indirect jobs per million dollars of output, compared to 23 direct and 22 indirect jobs for manufacturing. Overall, exports to China support just 30 jobs per million dollars, compared to 70 jobs per million dollars supported by Ecuadoran exports overall.

While Chinese investment is not creating new jobs, its thirst for natural resources is squeezing communities pursuing traditional livelihoods. We find that LAC exports to China use twice as much water per dollar as other exports on average, and ten times as much water per dollar as overall regional economic output. This disparity is due mainly to large-scale agriculture. Among major LAC economies, Argentina shows the largest difference, mostly because of its soy exports, which make up more than 70 percent of Argentine exports to China, but just 14 percent of overall exports. LAC trade with China also has a disproportionate climate impact. LAC-China exports create about 15 percent more net greenhouse gas emissions per dollar than other exports, and over twice as much as overall economic output.

These net emissions go beyond those from power plants. In fact, many of the China-related net emissions are due to the destruction of natural carbon sinks, brought about by deforestation or the clearing of the Brazilian cerrado to produce soy exports. As the map of Chinese investment in the Amazon basin shows, output. The Impact of Falling Oil Prices

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ELEODORO MAYORGA ALBA 32

Peruvian Oil Production

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