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CHINESE ADVANCES & SETBACKS IN COLOMBIA

Dr. R. Evan Ellis



Chinese Advances and Setbacks in Colombia

By Dr. R. Evan Ellis

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Introduction

In June 2017, the leadership of the Pacific Alliance will [pass from Chile to Colombia](#), ushering in a year in which the later has the opportunity to reshape and inject new dynamism into, the block's relationship with the People's Republic of China (PRC) and the rest of Asia.

As in other parts of Latin America, Colombia's relationship with the PRC in recent years has advanced in important, but uneven ways, largely beyond the attention of policymakers and scholars in the United States.

Among Latin American countries, Colombia's engagement with the PRC is particularly complex: Colombia enjoys a close security relationship with the United States, which could potentially impact and be impacted by Colombia's commercial and military cooperation with China. On the other hand, despite important U.S.-Colombia economic ties, Colombia is not economically bound to the United States to the same extent as are geographically closer states such as Mexico and the countries of Central America.

Beyond its relationship with the United States, Colombia's economy includes substantial urban markets such as Bogota, Medellin Cali, Cartagena, and Barranquilla, as well as important



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primary product industries including petroleum, making the country attractive to Chinese investors. On the other hand, the country also has a well-developed, yet insular, manufacturing sector which [often views Chinese companies as a threat](#), and which (although fragmented), is politically well-connected through a web of familial networks, facilitating resistance to attempts by Chinese companies to enter that market.

PRC Commercial Activities in Colombia

In Colombia, beginning in August 2006 with Sinopec's joint venture with ONGC Videsh [to purchase the Colombian operations](#) of Omimex, the Chinese have established important footholds in the country in the petroleum, construction, manufacturing, telecommunications, and aviation logistics sectors, although in other areas, such as mining, agriculture and branch banking, China's presence is less than that in other Latin American countries.

In the petroleum sector, the purchase of Omimex was followed by Sinochem's [2009 acquisition of Emerald Energy](#), with a drilling presence in Caquetá, an area then strongly influenced by the Colombian terrorist group *Fuerzas Armadas Revolucionarios de Colombia (FARC)*. The [\\$15.5 billion acquisition of the Canadian company Nexxen](#) in 2012 by China National Offshore Drilling Company (CNOOC) further expanded the PRC presence in the Colombian petroleum sector.

Moreover, the entry of the Chinese national oil companies (NOCs) created an opportunity for PRC-based petroleum service companies such as Kerui, Great Wall, and CPEB to enter Colombia in service of their longstanding Chinese clients. With the fall in oil prices since 2014 however, a number of those companies, including Emerald Energy, have reportedly fallen on hard times. Moreover, with the exception of Kerui, which has done relatively well in the Colombian market, many of the PRC-based petroleum service companies have experienced difficulties in winning clients beyond the Chinese NOCs.

As elsewhere in the region, China's activities in the Colombian petroleum sector have also created security challenges for PRC-based companies. These include the [kidnapping of three Chinese employees in Caquetá](#) in June 2011 while working on an oil project, although they were [freed a year later](#).

With respect to mining, although some smaller Chinese companies have engaged in exploratory activities in the sector, none of the large state-owned Chinese companies have entered, as they have in Peru and elsewhere in the region. As in Peru, however, individual Chinese citizens have been involved in [illegal mining activities in Colombia](#).

In agriculture, in 2008, small Chinese companies previously pursued investment in agricultural land in the Colombian departments of [Guaviare, Caquetá, Meta, Cauca, Valle del Cauca, and Nariño](#). Yet political attention brought by Colombian Senator Jorge Robledo [regarding the ownership of land by foreigners](#) effectively blocked the deals. Since that time, Chinese



investors have not seriously pursued a presence in the sector. Nonetheless, as in the Southern Cone, where similar Chinese attempts to acquire land have been blocked, the Chinese have also [sought to acquire companies](#) in Colombia with agricultural capabilities of interest to them. In 2014, for example, China National Cereals, Oils and Foodstuffs Corporation (COFCO), entered into talks to acquire [a fishmeal company in Barranquilla and the Colombian meat company Zenu](#), although neither deal was culminated.

Although Chinese agricultural investment in Colombia, per se, has not been successful, in May 2016, during the visit of Chinese Premier Li Keqiang to Colombia, the two sides reportedly [discussed infrastructure projects](#) which could make the savannah of eastern Colombia more accessible and productive, potentially setting the stage for future Chinese investment in the agriculture sector, insofar as [the peace agreement with the FARC allows](#) Colombia to make substantial progress in controlling violence in the countryside.

Some of the most substantial progress by Chinese companies in Colombia has been in the manufacturing and retail sector, leveraging local Colombian partners.

With respect to motorcycles, the Chinese company Jincheng has had a factory in [Barranquilla since 1998](#), while the company Jialing has assembled motorcycles in [Cali since 1997](#), two of the first production facilities for Chinese products in Colombia.

Beyond these pioneering manufacturing ventures for Chinese products in Colombia, the Corbeta Group has successfully [brought into the country a series of Chinese products](#), including motorcycles under the brand [AKT](#) and [Foton](#) commercial vehicles. Working with its Chinese partners, the Corbeta Group established a [motorcycle assembly facility in Medellin](#), and in February 2015, following some delay, [opened a final assembly facility for Foton light trucks outside of Bogota](#). The Chinese company Chang'an is reportedly evaluating the opening of an auto plant in Colombia as well.

Beyond these examples, Chinese car brands [Great Wall, Geeley, JBC and JCB](#) have entered Colombia through their local partner Derco, while Chery has entered through Cinascar, and FAW trucks through the distributor Dinatrans. By contrast, [JAC motors](#), has largely entered the country on its own. Unlike Foton, however, none of the latter has announced concrete plans to build a factory in Colombia.

By contrast to Chinese manufacturers, the experience of small Chinese merchants in Colombia's retail sector has been less positive. In recent years, a number of Chinese investors set up retail stores in Bogota and elsewhere in the country, often paying cash to buy or construct the facilities, while importing goods from the PRC at prices that undercut Colombian merchants long established in the area. In [June 2015](#), and again in [May 2016](#), Colombian shopkeepers in the neighborhood of San Victorino captured nationwide attention by staging high-visibility public protests against their Chinese competitors, arguing that the latter had an unfair competitive advantage due to their sale of contraband merchandise.



In the construction sector, Chinese companies have been impeded by the same labyrinth of obstacles as their Colombian and foreign competitors have faced, including a demanding procurement process and local interests seeking a portion of any project taking place in their territory. Yet beyond such obstacles, PRC-based companies have also faced resistance from established Colombian business groups which reportedly wish to prevent them to gain a foothold in the sector. One example is arguably [Sinohydro's loss of the Ituango hydroelectric project](#) in Antioquia in 2010. Other major Chinese infrastructure proposals for Colombia, such as [2011 plan to build a "dry canal"](#) to connect the Atlantic and Pacific coasts of the country, have never advanced past the proposal stage.

Despite such difficulties, a handful of important Chinese companies, including Sinohydro and China Harbour, have persisted and gained experience in Colombia, and have begun to win work. In 2008, the Sinomach subsidiary China United Engineering Corporation won [a \\$236 million contract](#) for the construction of the [GECELCA III coal-fired power plant in Córdoba](#), although it experienced considerable [delays in implementation, with associated legal challenges](#). In September 2015 China Harbour was [awarded a contract for the construction of a highway](#) in the Department of Antioquia under the streamlined acquisition rules of Colombia's new "4th Generation Highways" private-public partnership. Nonetheless, [securing the required permissions from local communities](#) along the route have delayed China Harbour from completing the project. Similarly, although the Chinese company Sinohydro lost out to the Brazilian firm Odebrecht in a contract to dredge and enhance the navigability of Colombia's Magdalena river, when Odebrecht ran into difficulties over its use of bribes to win contracts in the country, Sinohydro [made an offer to the Colombian government to take over the project](#).

In addition to the aforementioned cases, as noted previously, during Chinese Premier Li Keqiang's May 2016 trip to Colombia, at least two potentially significant infrastructure projects were discussed: improvements to Buenaventura, Colombia's principal Pacific Coast port, and a highway improving access to the potentially productive agricultural land in the interior of the country. To date, however, neither has advanced significantly.

With respect to logistics, while neither China Shipping Company, nor Hutchison Whampoa have a significant presence in Colombia as they do [in neighboring Panama](#), since March 2008 [a partnership between Chinese airport operators](#) "Capital Airport Holdings" and a local Colombian businessmen under the name "Air Plan" [has operated the six airports around Medellín](#), including the region's international airport, Rio Negro.

With respect to telecommunications, the Chinese company Huawei, and to a lesser extent its Chinese rival ZTE, [have established a presence](#) as infrastructure service providers and vendors of telephones and communications equipment. Thanks in part to its empowerment of Colombian management staff and other personnel, Huawei has arguably been the Chinese company which has most successfully adapted itself to the local market, including its [sponsorship, since January 2015, of the popular local Santa Fe soccer club](#).



Nonetheless, even Huawei has had its share of problems in Colombia; a number of its Chinese workers [have been robbed](#) close to the company's headquarters building in Bogota, reportedly including one of one of the company's vice-presidents.

With respect to radio and television, in 2014, a Chinese group reportedly came to Colombia expressing an interest in [buying local television, radio, and newspaper outlets](#), although the deal never came to fruition.

With respect to the financial sector, by contrast to states in the southern cone where Chinese banks such as ICBC and China Construction Bank have established significant branch banking ties, Chinese commercial banks have almost no presence in Colombia aside from representing and supporting their Chinese business partners and the electronic banking network Union Pay.

Colombia Hesitatingly Looks to China

On the Colombian side, interest in doing business with China and Chinese companies continues to grow, although in a limited fashion. Among Colombian politicians and businessmen, interest in establishing a free trade agreement with the PRC is reportedly very low, despite [Chinese interest and discussions at the political level](#).

The number of participants in the China-Colombia Chamber of Commerce has grown from just over 30 five years ago, to 125 today, although only five of the companies are actually Chinese. The Colombian business association ANDI, which principally represents manufacturers and other Colombian producers, is interested enough in China to maintain a knowledgeable mandarin-speaking professional, yet has not found sufficient interest among its members to do a major event on China in over four years.

[Colombia's three Confucius institutes](#) for teaching Chinese language and culture continue to attract students, yet have not expanded in number since the [inauguration of the Confucius Institute in Jorge Tadeo Lozano University](#) in 2013.

At the governmental level, Colombia's trade promotion organization ProColombia continues to have [only one representative office in China](#), collocated with the embassy in Beijing, by contrast to most other major Latin American countries, which have two or three.

PRC Military Activities in Colombia

With respect to military engagement, the Colombian government continues to be very guarded in pursuing a relationship with the PRC. Such caution partly reflects its close security cooperation relationship with the United States and concern that excessive military activities with China



could damage that relationship. In addition, Colombia has the distinction of being the only country to have fought alongside the United States against the Chinese in the Korean War, having sent three frigates and an infantry battalion to the conflict, serving with distinction, suffering 196 deaths and over 400 wounded.

Yet despite motives for caution, Colombia has sporadically expanded its military engagement with the PRC.

For at least a decade, Colombia has received modest gifts of military gear and equipment from China, typically totaling no more than \$1 million per year. Nonetheless, in October 2013, the PRC donated seven military bridges to Colombia, and in April 2014, it gave the country two Harbin Y-12 military transport aircraft, which Colombia put in the service of the national air transport service Satena.

Beyond materiel support, the Colombian military has also regularly conducts reciprocal visits with its institutional counterparts in China's People's Liberation Army. Indeed, the Colombian Superior War College has an official partnership agreement with China's National Defense University.

The Colombian Ministry of Defense has also sent officers to the PRC for training and professional military education courses, reportedly including extended trips for key Colombian military personnel and their spouses, paid for by the Chinese government.

Reciprocally, Chinese military personnel have participated in the international version of Colombia's elite *Lanceros* course on at least one occasion, and multiple times in Colombia's course on de-mining.

Conclusions

While the PRC's engagement with Colombia is limited and advancing erratically, it is expanding nonetheless, in ways that potentially affect Colombia's other partners such as the United States.

As Chinese companies, backed by the resources of Chinese banks, continue to learn about and adapt to the Colombian environment, they will doubtlessly become ever more effective in competing for public projects and commercial markets, including making better use of local partners, consultants, and employees.

At the same time, it is probable that PRC-based companies, by tradition and preference, will always maintain some distance from their Colombian counterparts. It is instructive that Chinese companies in Colombia have preferred to create their own business federation in Colombia, organized by the Chinese embassy, rather than participating more actively in those organizations open to all Colombians, such as ANDI, FENALCO, or the Sino-Colombian Chamber of Commerce. Similarly, in the face of resistance to the presence of Chinese small merchants in Bogota, part of the Chinese response was to seek a special commercial district for Chinese



merchants, rather than attempting to more effectively integrate themselves with the other parts of the Colombian business community.

Finally, the long history of close U.S.-Colombian military cooperation will continue to make Chinese-Colombian military engagement a matter of concern for the U.S., insofar as such engagement creates a risk of Chinese learning about U.S. systems, doctrine, and tactics, techniques and procedures, from their Colombian counterparts who have trained with U.S. forces and cooperated with the U.S. on missions. Indeed, without the achievement of an understanding between the U.S. and Colombia regarding such activities, such Sino-Colombian military cooperation could arguably make it difficult for the U.S. to collaborate as closely with the Colombian government on security matters in the future.

As in the rest of Latin America, engagement with the PRC represents both an opportunity and a challenge for Colombia. As such, it will be increasingly important for Colombia's political, business, and military leadership to have a clear vision of what they seek to achieve, how to get there, and the costs and risk they are willing to incur to do so. The nation's assumption of the leadership of the Pacific Alliance in Cali in June will be an important opportunity, but not the only one, as Colombia proceeds down the path that leads toward China and other partners in Asia.

About the Author:

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DISCLAIMER: Translated and adapted from an opinion, originally published in Spanish at the [Strategic Studies Institute of the Mexican Navy](#) (Instituto de Investigaciones Estratégicas de la Armada de México)

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