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China Looks To Latin America To Shore Up Supply Chain

By **Carolina Bolado**

Law360, Miami (November 2, 2018, 9:26 PM EDT) -- Chinese money is expected to flow into Chile and Mexico as the country looks to invest in manufacturing and agricultural development abroad to secure its food supply, according to experts at a Latin America legal conference in Miami on Friday.

At the Akerman LLP-sponsored U.S. Latin America Legal Summit, James Hoffman, managing director of Gunster Strategies Worldwide, said China is looking to facilitate large-scale agriculture in Latin America, particularly Chile, to create resiliency in its supply chain of food thanks in part to U.S. tariffs threatening its access to soybeans and other food products.

Chile, because it is in the Southern Hemisphere with the opposite growing season as China, is especially attractive.

"China is making investments in that," Hoffman said. "[Latin Americans] understand the American jurisdiction and American requirements, and the Chinese have mapped a lot of their requirements on what Americans did."

And Chinese companies that want to open manufacturing plants in Latin America will likely look to Mexico, which has a well-integrated supply chain and trained workers, said Mark Y. Liu of Akerman. Mexico and Brazil are particularly well positioned for Chinese expansion in automobile manufacturing, Hoffman said.

Latin America is an attractive market for Chinese trucks and heavy equipment because these products are half the price of those that are compliant with stringent U.S. or European environmental requirements, but are almost as good in terms of quality, Hoffman said.

The investment push is part of the Chinese government's One Belt, One Road development strategy of funding infrastructure and other investments in countries along several land and maritime trading corridors like the Silk Road. The plan, Hoffman said, is the "first step of a global resilient economy initiative."

He added that one of the routes Americans don't often discuss is the maritime one to Latin America.

"The west coast of the Americas is part of what they see as the silk road," Hoffman said. "The galleons used to go from Manila to Mexico and South America. In the Chinese mind, working with Chile for agricultural purposes is rational."

Bill Liao, the head of the ASEAN and China Services Desk at BDO USA LLP, said the Chinese government regularly sets out strategic five-year plans that focus on certain investments that will drive the economy. Before, Chinese money went into real estate, hotels and sports clubs, but the government is now discouraging those types of investments and pushing instead funding biotech and life sciences companies, construction, and infrastructure, he said.

The top-down directives from the government are typical for Chinese companies, both private and state-owned, according to Hoffman, who suggested to the attorneys gathered that, before they work with a state-owned company, they make sure its investment plan was blessed by the government.

Liao added that cultural differences may have to be taken into account when working on a deal with Chinese investors.

"Westerners will say we're spending too much time walking around or doing karaoke, but they want to develop a relationship with you," he said. "It's very relationship driven. You have to understand that type of very different culture."

He also said people in China work long hours and have expectations that if they send a request or a question, they should have a response within 12 to 24 hours.

"Sometimes it's very difficult for people in the U.S. and other countries to accommodate," he said.

--Editing by Adam LoBelia.

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