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China's President Visits, Bringing Economic Benefits To Costa Rica, Cuba, And The Region

by LADB Staff

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Costa Rica received an initial payment on the investment President Oscar Arias made when he shrugged off Taiwan to wrap the People's Republic of China in his diplomatic embrace. President Hu Jintao arrived with an enormous delegation of 600 persons, including 12 ministers, on his way to attend the Asia-Pacific Economic Cooperation (APEC) summit in Peru. The entourage signaled that China does not intend to let the current global economic recession diminish plans for expansion in Latin America.

The outcome of the meeting between Arias and Hu portend a very possible boon to the Central American country. After the meeting, Hu told the media that talks on a free-trade agreement (FTA) would begin Jan. 19 and would be completed before Arias leaves office in May 2010. In the hemisphere, China has such agreements only with Chile and Peru. In both those countries, the main impetus was the mining sector, but in Costa Rica, said Foreign Trade Minister Marco Vinicio Ruiz, "There will be many sectors that benefit, especially those tied to agricultural and meat products." Since the June 2007 diplomatic switch, Costa Rica has seen its bilateral trade with China increase 33% over the previous year. This year's bilateral total was US\$2.8 billion, of which Costa Rica exported US\$848 million.

The trade agreement was just one of several deals. China's National Petroleum Corporation will invest US\$1.2 billion in modernizing Costa Rica's state-owned oil refinery. Hu was magnanimous, effusive even, in lavishing good things upon the country. "We would like to see an increase in Costa Rican imports, and we invite Costa Rican companies to explore the Chinese market," said the president. Alluding perhaps to the smackdown the Costa Rican withdrawal of diplomatic ties delivered to Taiwanese pretensions to independence from the mainland, Hu observed, "Facts have proven that the establishment of diplomatic ties between China and Costa Rica conforms to the fundamental and long-term interests of both countries." Nor is this simply a momentary whim on Hu's part. "China is ready to work with Costa Rica to open up a bright future for bilateral ties characterized by mutual respect, equality, mutual benefit, sincere cooperation, and friendship for generations to come," he said.

The list of agreements penned 11 of them was multifaceted. There was a US\$40 million line of credit and a deal to set up Chinese-language institutes. There are to be projects or programs in agriculture, infrastructure, telecommunications, energy, and others. Arias also spoke of cooperation on port construction, a high-tech park, and the establishment of mechanisms for further bilateral ties.

On to Cuba to spread the wealth

Hu and his 600 escorts also stopped in on another Caribbean friend, Cuba, where he was no less generous. His country will buy Cuban nickel and sugar and will send food supplies to see the

country through recovery from the relentless damage from this year's hurricane season. Cuban media reported the signing of "almost a dozen" separate agreements ranging from hurricane-detection systems to infrastructure upgrades to Cuba's ancient ports. The Chinese president had visited the island once before in 2004. The two countries do US\$2.7 billion worth of bilateral trade. China is Cuba's second-largest trading partner after Venezuela, with which the total exceeds US\$7 billion.

Although Cuba and Costa Rica are for the moment the sole beneficiaries of Chinese largesse in Central America and the Caribbean, Latin America as a whole expects to see a lot more of the Asian behemoth despite present economic conditions. Trade with Latin America totaled US\$102 billion in 2007 but has increased significantly to US\$111 billion in the first nine months of 2008. These amounts are still dwarfed by US trade with the region, which reached US\$560 billion in 2007.

China has offered to reach beyond trade to participate in Latin America's debt-reduction processes and to help narrow the income gap in hemispheric societies. China has recently become an investor in the Inter-American Development Bank (IDB), albeit a small one compared with the US. But the implications of this interest are important. "The reality is that to some degree the fate of Latin America has been decoupled from the United States," said Daniel Erickson of the Washington-based Inter-American Dialogue.

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