

Chinese Corporations in Latin America: Economic and Institutional Investors¹

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What role do investors and mutual funds play on China's global corporations? why U.S. is pressuring investors like Black Rock and MSCI' investments in Chinese corporations? What are the reasons that investment funds prioritize their investments in China's large corporations?

While developing this essay we have realized that the title that meets the hypothesis and the objective should have been “Haute Finance, Chinese Institutional and Corporate Investors” given the questions raised during the investigation.

What role do institutional investors and international investment funds play in China's large corporations worldwide? How understand the dispute between China and the United States and why the House of Representatives pressures American investors such as Black Rock and MSCI in relation to the participation in the assets of Chinese corporations? Added to them is the question of what are the reasons why investment funds are prioritizing their investments in China's large corporations?

Therefore, the main hypothesis of this essay is to use the definition of Karl Polanyi “Haute Finance” in his book *The Great Transformation: The Political and Economic Origins of Our Time*, published in 1944. The objective of this essay is to observe the behavior of institutional investors in large Chinese corporations whose investments are in Latin America in different strategic sectors such as energy, oil, and mining.

Introduction

The financial geography from the processes of economic and financial deregulation at the international level allowed institutional investors to dominate the financial markets. These funds invest in different areas where their investments will earn high return rates. Investments are channeled to areas of expansion where futures markets guarantee stability and sustained growth regardless of whether the countries where they invest are democratic systems or military regimes.

On the other hand, the international financial circuits, because of financial liberalization, were integrated to give rise to the first steps of internationalization within the framework of financial globalization. Commercial banking was blurred, and parallel banking or shadow banking gained greater strength in the open operations of the financial markets from the eighties. It could be said that the nineties and the opening of the capital account of all those countries were the previous steps of the banking crises systems at a global level. An example were the bank failures in Mexico (1994), Brazil (1996) and Argentina (2001) among many other banking systems.

Structural changes in the treasuries of large non-financial corporations were diversifying the location of their investments. On the other hand, the strength of investment funds and mutual funds diversified

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into various corporate, emerging markets, banks, sovereign wealth funds where profitability was not only guaranteed, but higher than the zero interest rates of central banks that permeated the second decade after the Great International Financial Crisis.

In the current situation, even with the policy of high interest rates to contain inflation and even though China's economy shows lower growth rates as manifested by the outlook of the International Monetary Fund. The new reformulation of the BRICS and its expansion to other countries, the importance of China with its concerted leadership in the 'Silk Road' or 'Belt Road Initiative', institutional investors do not respond to the interests of the G7 and much less respond to the dispute between China and the United States. On the other hand, the search for a currency that unites the strengthened BRICS with the enlargement of other countries, show us the multipolar finances.

For this reason, the call made by the United States House of Representatives to Larry Fink from BlackRock and Henry Fernández from MSCI regarding "the investment decisions of these funds" in Chinese corporations is striking. In the words of lawmakers, US institutional investors are "unwittingly funding" Chinese companies developing weapons for the People's Liberation Army. Beyond the dispute between the United States and China, for world hegemony in a multipolar world, integration in financial circuits has not been permeated by the pandemic as have been the production circuits resulting from supply chains integration, value achieved during the deepening of globalization.

2. Methodology

The research below comes from the China Global Investment Tracker, a data registry of the American Enterprise Institute and the Heritage Foundation on China's investment and construction around the world. First, to separate the data by geographic region, the United Nations Statistical Division methodology (M49) was used. From the investment and construction tracker, data was obtained for both items and for each country, which include month and year, name of the builder or investment, country where the investment or construction was carried out, and the amount in millions of dollars. From this compilation, the data was classified around the sector, main companies, and most important investments. This will allow us to know the role of investments from China in Latin America, as well as the main actors that promote them (banks, institutions, local governments, etc.).

What we are interested in demonstrating is the shielding that exists in relation to the process of financialization of institutional investors in large Chinese corporations whose investments are in the Latin American region. For the United States, this region has been the 'backyard' despite the fact that the idea of 'America for the Americans' prevails, the territory is in dispute under the leadership of China with large projects in energy, mining, infrastructure and agribusiness since several decades ago.

Next, we are interested in showing through four examples how investors based in North America invest in Chinese corporations after their rapid expansion globally, focusing on Latin America.

3. Main funds and institutional investors in Chinese corporations and their investments in Latin America

In this section, only the investments made by the funds listed below will be observed in a descriptive manner. As well as the percentages in the investments of said companies. The Vanguard Emerging Markets Stock Index Fund, The Vanguard Total International Stock Index Fund, BlackRock Fund Advisors, and The Vanguard Group, Inc.

3.1. *The Vanguard Emerging Markets Stock Index Fund* “offers investors a cost-effective way to access equity markets in emerging economies. This fund invests in stocks of companies located in emerging markets worldwide, including countries like Brazil, Russia, India, Taiwan, and China. However, it's important to note that stocks in emerging markets tend to be more volatile compared to those in developed countries. While this volatility may present the potential for higher long-term returns, it also carries certain risks, such as monetary and political uncertainties. Therefore, this fund is best suited for investors with a long-term horizon who are comfortable with risk and looking to diversify their international portfolios.” (VEMAX, n.d.).

Vanguard Fund highlights its participation in four of the most important Chinese corporations with construction/investment activities in Latin America during 2022-2023. In first place is Chengdu Tianqi, with a percentage of 0.58 of the shares, as well as a participation in assets of 0.01%. This Chinese company, according to data from the China Global Investment Tracker of The Heritage Foundation and American Enterprise Institute (n.d.) focuses its activities on Chile. Second, China International Trust and Investment (CITIC), participate with 0.24% in shares and 0.07% in assets. This company develops projects in Brazil, Venezuela, and Peru. Third, China Energy Engineering Corp. participates with 0.18% shares, and less than 0.00% in assets, being the lowest in this category. China Petroleum & Chemical Corp. (Sinopec Corp.) has a lower participation reaching 0.02% in shares, and at least has a participation in assets with 0.01%. This Chinese company has developed projects in Mexico, Argentina, Brazil, Colombia, Ecuador, and Venezuela.

<i>Mutual Fund</i>	<i>Company</i>	<i>% Shares Out</i>	<i>% of Assets</i>	<i>As of Date</i>	<i>Countries*</i>
Vanguard Emerging Markets Stock Index Fund	Chengdu Tianqi	0.58%	0.01%	02/28/23	Chile
	China Petroleum & Chemical Corp. (Sinopec Corp.)	0.02%	0.01%	12/31/22	Mexico, Argentina, Brazil, Colombia, Ecuador, Venezuela
	China International Trust and Investment (CITIC)	0.24%	0.07%	06/30/22	Brazil, Venezuela, Peru
	China Energy Engineering Corp. Ltd.	0.18%	0.00%	06/30/22	Panama, Argentina, Ecuador, Peru

Source: Own elaboration with data from each company profile in Wall Street Journal Markets' Web Site and The China Global Investment Tracker of The Heritage Foundation and American Enterprise Institute.

Note: *country or countries in Latin America where the Chinese corporation has construction or investment activities.

3.2. *The Vanguard Total International Stock Index Fund* “aims to track the performance of the FTSE Global All Cap ex US Index, which is designed to measure the performance of the stock market in developed and emerging markets, excluding the United States. Currently, the fund invests substantially all its assets in common stocks included in its target index, allocating its assets based on the weighting of each region in the index. “(Vanguard (n.d.). During 2022-2023, Chengdu Tianqi, shares, 0.68%, less than 0.00% assets at Chile. The second highest margin of participation is China International Trust and Investment (CITIC), 0.22% shares, and 0.02 assets with activities in Brazil, Venezuela, and Peru. Third, China Petroleum & Chemical Corp. (Sinopec Corp.) 0.02% shares at Colombia, Ecuador, and Venezuela. And finally, China National Petroleum Corp. with 0.01% participation, having assets of less than 0.00% in both cases, participating in Mexico, Argentina, Brazil, Colombia, Ecuador, and Venezuela.

Table 2 Mutual Funds Investors on Chinese Corporations in Latina America					
Mutual Fund	Company	% Shares Out	% of Assets	As of Date	Countries*
Vanguard Total International Stock Index Fund	Chengdu Tianqi	0.68%	0.00%	02/28/23	Chile
	China National Petroleum Corp.	0.01%	0.00%	11/30/22	Brazil, Peru, Venezuela
	China Petroleum & Chemical Corp. (Sinopec Corp.)	0.02%	0.00%	12/31/22	Mexico, Argentina, Brazil, Colombia, Ecuador, Venezuela
	China International Trust and Investment (CITIC)	0.22%	0.02%	06/30/22	Brazil, Venezuela, Peru

Source: Own elaboration with data from each company profile in Wall Street Journal Markets' Web Site and The China Global Investment Tracker of The Heritage Foundation and American Enterprise Institute.

Note: *country or countries in Latin America where the Chinese corporation has construction or investment activities.

3.3. **BlackRock Fund** “Advisors operates as an investment advisory firm, providing portfolio management and consulting services to individuals, governments, corporations, and institutional investors worldwide.” (Bloomberg, n.d. a). It can be observed that most of the share participation in this list of Chinese companies is oriented towards China Three Gorges Renewables (Subsidiary of China Three Gorges listed in the stock markets) with 0.94%. This company already has participation in Antigua and Barbuda, Trinidad and Tobago, Bolivia, Chile, Colombia, Ecuador, Guyana, and Peru; followed by China International Trust and Investment (CITIC) which represents 0.48%, developing projects within the territories of Brazil, Venezuela, and Peru. China National Petroleum Corp. has the lowest participation with 0.02%. These Chinese corporation has developed projects in Brazil, Peru, and Venezuela. Finally, China International Trust and Investment (CITIC), has also developed its construction or investment projects in the same countries, 0.48% shares, and 0.04% assets until, June 2022.

Institutional Investor	Company	% Shares Out	% of Assets	As of Date	Countries**
BlackRock Fund Advisors	Aluminium Corporation of China	0.17%	0.00%	11/30/22	Peru
	China National Petroleum Corp.	0.02%	0.01%	11/30/22	Brazil, Peru, Venezuela
	China Three Gorges Renewables (Group) Co. Ltd.*	0.94%	0.02%	11/30/22	Antigua and Barbuda, Trinidad-Tobago, Bolivia, Chile, Colombia, Ecuador, Guyana, Peru
	China Petroleum & Chemical Corp. (Sinopec Corp.)	0.05%	0.01%	11/30/22	Mexico, Argentina, Brazil, Colombia, Ecuador, Venezuela
	China State Construction Engineering Corp. Ltd.	0.14%	0.01%	11/30/2	Panama, Argentina, Bolivia
	China International Trust and Investment (CITIC).	0.48%	0.04%	06/30/22	Brazil, Venezuela, Peru

Source: Own elaboration with data from each company profile in Wall Street Journal Markets' Web Site and The China Global Investment Tracker of The Heritage Foundation and American Enterprise Institute.

Note: *subsidiary company of the Chinese corporate, used as a reference if the corporate is not listed on the stock exchanges. **Country or countries in Latin America where the Chinese corporation has construction or investment activities.

3.4. *The Vanguard Group, Inc.* “is an investment management and advisory company, offering its services to equity and fixed income investment groups, pooled investment vehicles, mutual funds, and institutional clients with separate accounts worldwide.” (Bloomberg n.d. b). Throughout the year 2022, The Vanguard Group had participation in several Chinese companies that have carried out projects in Latin America. China International Trust and Investment (CITIC), 0.51% shares, and 0.02% assets, this Chinese corporation owns projects in Brazil, Venezuela, and Peru. China Energy Engineering 0.18% shares, it’s at Panama, Argentina, Ecuador, and Peru. Finally, Sinochem International Corp. has a lower margin of participation, with only 0.09% shares, and 0.01% in assets, it’s at Colombia and Brazil.

Table 4					
Institutional Investors on Chinese Corporations in Latin America					
Institutional Investor	Company	% Shares Out	% of Assets	As of Date	Countries*
The Vanguard Group, Inc.	China National Petroleum Corp.	0.02%	0.00%	11/30/22	Brazil, Peru, Venezuela
	Sinochem International Corp.	0.09%	0.01%	10/31/22	Brazil, Colombia
	China Petroleum & Chemical Corp. (Sinopec Corp.)	0.03%	0.00%	11/30/22	Mexico, Argentina, Brazil, Colombia, Ecuador, Venezuela
	China International Trust and Investment (CITIC).	0.51%	0.02%	06/30/22	Brazil, Venezuela, Peru
	China Energy Engineering Corp. Ltd.	0.18%	0.00%	06/30/22	Panama, Argentina, Ecuador, Peru

Source: Own elaboration with data from each company profile in Wall Street Journal Markets' Web Site and The China Global Investment Tracker of The Heritage Foundation and American Enterprise Institute.

Note: *country or countries in Latin America where the Chinese corporation has construction or investment activities.

BlackRock and Vanguard Group have been described in this essay as two institutional investment funds whose parent companies are registered in North America. The important thing is to see the percentage of investments they have in the shares of Chinese corporations that are in various Latin American countries and in the rest of the global path. A recent Wall Street Journal article cited two lawmakers' investigation into BlackRock's investments, saying it had facilitated "investments in more than 20 blacklisted Chinese entities and invested at least \$429 million in groups." Chinese who acted "directly against the interests of the United States". MSCI, on the other hand, is a company listed on the Shanghai and Shenzhen stock exchanges. The lawmakers asked these companies to explain how they make investment decisions related to China and whether they consider factors such as the inclusion of Chinese companies on US blacklists or issues such as national security and human rights.

4. Reflection

A reflection that comes to mind at this moment are the words of Karl Polanyi when he uses the concept of "haute finance" in his book *The Great Transformation: The Political and Economic Origins of Our Time* published in 1944. Well, the term "haute finance" refers to the investors represented at the beginning of the 20th Century by J. P. Morgan instead of N. M. Rothschild, a fundamental piece of the second half of the 19th century when the gold standard was the basis of the transformation among mercantile capital through the industrial revolution until the establishment of the empire of industrial capitalism based on non-renewable energy.

Polanyi's quote in his book shows us the existing articulation between "haute finance" or high finance "as the main link between the political and economic organization of the world. . . . Where high finance functioned as a permanent agency of the most elastic kind. Independent of specific governments, even the most powerful, he was in contact with everyone; Independent of central banks, including the Bank of England. There was an intimate contact between finance and diplomacy; neither would consider

any long-term plan, be it peaceful or warlike, without assuring the other's goodwill. However, the secret of the successful maintenance of general peace undoubtedly lies in the position, organization and techniques of international finance."

In the wake of a deepening world of multipolar finance, mutual funds maintain the balance between China and the United States. Added to this is the intrinsic logic with central banks and the balance of interest rates based on the finances of non-financial corporations. We will even conclude with the other part of the quote "There was an intimate contact between finance and diplomacy; neither would consider any long-term plan, be it peaceful or warlike, without assuring the other's goodwill. However, the secret of the successful maintenance of general peace undoubtedly lies in the position, organization and techniques of international finance." (Polanyi, 1936: 10).

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