



Walsh School *of* Foreign Service

Center for Latin American Studies

Searching for White Gold: China's Quest for Latin America's Lithium

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Introduction

The threat of global climate change and the urgent need to upgrade the global energy matrix have resulted in a surge in the demand of lithium, as it is an essential component of the future battery-driven world. Lithium-ion batteries have the ability to store high-capacity power, and are used in a wide range of applications, including smartphones and PCs, industrial robots, production equipment and automobiles. The consumption of lithium has increased dramatically in the past five years and the demand is expected to grow nearly eight-fold in the next five years.

In this context, Latin America has drawn the world's attention and investment. The region has abundant reserves of lithium. In the Lithium Triangle alone (Argentina, Chile and Bolivia), the amount of lithium resources is 63 percent of the worldwide total amount. And the recent discovery of Mexican lithium reserves makes the region even more strategically crucial to the planet's future.

Among all the players in the sector, China stands out with its large domestic demand and overseas investment. Nowadays, China controls 63% of the global lithium market.¹ Chinese companies are playing a prominent role in the region's lithium sector, with Ganfeng and Tianqi Lithium as the most active participants. Chinese vigorous activity in the sector is not welcomed by other global great powers that are dependent on imported lithium, such as the United States and the European Union, as they are anxious about China's dominance in the battery industry. The U.S. government has officially classified lithium as essential and critical to the country's economic and national security, and President Biden recognizes China as a threat to the global lithium supply chain.² As a result, how Chinese investment in this sector evolves and the nature of their deals are not only crucial to the technology transformation in Latin America, but also vital to shape the future supply chain and understand future international relations.

In our research, we intend to give our targeted audience a comprehensive overview of Latin American lithium reserves, with a detailed analysis of the main actors' involvement in the sector. We try to answer the two questions:

¹ Subject 7, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

² "The Lithium Wars! U.S. vs. China 3"



1. What does lithium mean for the U.S.-China competition and for Latin America?
2. Compared to other countries, what is the nature of Chinese lithium companies' dealmaking in Latin America?

We will develop a comparative analysis, where we study the differences and similarities between Chinese investment and other main players in the sector, including the United States, the European Union, Japan, and South Korea. Finally, we will examine the implications of the Chinese presence for Latin America, for the future supply chain, and for China's relations with the United States. Our research will fill up the gap of understanding regarding the nature and dynamics of Chinese investment in Latin American lithium, and its implications for the dynamic of the triangular Latin America-China-U.S. relations and for the future global supply chain.

Methodology

We have adopted top-down and bottom-up approaches. We are not utilizing this terminology as one would when studying political development and economics. For our top-down approach, we will study the evolution of China-Latin American relations, China's interests in the resources, and Chinese companies' experience in the mining sector, to generate a deep and thorough background for China's engagement in Latin America's lithium.

For our bottom-up approach, we will analyze the current state of Latin America's lithium industry based on the projects of foreign lithium companies in our four countries of focus: Argentina, Bolivia, Chile, and Mexico. We have studied individual Chinese companies' history, the reasons that they expanded their business to Latin America, their strategies in Latin America's lithium sector, and their experience in negotiating with host countries and in operating in these countries. By adopting these two methods, we can bridge the gap of knowledge and information to which we have been unable to get access. Combining the analysis from both directions, we will be able to offer our audience a comprehensive analysis of China's presence in Latin America's lithium sector.



We will then conduct a risk assessment of the lithium sector in Argentina based on the experiences of Chinese companies, as China is the only country whose companies have a presence in all four of these countries. After this risk assessment, we will consider the implications of lithium in U.S.-China bilateral relations. While the lithium industry is certainly not limited to Chinese and American companies, the companies from these two countries have the greatest presence in Latin America’s lithium industry and are thus significant actors.

As part of our research, we reached out to 35 subjects from academia, mining industries, and different governments. Only 7 subjects agreed to participate. We have learned throughout this process that lithium is a sensitive issue that many professionals would not like to discuss. For example, we were only able to secure interviews with former government officials from Latin American governments. We reached out to the Chinese embassy in Santiago de Chile and the United States’ Department of State and Department of Energy for interviews. However, none of these three governmental bodies granted our request for an interview. Some of our other potential participants also declined to be interviewed because they did not feel like they had relevant knowledge to participate, despite having different experiences in the lithium industry and related sectors.

Interviewee profiles

Code	Date	Position	Institution
Subject 1	February, 2022	Former Chilean government official	Government
Subject 2	February, 2022	Expert on U.S.-China relations in the Latin American context	Higher education
Subject 3	February, 2022	Expert on Latin America’s lithium sector	International Organization



Subject 4	March, 2022	Former Chilean government official	Government
Subject 5	March, 2022	Expert on the lithium industry	Private sector
Subject 6	April, 2022	Consultant in the lithium industry	Consultancy
Subject 7	April, 2022	Expert on Latin America’s energy sector	Nonprofit

Literature Review

1. The metal of the future

As climate change and the energy transition have become urgent topics in most countries’ agendas, lithium is gaining growing attention worldwide. Lithium—the lightest metal on the Earth—has traditionally been used in obtaining heat-conducting alloys, such as aluminum, to make ceramics and lenses, including telescopes; in military applications, such as hydrogen bombs; and in medical treatment for cancer and depression. In recent decades, as the technology develops, lithium has been applied in the electric and electronics industry, such as in the production of batteries, as lithium is an essential component of lithium-ion batteries. This type of battery has the ability to store high-capacity power and is used in a wide range of applications, including smartphones and PCs, industrial robots, production equipment, and automobiles. This has been the reason why people call lithium “white gold” and the “petroleum of the future.” Lithium is widely believed to be the essential element of the battery-driven world in the future. Due to the exploding demand for lithium, its production has grown dramatically in the past five years, representing a 161% increase.³

In particular, as COVID-19 spread across the world, countries around the globe have shifted gears in the energy transition process and climate change policies.

³ Ministerio de Desarrollo Productivo de la Nación and Secretaría de la Nación, “Informe Litio,” October 2021, https://www.argentina.gob.ar/sites/default/files/informe_litio_-_octubre_2021.pdf.

According to the expert interviews and market analysis conducted by the consulting company Kearney, the COVID-19 pandemic has made climate and energy essential topics for governments, businesses and customers. These actors are more concerned about a long-term acceleration of the energy transition, such as the decarbonizing energy transition and transition to electric vehicles and sustainability-driven investment.⁴ A global monitor of OFDI shows that during the pandemic, while FDI in other sectors have plummeted, sectors such as lithium and mining industries linked to electric car batteries remain a relevant point of interest.⁵

Among all major minerals for clean energy technologies, the demand of

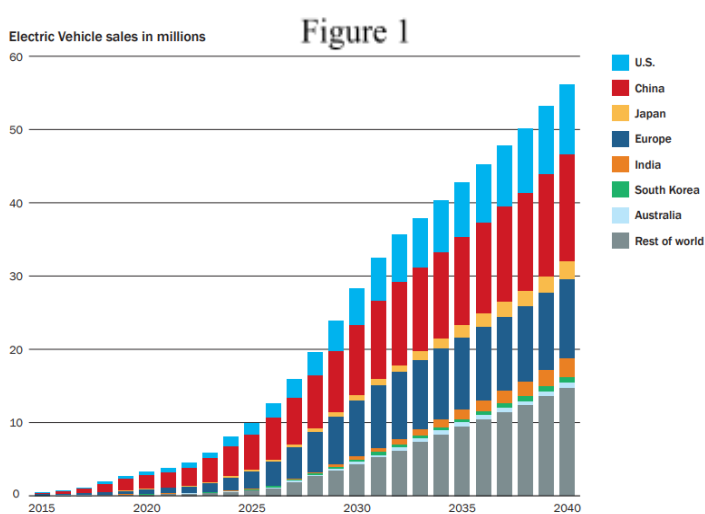


FIGURE 1. Annual Sales of Passenger EVs (Battery Electric Vehicles (BEVs) and Plug-in Hybrid Electric Vehicles (PHEVs)).
Source: BloombergNEF Long-Term Electric Vehicle Outlook 2019.²⁸

lithium is growing at the fastest pace, due to the dramatic increase in the demand of electric vehicles (EVs).⁶ (See Figure 1⁷). The role of EVs is and will be of the essence for the success of the current energy transition.⁸ According to a report released by IEA in May 2021, lithium demand is expected to be 13

to 50 times higher in 2040, depending on different scenarios.⁹

In this context, global investors have paid more attention to the lithium industry than ever, as lithium has become increasingly crucial for a green future of our planet. Not surprisingly, a ferocious race to secure lithium supply has already started

⁴ “Read @Kearney: COVID-19 Re-Energizing the Energy Transition,”

<https://www.kenarney.com/covid-19/article/?a/covid-19-re-energizing-the-energy-transition>.

⁵ Enrique Dussel Peters, “Monitor of Chinese OFDI in Latin America and the Caribbean 2021,” n.d., <https://dusselpeters.com/344.pdf>.

⁶ “The Role of Critical Minerals in Clean Energy Transitions – Analysis,” IEA, <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions>.

⁷ “National Blueprint for Lithium Batteries,” Energy.gov, <https://www.energy.gov/eere/vehicles/articles/national-blueprint-lithium-batteries>.

⁸ Florencia Heredia, Agustina L Martinez & Valentina Surraco Urtubey (2020)

The importance of lithium for achieving a low-carbon future: overview of the lithium extraction in the ‘Lithium Triangle’, *Journal of Energy & Natural Resources Law*, 38:3, 213-236, DOI: 10.1080/02646811.2020.1784565

⁹ “The Role of Critical Minerals in Clean Energy Transitions – Analysis.”



to accelerate. In fact, according to the 2022 report on lithium of the U.S. Geological Survey (USGS), in the United States and in Asia, the lithium supply has already become a top priority for technology companies. In order to secure a reliable and diversified supply of lithium for battery suppliers and vehicle manufacturers, many technology companies and exploration companies are now cooperating with each other and have formed strategic alliances and joint ventures.¹⁰

According to USGS statistics, because of growing interests in lithium and continuing exploration of this type of resource, in 2022, identified lithium resources have increased substantially worldwide and total about 89 million tons,¹¹ 3 million tons more than in 2021,¹² and 27 million tons more than in 2019.¹³ These lithium resources show a high level of concentration, as more than 80 percent of the global resources have been discovered in the top six countries¹⁴: Bolivia (21 million tons), Argentina (19 million tons), the United States (9.1 million tons), Chile (9.8 million tons), Australia (7.3 million tons), and China (5.1 million tons).¹⁵ As the report indicates, three of the top four countries (Bolivia, Argentina and Chile) represent 63% of the world's total lithium resources,¹⁶ and most of them still remain untapped.¹⁷ It is not strange that the world's attention is now focused on Latin America.

2. The “White Gold” rush in Latin America

The region has tremendous potential in the lithium industry. Most of the lithium resources are concentrated in a geopolitical strategic area known as the “Lithium Triangle,” which is composed of Bolivia, Argentina and Chile. The Lithium Triangle alone has approximately two thirds of the world's known lithium deposits. Especially with the discovery of Mexico's lithium reserves in the Sonora province,

¹⁰ U.S. Geological Survey, “Mineral Commodity Summaries, January 2022,” January 2022, <https://www.usgs.gov/centers/national-minerals-information-center/lithium-statistics-and-information>.

¹¹ Ibid.

¹² U.S. Geological Survey, “Mineral Commodity Summaries, January 2021,” January 2021, <https://pubs.usgs.gov/periodicals/mcs2021/mcs2021-lithium.pdf>.

¹³ U.S. Geological Survey, “Mineral Commodity Summaries, February 2019,” February 2019, <https://prd-wret.s3-us-west-2.amazonaws.com/assets/palladium/production/atoms/files/mcs-2019-lithi.pdf>.

¹⁴ The authors' own calculation based on Mineral Commodity Summaries, January 2022.

¹⁵ U.S. Geological Survey, “Mineral Commodity Summaries, January 2022.”

¹⁶ Ministerio de Desarrollo Productivo de la Nación and Secretaría de la Nación.

¹⁷ Ibid.



Latin America has attracted more international investment and, therefore, geopolitical tensions and great power competition.

(1) The Lithium Triangle

a) Bolivia

The Salar de Uyuni, which is located in the Andes in southwest Bolivia, is the world's largest salt flat. It is the main source of lithium in Bolivia, holding much of Bolivia's 21 million tons of identified lithium resources.¹⁸ It is estimated to hold more than a quarter of the lithium deposits in the whole planet, which makes Bolivia the country that holds the largest share of this type of resource.¹⁹

However, Bolivia's large lithium reserves remain untapped. In the past two decades, Bolivia's successive governments have tried to jump-start the lithium industry to develop its economy. However, all efforts have failed so far.²⁰ It is because the country has a lot of technical challenges, logistical obstacles, limited local expertise, and a difficult investment environment.²¹ According to analysts, Bolivia could not independently manage the technological and financial requirements to stand up lithium production.²²

In 2008, by creating the Yacimientos de Litio Bolivianos (YLB), Bolivia established that only the State of Bolivia can participate in the extraction of lithium, as lithium is considered a strategic mineral for the country.²³ In this sense, Bolivia has declared the salares as fiscal reserves, and no private companies can exploit them. However, the government allows YLB to have a strategic partner to help the production to arrive at the industrial stage. Following this model, Bolivia created four pilot plants to produce lithium products. However, the country's political situation

¹⁸ *The Unwritten License: The Social License to Operate in Latin America's Extractive Sector* | Publications, 14, <https://publications.iadb.org/publications/english/document/The-Unwritten-License-The-Social-License-to-Operate-in-Latin-Americas-Extractive-Sector.pdf>.

¹⁹ "Bolivia's Lithium Future: A Second Chance?" | Wilson Center, <https://www.wilsoncenter.org/publication/bolivias-lithium-future-second-chance>.

²⁰ "Can Bolivia Jump-Start Its Lithium Industry? A Q&A with Analyst Juan Carlos Zuleta" | Wilson Center, <https://www.wilsoncenter.org/blog-post/can-bolivia-jump-start-its-lithium-industry-qa-analyst-juan-carlos-zuleta>.

²¹ "Bolivia's Lithium Future: A Second Chance?" | Wilson Center, <https://www.wilsoncenter.org/publication/bolivias-lithium-future-second-chance>.

²² Ibid.

²³ Ministerio de Desarrollo Productivo de la Nación and Secretaría de la Nación, "Informe Litio."



severely affected their operation and stopped their production.

President Luis Arce promised to develop the lithium industry before he took office, in order to turn Bolivia into a competitive producer that fully develops the salt flats and ensures its participation in the global lithium value chain.²⁴ He shows his commitment to developing the sector by partnering with world-leading companies to harness the value of the country's abundant lithium resources.²⁵

b) Argentina

Argentina owns 19 million tons of lithium resources, around 22.4% of the global total lithium resources, trailing only Bolivia in the global rankings table.²⁶ Argentina has been exploring the salares since the 1980s, but only in the 1990s did the country get its first project in the Salar del Hombre Muerto to produce and export lithium derivatives.²⁷ In 2016, Argentina became the third-largest lithium producer in the world.²⁸ It is worth mentioning that the country produces lithium carbonate and chloride, with the former being the most important lithium derivative in recent years.²⁹

Argentina's lithium production has seen a tremendous growth in the past few years, in response to the increasing demand for lithium. The production increased from 19.163% of the global production to 34.067% in 2019 and saw a slight drop in 2020, arriving at 33.003%.³⁰ It saw a 72.2% growth between 2015 and 2020. However, Argentina has not designated lithium as a strategic resource like its neighbors.³¹ The country is believed to have a great potential that allows it to remain as one of the most important producers of lithium in the world.

²⁴ "Explainer: Lithium, Morales and Cocaine - What's at Stake as Bolivia Votes? | World News | US News,"

<https://www.usnews.com/news/world/articles/2020-10-16/explainer-lithium-morales-and-cocaine-what-s-at-stake-as-bolivia-votes>.

²⁵ "Bolivia Presidential Candidate Luis Arce Outlines Lithium First Industrial Strategy; Benchmark Advising on Commercial Strategy," *Benchmark* (blog),

<https://www.benchmarkminerals.com/membership/bolivia-presidential-candidate-luis-arce-outlines-lithium-first-industrial-strategy-benchmark-advising-on-commercial-strategy/>.

²⁶ U.S. Geological Survey, "Mineral Commodity Summaries, January 2022," January 2022, <https://www.usgs.gov/centers/national-minerals-information-center/lithium-statistics-and-information>.

²⁷ Ministerio de Desarrollo Productivo de la Nación and Secretaría de la Nación, "Informe Litio."

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ Ministerio de Desarrollo Productivo de la Nación and Secretaría de la Nación, "Informe Litio."

³¹ "Argentina's Lithium Rush Heats up as Demand Expectations, Prices Soar," IHS Markit, January 11, 2022,

<https://cleanenergynews.ihsmarket.com/research-analysis/argentinas-lithium-rush-heats-up-as-demand-expectations-prices.html>.



c) Chile

Most of the lithium resources of Chile are located in the north of Chile, between the region of Atacama and the region of Arica y Parinacota. In Chile, the interest in the lithium in the salares has been around since the 1960s, and exploration of lithium resources started in the 1970s. The D.L. N° 2886 was issued in 1979 to modify the Law N° 16.319 of 1965, establishing the State's reserve over lithium for national interest, considering its strategic nature due to its nuclear applications.³²

At present, Chile has the highest-quality lithium in the world and is able to extract from its salares 100% quicker than its neighboring competitors. This has been one of Chile's advantages that has allowed it to become the leader in the world's production of lithium.³³ Moreover, Chile has the biggest lithium resources deposit in the form of salares, which allows it to extract lithium with the lowest prices in the whole world.³⁴

Currently, Chile is undertaking an unprecedented rewriting of its Constitution. According to researchers, this will lead to higher royalty requirements for mining companies and a greater local involvement in projects.³⁵

(2) Mexico

At the end of 2019, the largest deposit of lithium resources was found in Sonora, Mexico, which is estimated to have around 243.8 million tons of the lithium resources.³⁶ Given that Mexico's lithium deposits are still in the exploration stage, statistical records for lithium in Mexico do not report any production.³⁷ On April 20th, 2022, Mexico's President López Obrador submitted to the Mexican Senate the reform

³² Ministerio de Minería and Gobierno de Chile, "Litio: Una Fuente de Energía Una Oportunidad Para Chile (Informe Final)," June 2015, https://ciperchile.cl/pdfs/2015/06/sqm/INFORME_COMISION_LITIO_FINAL.pdf.

³³ Blake Moss, "Chile & Lithium: Harnessing the Magic of White Petroleum," November 13, 2018.

³⁴ Ministerio de Minería and Gobierno de Chile, "Litio: Una Fuente de Energía Una Oportunidad Para Chile (Informe Final)."

³⁵ "Argentina's Lithium Rush Heats up as Demand Expectations, Prices Soar."

³⁶ "México cuenta con el yacimiento de Litio más grande del mundo," *Ciencia Acelerada*, December 9, 2020, <https://www.thermofisher.com/blog/cienciaacelerada/mineria/extranos-elementos-de-la-tierra-ree/mexico-cuenta-con-el-yacimiento-de-litio-mas-grande-del-mundo/>.

³⁷ Secretaría de Economía, "Perfil de Mercado Del Litio," December 2018, https://www.gob.mx/cms/uploads/attachment/file/419275/Perfil_Litio_2018__T_.pdf.



of the Mining Law, which aimed to nationalize lithium. The reform was approved with 87 votes in favor, 20 against, and 16 abstentions.³⁸ This means that the legislation prohibits private companies' participation in the lithium market, stating that the government will review all the contracts with private lithium companies, which is expected to bring potential confrontations with global investors.

China-Latin America Relations

Among all the international players in Latin America's lithium sector, China stands out by its large domestic demand and its fast-evolving development. A high proportion of automotive companies and the wireless device industry (cell phones, tablets, notebooks, etc.) have their factories in China.³⁹ In 2021, China sold a total of 3.31 million new energy passenger vehicles, accounting for a 53% share of the global market, followed by Europe (33%) and the United States (11%),⁴⁰ while the rest of the world only accounts for 3% in this market, positioning China as the undisputed global leader in the electric vehicle industry. Moreover, according to one of our interviewees, China controls 63% of the global lithium, which places China as one of the most important actors in the lithium supply chain.⁴¹

Compared to China and other developed countries from the Global North, Latin America has abundant resources of lithium, but almost no manufacture energy storage and electromobility technologies, nor consumption.⁴² As a powerful global leader in all these aspects, China's role in the region's lithium production chain is striking. China now already has a substantial holding of Latin America's lithium resources. In order to understand the dynamics of China's engagement in Latin America's lithium, it is worth investigating the development of China-Latin American relations to get a bigger picture of China's existence in the region.

³⁸ "Economía - Senado de México aprueba reforma para nacionalizar la explotación de litio," France 24, April 20, 2022, <https://www.france24.com/es/programas/econom%C3%ADa/20220420-mexico-nacionalizacion-explotacion-litio>.

³⁹ Motionlab Marketing Ltd, "Vehículos Eléctricos - Ventas Incrementan 92% a Nivel Global," *JATO* (blog), August 24, 2019, <https://www.jato.com/mexico/ventas-de-vehiculos-electricos/>.

⁴⁰ Joshua S. Hill, "China Regains Dominance of Global EV Market, with 53% of Global Sales in 2021," *The Driven*, February 7, 2022, <https://thedriven.io/2022/02/08/china-regains-dominance-of-global-ev-market-with-53-of-global-sales-in-2021/>.

⁴¹ Subject 7

⁴² "Lithium Extractivism and Water Injustices in the Salar de Atacama, Chile: The Colonial Shadow of Green Electromobility - ScienceDirect."



(1) China's foreign policy and China-Latin American relations

Although the basic principles of China's foreign policy have not changed since 1953, the direction and philosophy of foreign policy have evolved in recent decades in response to the needs of domestic reform and changes in the international environment. The development and evolution of China's foreign policy have deeply influenced and shaped China-Latin America relations. In order to provide a thorough background on how this relationship has expanded and advanced, this chapter will divide the history of Chinese foreign policy into five phases:

- (1) the period before the Reform and Opening-Up (1949-1978),
- (2) from the 3rd Plenary Session of the 11th Central Committee of the Chinese Communist Party to the admission of China to the World Trade Organization (WTO) (1978-2001),
- (3) the Chinese Boom (2001-2012),
- (4) "Great Power Diplomacy with Chinese Characteristics"⁴³ (2012-2019),
- (5) "Period of great changes unseen in a century" (2019-2022).

Through an analysis of foreign policy in these periods, we will examine the evolution of China's relations with Latin America, in order to understand China's evolving interests in this distant region.

Five Principles of Peaceful Coexistence

Although the direction and dynamics of China's foreign policies have changed significantly over the past decades, the Five Principles of Peaceful Coexistence remain the most basic and fundamental tenets. They are a set of basic rules governing relations between nations first put forward by China. Introduced by then-Premier Zhou Enlai in 1953 during negotiations between China and India, the five principles were originally intended to maintain friendly ties with the non-Communist countries

⁴³ Yunling Zhang and Binhong Shao, *China's International Relations: Evolving Landscape and Strategic Adaptations* (Springer Nature, 2021).



of Asia.⁴⁴ Under these principles, countries agree to mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in internal affairs, equality and mutual benefit, and peaceful coexistence.⁴⁵

After the Cold War, although the wording of the Five Principles did not change at all, they now served the purpose of offering an alternative to the American conception of a new world order where the rights of other countries were limited by international regimes and institutions in order to pursue American interests and values.⁴⁶ The Five Principles of Peaceful Coexistence have become a symbol of fighting against the world order with the United States as the center.

Under a newly established government, China tried to improve its international status and obtain support in international organizations and institutions. As Nathan and Scobell state in the book *China's Search for Security*, the main driver behind China's foreign policy is its vulnerability to threats.⁴⁷

Therefore, for the newborn communist country, China's top priority was to be recognized by other sovereign states and to gain a foothold in the international arena dominated by Western countries. In order to achieve this, China made the strategic move to expand and improve its relations with the Third World. From China's perspective, this was not only a gesture of support for these countries' "national liberation struggle" in order to force out the remaining colonial regimes and to overthrow the governments closely allied with the West. It also served as a strategy to build cooperative relations with Third World countries and to urge them to reject the West.⁴⁸

⁴⁴ Andrew J. Nathan and Andrew Scobell, *China's Search for Security* (New York: Columbia University Press, 2012), <http://proxy.library.georgetown.edu/login?url=https://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,uid&db=nlebk&AN=489429&site=ehost-live&scope=site>.

⁴⁵ "Carry Forward the Five Principles of Peaceful Coexistence To Build a Better World Through Win-Win Cooperation," https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/201407/t20140701_678184.html.

⁴⁶ Andrew J. Nathan and Andrew Scobell, *China's Search for Security*.

⁴⁷ Ibid.

⁴⁸ "The Cold War and Chinese Foreign Policy," *E-International Relations*, July 16, 2008, <https://www.e-ir.info/2008/07/16/the-cold-war-and-china/>.



As a result, before the Reform and Opening-Up, China established diplomatic relations with Latin American countries mainly for political reasons, rather than for economic and commercial connections. China established diplomatic relations with countries with similar political positions, such as Cuba (1960.9.28), Chile (1970.12.15), and Peru (1971.11.2).⁴⁹

However, for Third World countries, compared to the West, China could offer very little in terms of assistance or advanced military equipment. Its proposal was not that appealing to many countries, and the efforts to unite these countries in international politics largely failed.⁵⁰ In Latin America, the United States was the most important geopolitical actor in the region. China-Latin American relations made little progress during this phase. From the establishment of the People's Republic of China to the Reform and Opening-Up, China's highest level of leadership never visited Latin America.⁵¹

Most Latin American governments did not have any contact with China until the U.S. President Nixon's visit to Beijing in February 1972, which helped break several decades of hostility between the two countries and marked the normalization of China-U.S. relations.⁵² Shortly after this visit, in the same year, Argentina, Mexico, Guyana and Jamaica established diplomatic relations with China, followed by Venezuela and Brazil two years later.⁵³ However, China's presence and influence in Latin America remained weak during this period. On the one hand, the young China devoted itself to finding the right path for itself, dealing with problems unsolved by the previous governments and focusing on its domestic construction and development; on the other hand, the United States had unparalleled influence in the region. These factors were joined by the difficulties of communication and transportation, further restraining the development of China-Latin American relations.

⁴⁹ “建交国家一览表 — 中华人民共和国外交部,”
https://www.fmprc.gov.cn/web/ziliao_674904/2193_674977/.

⁵⁰ “The Cold War and Chinese Foreign Policy.”

⁵¹ 张清敏, 刘兵, “首脑出访与中国外交,” 国际政治研究 45, no. 2 (May 15, 2015): 1–20.

⁵² “Nixon's 1972 Visit to China at 50 | Wilson Center,”
<https://www.wilsoncenter.org/blog-post/nixons-1972-visit-china-50>.

⁵³ Ibid.



From the Reform and Opening-up to China's admission to the WTO (1978-2001)

In 1978, the 3rd Plenary Session of the 11th Central Committee of the Chinese Communist Party was held. Since then, China has entered the period of Reform and Opening-up led by Deng Xiaoping. This event marks China's turn from autarky to globalization, fundamentally altering its economic system and allowing foreign trade and investment to flourish.

The formal establishment of diplomatic relations between China and the United States in late 1979 further paved the way for China to strengthen its relations with Western countries, a significant moment for China's foreign relations. During this time, China expanded its economic and technological exchanges with foreign countries, both in terms of strengthening relations with traditional socialist countries and developing market economic relations with capitalist countries, expanding the economic as well as the social and cultural aspects of China's foreign relations.

The collapse of the Soviet Union played a decisive role in China's external environment. On the one hand, the collapse meant the end of a perceived Soviet encirclement for China, as the huge Soviet military presence in the countries along China's borders decreased.⁵⁴ China also no longer stood at the intersection of the "two superpower camps," a target of influence and enmity for both the Soviet Union and the United States.⁵⁵ China gradually emerged as a nascent superpower. On the other hand, the development of world socialism and international communism had entered a difficult phase. China's foreign policy became more conservative, favoring a wide range of friendships in the international community, but adopting a more cautious and observant attitude. More specifically, before, China's foreign policy priority was to overthrow the international system dominated by the U.S. and the Soviet Union, but now China prioritized pursuing domestic economic development.⁵⁶

⁵⁴ Guudain Tumurchuluun, "China's Foreign Policy after the Collapse of the USSR: Changes, Challenges and Opportunities," *Mongolian Journal of International Affairs* 1 (1994): 52–63, <https://doi.org/10.5564/mjia.v1i0.450>.

⁵⁵ Nathan, Andrew J. (Andrew James), and Robert S. Ross. *The Great Wall and the Empty Fortress: China's Search for Security*. W.W. Norton, 1997.

⁵⁶ "China in Latin America Then and Now: A Systemic Constructivist Analysis of China's Foreign Policy - Chien-Kai Chen, 2021," <https://journals.sagepub.com/doi/full/10.1177/18681026211034880>.



These two decades saw great advances in China-Latin America exchanges. High-level leaders from both sides made frequent visits to deepen bilateral relations. From 1979 to 2000, China's highest-level leaders visited Latin American countries 28 times,⁵⁷ showing China's efforts to improve its understanding of and friendship with the region.

The economic exchanges between China and Latin America grew dramatically throughout the two decades. The total trade exchanges between the two sides increased significantly from US \$200 million in 1975 to US \$2 billion in 1988, and it continued to grow by more than 100% from 1989 to 1996.⁵⁸ This relationship was further strengthened by China's "Going Out" ("zou chu qu") policy as part of its diplomatic strategy.⁵⁹ In order to sustain and maintain the Chinese rapid economic growth, many "going out companies" concentrated their investment in countries and regions with abundant resources, such as Africa, the Middle East and Latin America. As a result, Chinese investment and trade in Latin America have soared since the end of the 20th century.⁶⁰

It is worth pointing out that in Latin America, Chinese state-owned companies and large conglomerates have been the main investors, with the government's support coming through tax benefits and public financing. They are the ones that have invested the most through mergers and acquisitions and they are under the supervision of the state-owned Assets Supervision and Administration Commission of the State Council.⁶¹ Nowadays, among the top ten companies in the region's mergers and acquisitions, the only one non-State-owned company is lithium producer Tianqi Lithium Corp.⁶²

⁵⁷ 张清敏, "首脑出访与中国外交."

⁵⁸ Frank O. Mora, "The People's Republic of China and Latin America: From Indifference to Engagement," *Asian Affairs* 24, no. 1 (1997): 35–58.

⁵⁹ Zhiqun Zhu, "Going Global 2.0: China's Growing Investment in the West and Its Impact," *Asian Perspective*, no. 42 (2018): 159–82.

⁶⁰ "China's Growing Interest in Latin America and Its Implications: Journal of Strategic Studies: Vol 30, No 4-5," <https://www.tandfonline.com/doi/abs/10.1080/01402390701431972?journalCode=fjss20>.

⁶¹ Economic Commission for Latin America and the Caribbean, *Foreign Direct Investment in Latin America and the Caribbean 2021* (CEPAL, 2021), <https://www.cepal.org/en/publications/47148-foreign-direct-investment-latin-america-and-caribbean-2021>.

⁶² Ibid.



In 1983, the first Chinese joint venture in Latin America was created in Chile. In 1992, Shougang Hierro Perú was created through a competitive bid by the Chinese company Shougang to acquire Hierro Perú.⁶³ By then, it was the largest investment by a Chinese company in Latin America. To this day, Shougang Peru remains the only steel producer in the country.

In the international community, China and Latin American countries also supported each other, and their friendship was an important factor when China sought to join the World Trade Organization (WTO), laying the groundwork for the next phase of a jump in China-Latin America relations.

The Chinese Boom (2001-2012)

At the beginning of the 21st century, with China's admission to the WTO, the 9/11 attacks, and the global financial crisis of 2008, the international situation and trends underwent profound changes. The trend towards multi-polarization of the global political landscape has become increasingly evident.

As the "Chinese Boom" became well-known and China's engagement in Latin America grew significantly in the same era, research on China-Latin American relations also increased. According to these literatures, China's efforts to strengthen its relations with Latin America mainly sought to satisfy three main national interests: first, increasing its international influences; second, securing foreign markets for China's exports and also natural resources and other commodities to sustain its domestic development; and third, seeking international support to isolate Taiwan in the international community on the basis of the "One China Principle".⁶⁴

The Chinese government increasingly acknowledged the strategic importance of Latin America and issued its first-ever policy paper on Latin America and the Caribbean in 2008. In the paper, the Chinese government emphasized the hope to

⁶³ Amos Irwin and Kevin P. Gallagher, "Chinese Mining in Latin America: A Comparative Perspective," *The Journal of Environment & Development* 22, no. 2 (2013): 207–34.

⁶⁴ "China in Latin America Then and Now: A Systemic Constructivist Analysis of China's Foreign Policy - Chien-Kai Chen, 2021."



increase understanding and strengthen cooperation with the region, especially in agriculture, infrastructure, resources, and energy.^{65,66}

Supported by the government's policies, Latin America became the second-largest destination for Chinese FDI, which primarily focused on energy, mining, infrastructure and agriculture. The volume moved from US \$1.04 billion in 2002 to US\$ 11.94 billion in 2011.⁶⁷ In addition to that, the trade volume increased from US \$26.8 billion in 2003 to US \$102.7 billion just three years later. In 2011, it reached \$241.4 billion, and peaked at \$261.3 billion in 2012.⁶⁸ In 2000, only 1.1 per cent of Latin America's exports went to China. But in 2010, the number grew eight times, reaching 8.3 per cent. In terms of imports, the percentage went from 1.8 per cent in 2000 to 13.3 per cent in 2010.⁶⁹

As China's demand for the region's raw materials and other commodities nearly doubled from 2009 to 2011, the Chinese trade and investment helped spare many Latin American countries from the worst effects of the 2008 global financial crisis.⁷⁰ It also caused the sharp increase of the commodity prices, which not only led to the growth of Latin America's export revenues but also to a massive influx of foreign investment into the region. This resulted in the first economic boom in Latin America since the beginning of the 21st century. Since then, China has become more important for the region and has served as an alternative to the U.S. and other markets, becoming the primary destination for the region's raw materials.

Due to the unprecedented growth of China-Latin American relations in this period, many literatures also debate the potential consequences of China's presence in Latin America for the countries within the region and for the United States. Some developed the "China Threat" theory, arguing that its trade relations with the region

⁶⁵ “中国对拉丁美洲和加勒比政策文件（全文）,”

http://www.gov.cn/jrzq/2008-11/05/content_1140303.htm.

⁶⁶ “China's Policy Paper on Latin America and the Caribbean | US-China Institute,”

<https://china.usc.edu/chinas-policy-paper-latin-america-and-caribbean>.

⁶⁷ 谢文泽, “改革开放40年中拉关系回顾与思考,” 拉丁美洲研究 40, no. 1 (February 2018): 11.

⁶⁸ 谢.

⁶⁹ Osvaldo Rosales and Mikio Kuwayama, *China and Latin America and the Caribbean: Building a Strategic Economic and Trade Relationship*, Libros de La CEPAL 114 (Santiago: Economic Commission for Latin America and the Caribbean (ECLAC), 2012).

⁷⁰ Margaret Myers, Kevin P. Gallagher | March 30, and 2020, “Could China Be a White Knight Again for Latin America?,” *Americas Quarterly* (blog),

<https://www.americasquarterly.org/article/could-china-be-a-white-knight-again-for-latin-america/>.



could possibly lead to the “deindustrialization” of the Latin American countries, and the popular “Chinese Model” admired by both conservatives and left-wing observers would erode the values of democracy and human rights promoted by the United States in the region.⁷¹ However, some researchers believe that the benefits of these relations outweigh the costs if the region is able to make the most of the Chinese investment and implement effective industrial policies.⁷² And others demonstrate the economic complementarity of China and Latin America.⁷³ Despite the ongoing debates, China-Latin America relations continued to grow and reached another level in the period of “Great Power Diplomacy with Chinese Characteristics” from 2012 to 2019.

“Great Power Diplomacy with Chinese Characteristics” (2012-2019)

In 2012, China’s foreign policy entered into a new period. At the 18th National Congress of the Chinese Communist Party, China’s foreign policy underwent new adjustments and new strategies, ushering in a new era of Great Power Diplomacy with Chinese characteristics. First, China started to promote the construction of a new type of great-power relations, advocating a new path of “non-conflict, non-confrontation, mutual respect, cooperation and win-win.”⁷⁴ Analysts indicate that the wording implies China’s efforts to counter the “China Threat” theory and the “zero-sum” concept.⁷⁵

Secondly, China’s “Belt and Road” initiative was presented in 2013, a new mode of cooperation that consists of strengthening the “five links,” including policy coordination, infrastructure building, unimpeded trade, financial integration, and people-to-people exchanges.⁷⁶ Finally, the initiative of constructing a Community of

⁷¹ Armony, Ariel C., and Julia C. Strauss. “From Going Out (Zou Chuqu) to Arriving In (Desembarco): Constructing a New Field of Inquiry in China–Latin America Interactions.” *The China Quarterly* 209 (2012): 1–17. doi:10.1017/S0305741011001457.

⁷² Marcelo Curado and Luis Alberto Hernández, “China Rising: Threats and Opportunities for Brazil,” *Latin American Perspectives* 42, no. 6 (2015): 88–104.

⁷³ Enrique Dussel Peters, “The Auto Parts-Automotive Chain in Mexico and China: Co-Operation Potential?,” *The China Quarterly* 209 (March 2012): 82–110, <https://doi.org/10.1017/S0305741011001494>.

⁷⁴ Kathleen Wong, “The 18th Party Congress and Foreign Policy:,” no. 40 (n.d.): 12.

⁷⁵ Ibid.

⁷⁶ “A Concise Guide to the Belt and Road Initiative,” *The National Bureau of Asian Research (NBR)* (blog), <https://www.nbr.org/publication/a-guide-to-the-belt-and-road-initiative/>.



Common Destiny is put forward, pointing out that the future of all countries is closely linked, advocating for cooperation between countries for common development.⁷⁷

In this period, the relationship between China and Latin America shifted to a comprehensive, cooperative approach. China has accelerated its diplomatic activities in Latin America and the Caribbean. The Chinese government has signed various bilateral partnership agreements with countries throughout Latin America, including “comprehensive strategic partnerships” with Argentina, Brazil, Chile, Ecuador, Peru, Venezuela and Mexico, and “strategic partnerships” with Bolivia and Uruguay.⁷⁸

Between 2012 and 2018, several important events strengthened China’s cooperation with Latin America and deepened its influence in Latin America, such as:

In January 2015, the first ministerial meeting of the China-Latin America Forum (China-CELAC Forum) was held in Beijing, which adopted the “China-Latin America and the Caribbean Cooperation Plan (2015-2019)” and issued the Beijing Declaration. This event further consolidated China-Latin American comprehensive partnership and strengthened their cooperation in infrastructure and transportation, energy and natural resources, agriculture, science and technology, etc.⁷⁹

In November 2016, the Chinese government released the second policy paper on Latin America and the Caribbean, outlining a new cooperation framework for China and Latin America. Compared to the first policy paper in 2008, this one demonstrates Latin America’s increasing importance to China. The new paper added a new chapter titled “International Collaboration,”⁸⁰ demonstrating that China believes the region is playing an increasingly important role in the international community and is becoming more crucial for China’s international relations. In addition, the second paper further emphasized the importance of “Energy and Resources Cooperation,” as it moved this section from the seventh place in 2008 to the fourth place in the

⁷⁷ “The ‘Community of Common Destiny’ in Xi Jinping’s New Era,”

<https://thediplomat.com/2017/10/the-community-of-common-destiny-in-xi-jinpings-new-era/>.

⁷⁸ “How China Ranks Its Partners in LAC,” *The Dialogue*, February 3, 2021,

<https://www.thedialogue.org/blogs/2021/02/how-china-ranks-its-partners-in-lac/>.

⁷⁹ “Cooperation Plan (2015-2019),”

http://www.chinacelacforum.org/eng/zywj_3/201501/t20150123_6475954.htm.

⁸⁰ “Full Text of China’s Policy Paper on Latin America and the Caribbean,”

http://english.www.gov.cn/archive/white_paper/2016/11/24/content_281475499069158.htm.



“Cooperation in the Economic Field.”⁸¹ Moreover, the content of cooperation became more detailed and specific from a general and simple wording of “expanding and deepening” the cooperation in 2008⁸² to describe efforts to “bring cooperation to upstream business,” “extend (cooperation to) downstream and supporting industries such as smelting, processing, logistics trade and equipment manufacturing,” and to help Latin America establish “mechanisms for long-term supply of energy and resources.”⁸³ This manifests that China is highlighting its special attention to Latin America’s energy and resources and is accelerating the cooperation process.

In 2017, Latin American countries began to join the Belt and Road Initiative as a “natural extension of the 21st Century Maritime Silk Road.”⁸⁴ As of March 2022, 20 out of 34 countries in Latin America and the Caribbean have joined the Initiative.⁸⁵ Many Latin American countries see this Initiative as a mechanism for high-level dialogue and exchange,⁸⁶ and an opportunity to achieve more investment in their infrastructure. In the period of 2014-2019, the total Chinese investment in the infrastructure in the region jumped from US \$21.044 billion to US\$54.735 billion, up from US \$1.089 million in the period of 2005-2009.⁸⁷

In the first two decades of the 21st century, the trade between China and Latin America grew from \$12 billion in 2000 to \$315 billion in 2020, which represents a 26-fold increase.⁸⁸ The figure shows seemingly unstoppable relations between China and Latin America. Many observers believe that China’s growing ties with Latin America have brought China stronger political influence over the region, as more and

⁸¹ Ibid.

⁸² “China’s Policy Paper on Latin America and the Caribbean | US-China Institute.”

⁸³ “Full Text of China’s Policy Paper on Latin America and the Caribbean.”

⁸⁴ “Wang Yi: The Belt and Road Initiative Becomes New Opportunity for China-Latin America Cooperation,” <https://www.fmprc.gov.cn/ce/cgjb/eng/xwdt/zgyw/t1494844.htm>.

⁸⁵ Christoph NEDOPIL WANG, “Countries of the Belt and Road Initiative (BRI) – Green Finance & Development Center,” <https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/>.

⁸⁶ “Belt and Road in Latin America: A Regional Game Changer?,” *Atlantic Council* (blog), October 9, 2019, <https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/belt-and-road-in-latin-america-a-regional-game-changer/>.

⁸⁷ Enrique Dussel Peters, “Monitor of Chinese Infrastructure in Latin America and the Caribbean 2020,” July 13, 2020, https://dusselpeters.com/DusselPeters_MonitorInfraestructura_2020_Eng.pdf.

⁸⁸ “China’s Trade with Latin America Is Bound to Keep Growing. Here’s Why That Matters,” World Economic Forum, <https://www.weforum.org/agenda/2021/06/china-trade-latin-america-caribbean/>.



more Latin American countries are siding with China on international issues, such as sovereignty, non-intervention, and human rights.⁸⁹

“Period of great changes unseen in a century” (2019-2022)

In the past two years, Xi Jinping's government has frequently pointed out in various government documents and public speeches that “the world is in the midst of great changes unseen in a century.”⁹⁰ Presently, especially due to the global spread of COVID-19, the traditional international cycle is weakening, unilateralism and protectionism are on the rise, anti-globalization is intensifying, and global cross-border direct investment continues to decline.

In this context, a new definition of Chinese foreign policy, “Wolf Warrior Diplomacy,” has gradually emerged in the Western media. This is mainly due to new features of Chinese diplomatic discourse that have recently appeared: direct verbal attacks on external accusations, rather than refuting or explaining them with reasoning; countering unsubstantiated statements with slander, either by criticizing the host country for its mismanagement of the pandemic and shifting the blame to China, or by threatening possible economic retaliation against the host country.⁹¹ This contrasts with China’s previous diplomatic attitude of neither responding nor reacting. The direction of Chinese foreign policy has shifted from conservative, passive and low-profile to assertive, proactive and high-profile. Many literatures believe that the pandemic has offered China an unprecedented opportunity to achieve its global objectives,⁹² as concerns about China's Vaccine Diplomacy show. By distributing personal protective equipment (PPE) and vaccines to Latin American countries, China has been using its growing economic and diplomatic strategies to provide these countries an alternative to the United States during moments of crisis.

⁸⁹ “China in Latin America Then and Now: A Systemic Constructivist Analysis of China’s Foreign Policy - Chien-Kai Chen, 2021.”

⁹⁰ “The Long Game: China’s Grand Strategy to Displace American Order,” *Brookings* (blog), August 2, 2021, <https://www.brookings.edu/essay/the-long-game-chinas-grand-strategy-to-displace-american-order/>.

⁹¹ “疫情之后中国会不会成为永久‘战狼,’” *BBC News* 中文, accessed July 26, 2021, <https://www.bbc.com/zhongwen/simp/chinese-news-52632979>.

⁹² R. Evan Ellis, “Chinese Engagement in Latin America in the Context of Strategic Competition with the United States - Testimony before the US-China Economic and Security Review Commission,” June 24, 2020, https://www.uscc.gov/sites/default/files/2020-06/Ellis_Testimony.pdf.



Research shows that in recent years, Chinese companies have invested more than ever in Latin America's infrastructure, in particular in mining, energy and transport infrastructure.⁹³ Moreover, China's demand for Latin America's commodities continued to grow.⁹⁴ Additionally, despite the economic downturn, China-Latin American trade remained steady, and Latin America's trade with China reached record levels as a share of regional GDP, at an estimated 3.8 percent of GDP in imports and 3.2 percent of GDP in exports.⁹⁵ For example, in Chile, although the economy has been affected badly by the pandemic, the country's mining and agricultural sectors, which are the backbone of its export-led development model, have been steady because of the continuing demand from China. In 2020, Chile's exports to China increased by 25 percent compared to 2019, while its exports to all other countries dropped.⁹⁶

Nowadays, in the difficult times where the region is experiencing an economic, social and health crisis, China has become increasingly important for Latin American countries and has positioned itself as one of the major powers in Latin America. Some literatures believe that the pandemic has provided a point of inflection in China-Latin American relations. China's investment interest in the region is no longer focusing on the traditional sectors but also the activities deemed strategic in China's internalization plans, with large acquisitions in the electricity sectors and full or partial acquisitions for accessing strategic minerals, such as lithium.⁹⁷

Conclusion

From 1949 to 2022, as different periods influenced China's foreign policy priorities, the focus of China-Latin American relations has changed a lot accordingly.

⁹³ Caribbean, *Foreign Direct Investment in Latin America and the Caribbean 2021*.

⁹⁴ Rebecca Ray, Zara C. Albright, and Wang Kehan, "2020: A Point of Inflection in the China-Latin America Relationship?" (Boston University, Global Development Policy Center, n.d.), <https://www.bu.edu/gdp/2021/02/22/2020-a-point-of-inflection-in-the-china-latin-america-relationship/>.

⁹⁵ Rebecca Ray, Zara C. Albright, and Wang Kehan, "China-Latin America Economic Bulletin, 2021 Edition" (Boston University, Global Development Policy Center, n.d.), https://www.bu.edu/gdp/files/2021/02/China-LatAm-Econ-Bulletin_2021.pdf.

⁹⁶ "Early Glimpses of Post-Pandemic China-Latin America Relations | Wilson Center," <https://www.wilsoncenter.org/publication/early-glimpses-post-pandemic-china-latin-america-relations>.

⁹⁷ Caribbean, *Foreign Direct Investment in Latin America and the Caribbean 2021*.



In the first three decades, a young and weak China reached out to Latin America primarily for political reasons, such as uniting the Third World countries to fight against the world system dominated by the U.S. and the Soviet Union. However, it did not go well given the influence of the U.S. in the history of the region and the minimal benefit China could provide compared to the U.S.

After the Reform and Opening Up, along with China's rapid domestic development, China was seeking Latin America's commodity and natural resources. Meanwhile, with the establishment of diplomatic relations between China and the United States, many Latin American countries followed the United States, and China-Latin American relations began to flourish. Encouraged by the "Going Out" policy, Chinese companies started to invest in Latin America, and until today, most of these companies have been state-owned.

As China entered the WTO during the "China Boom," China-Latin American relations exploded. Because of China's demand for the region's commodities, Latin America was not affected by the financial crisis as much as the rest of the world. Since this period, China has started to serve as an alternative to the U.S. and other markets and has become the primary destination for the region's raw materials.

China also increasingly recognized the importance of Latin America, and several events further strengthened their relations, such as the issue of two policy papers on Latin America and the Caribbean, the celebration of the China-CELAC Forum, and the extension of the Belt and Road Initiative to Latin America. China-Latin American relations entered a phase of comprehensive cooperation. This period brought China stronger political influence over the region, as more Latin American countries started to side with China on international issues.

Since 2019, we have witnessed that this relationship has become an indispensable part of Latin America's economy, as China has become the major trading partner and investor for a lot of countries in the region.

China-Latin America relations have been incredible in terms of the growth of the exchanges between the two sides. It is noticeable that the relations are less restrained by U.S. influence. However, as the United States has always been closely connected with Latin America in different areas of interests, it is no doubt that China's



expanding engagement in the region has raised concerns from the United States and will continue to be a crucial part of China-U.S. competition.

China's experience in Latin America's mining sector

Since the Reform and Opening Up, the need to sustain its fast economic growth in China has driven Chinese investors towards Latin America. At the beginning of the 21st century, during the period of 2000-2004, the sector of metals, minerals and mining, as well as transportation, accounted for 91.09% of the amount of Chinese OFDI in the region.⁹⁸ By 2012, over 90% of the Chinese investment in the region was targeted towards extractive industries.⁹⁹ By 2020, 29.07% of Latin America's total exports to China was minerals.¹⁰⁰ Moreover, over half of Chinese investment in natural resources is in Latin American countries.¹⁰¹

Characteristics of Chinese investment in Latin America's mining industry

In Latin America, the five major Chinese companies that carried out OFDI are from the energy and mining sector, including China Petroleum & Chemical Corporation (Sinopec), State Grid Corporation of China (SGCC), China Three Gorges Corporation (CTG), State Power Investment Corp (SPIC), and China National Petroleum Corporation (CNPC).¹⁰² This manifests China's substantial interest in Latin America's energy and mining industry. It is also worth mentioning that all these five companies are state-owned transnational Chinese companies, and their investment process is highly capital-intensive. **In fact, this reveals that Chinese investment in the energy and mining sector usually has a diplomatic and political characteristic.** For example, China's high-level leaders visit countries in Latin America to propose initiatives and commitments based on prior planning (e.g., five-year economic plans) such as providing assistance to Latin American countries in their infrastructure,¹⁰³ or using their ability to provide a large amount of loans as a

⁹⁸ Ibid.

⁹⁹ "Chinese Investment in Latin American Resources: The Good, the Bad, and the Ugly," PIIE, March 2, 2016, <https://www.piie.com/publications/working-papers/chinese-investment-latin-american-resources-good-bad-and-ugly>.

¹⁰⁰ Laguardia Martínez, *China -Latin America Relations*.

¹⁰¹ Ibid.

¹⁰² Dussel Peters, "Monitor of Chinese OFDI in Latin America and the Caribbean 2021."

¹⁰³ 鄧中堅, "中國大陸在拉丁美洲的石油取得:國家與企業的聯盟," 長庚人文社會學報 3, no. 1 (n.d.): 45-70.



leverage,¹⁰⁴ in order to ensure a stable supply of energy and access to raw materials. Latin American countries are usually more than willing to accept the offer because it is hard for many countries in the region that previously defaulted on international debt, such as Venezuela, Argentina and Ecuador, to achieve “such a large amount of capital for such long terms” that Chinese banks are willing to provide.¹⁰⁵ Moreover, unlike loans granted by the International Monetary Fund (IMF) or the World Bank, which usually come with conditionality and political conditions,¹⁰⁶ such as democracy, human rights, and labor provisions in trade agreements, etc., the Chinese loans to the region have always been touted as “no strings attached”.¹⁰⁷

Therefore, supported by the Chinese government, not only politically and institutionally but also financially, the Chinese companies have been able to secure a place quickly in this distant market, to acquire equity stakes in natural resource companies in the region, extending loans to mining and energy investors and writing long-term procurement contracts for oil and minerals.¹⁰⁸

A PIIIE study examines four types of Chinese deployment of capital to procure natural resources, and it finds that in Latin America, **Chinese companies are more willing than major companies from other countries to take on new frontier or fringe projects in the mining industry.**¹⁰⁹

Besides, **Chinese companies show a high-risk tolerance**, such as the Shougang Group purchasing a mine in the middle of the desolate Shining-Path controlled desert.¹¹⁰ This characteristic can be explained in two ways. First, China is a later entrant to the international market. In order to achieve more profits, China had to take the “leftovers” from other countries, which are mostly riskier projects and countries. Second, the Chinese government provides political guarantees and support for these companies, which have increased the risk tolerance of these enterprises.¹¹¹

¹⁰⁴ “Chinese Investment in Latin American Resources.”

¹⁰⁵ Ibid.

¹⁰⁶ Raquel Carvalho, “China in Latin America: Partner or Predator?,” South China Morning Post, <https://multimedia.scmp.com/week-asia/article/3011618/beijing-conquest-latin-america/index.html?src=social>.

¹⁰⁷ “No Strings Attached? Evaluating China’s Trade Relations Abroad,” <https://thediplomat.com/2013/05/no-strings-attached-evaluating-chinas-trade-relations-abroad/>.

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

¹¹⁰ Ibid.

¹¹¹ 陈懋修, “中国在拉丁美洲的风险分析,” Carnegie-Tsinghua Center <https://carnegietsinghua.org/2013/01/11/zh-pub-50752>.



These characteristics of Chinese investment in Latin America's mining sector have been questioned and criticized by the international community, as many Western powers see granting loans as a form of neo-colonialism aiming at increasing the dependence of Latin American countries on China. Also, investing in highly risky countries and projects without concerns for governance often delivers a signal of corruption, lack of transparency and lack of social responsibility, which affects the local image of Chinese companies in Latin America.

During the past decades, despite having brought to the region the benefits of the large number of projects and the great volume of Chinese investment in Latin America's mining industry, China has faced a lot of challenges and controversies. To illustrate the common problems encountered by the Chinese companies, the following part will use the notorious oil extraction project by New Granada Energy Colombia (NGEC) (a Sinopec subsidiary) in the town Paz de Ariporo in the Casanare department. **Many Chinese projects have caused negative influences on the local communities and the natural environment**, as the extraction sites are located in particularly poor areas in the midst of sensitive ecosystems. In Paz de Ariporo, the lack of proper inspection or consultation of the region's detailed hydrologic and hydraulic studies, as well as the absence of necessary precautions to ensure the normal flow of water in frequently flooded lowlands, have caused more serious environmental damage to this vulnerable land.¹¹² Besides, NGEC also was found **violating the established environmental license** by discharging fluid with a 2,370 mg/L concentration of chlorides, while the established limit was 250 mg/L.¹¹³ Moreover, **potential corruption** was also highlighted in this case, as the irregularities in the water management and the inconsistencies in the data were already reported in 2007; however, the environmental authority did not deal with this problem until four years later.¹¹⁴ Besides, during the six-year operation of the project, NGEC did not fulfill any of its mandatory investment commitments nor did it present any specific investment compliance, which shows the Chinese company's **reluctance to behave in compliance and that its operation lacks transparency**.

¹¹² "Colombia and China: Social and Environmental Impact of Trade and Foreign Direct Investment | Global Development Policy Center," <https://www.bu.edu/gdp/2015/04/28/colombia-and-china-social-and-environmental-impact-of-trade-and-foreign-direct-investment/>.

¹¹³ Ibid.

¹¹⁴ Ibid.



Regarding social impacts, in the area of influence of NGCE's contracts, the company did not report any presence of indigenous or Afro-Colombian communities. Instead, the NGCE only acknowledged the *campesino* population.¹¹⁵ This demonstrates the Chinese company's **unawareness or disrespect of different cultural contexts**. On top of that, local communities reported that NGCE **did not hire sufficient personnel from the local area**, and the standard for the job requirements was strict without giving more opportunities for local people to receive job training.¹¹⁶ Furthermore, strikes, blockades and demonstrations happened because of the company's **poor working conditions, inadequate welfare, and sometimes delayed payment**.¹¹⁷ The company failed its promise to the local communities on maintaining the roads, despite having signed an agreement on that regard. NGCE **shirked its social responsibility** by citing the high costs and that other oil companies operating in the region should do it.¹¹⁸

Today, these accusations still exist. However, **research also has shown that Chinese companies have started to conform more closely to international standards in the past decade**. Major Chinese companies operate within a framework established by China's state-owned Assets Supervision and Administration Commission (SASAC). Evidence shows that the environmental standards have begun to become more stringent, and **Chinese companies investing abroad have been paying more attention to environmental, social factors and profit**. And many Chinese mining companies have built in-house safety and environmental units.¹¹⁹ The Chinese OFDI monitor disclosed that **China is also increasing the portion of local hires**. In 2020, Chinese OFDI generated more than 173,000 jobs in Latin America, an increase of 357.7% compared to 2019.¹²⁰ The surge of percentage was also because of the COVID-19 impacts, interrupting foreign workers' travel to the region. Analysts also hope that these countries should also acknowledge the positive side of Chinese investment. As a newcomer to overseas investment compared to other countries, China is learning from its flaws and its operations are improving. It is becoming more aware of the need to protect the environment, follow the local laws and interact with

¹¹⁵ Ibid.

¹¹⁶ Ibid.

¹¹⁷ Ibid.

¹¹⁸ Ibid.

¹¹⁹ Ibid.

¹²⁰ Dussel Peters, "Monitor of Chinese OFDI in Latin America and the Caribbean 2021."



communities.¹²¹

China’s incentive policies in lithium related industry

In response to the international commitments signed to combat global warming and climate change, countries all over the world are now implementing policies to promote green energy and the use of batteries and electric cars. China has jumped to the forefront in this respect.

In the following section, we will specifically take a look at China’s incentive policies to promote the development of EVs and the lithium and battery industries in the last five years (2017-2022). By doing so, we hope to get an insight of the dynamic of the Chinese policies in these industries in order to understand the motivation for the Chinese lithium companies to march into Latin America’s lithium sector.

In 2017, the Chinese government issued two most relevant incentive policies:¹²²

Time	Incentive policy	Important information
February 2017	The Action Plan for Promoting the Development of Automobile Power Battery Industry	Set goals for new lithium-ion power battery by 2020
September 2017	Guiding opinions on promoting energy storage technology and industry development	Vigorous research on energy storage technologies and materials with core significance

In 2018, the number of policies published by the Chinese government more than doubled, arriving at five:¹²³

Time	Incentive policy	Important information
February 2018	Notice on the Adjustment and Improvement of the Government Subsidies for Promotion and Application of New Energy Vehicles	Further improve the power battery system energy density threshold requirements to encourage the application of high-performance power batteries
March 2018	Report on the Work of the Government 2018	Promote the development of new energy vehicles, new materials and other industries

¹²¹ Carvalho, “China in Latin America.”

¹²² “赣锋锂业:2018年年度报告_赣锋锂业(002460)_公告正文,” <https://data.eastmoney.com/notices/detail/002460/AN201903281310927363.html>.

¹²³ Ibid.



July 2018	Pilot Implementation Plan for Recycling of New Energy Vehicle Power Battery	Promote the sustainable development of the New Energy Vehicle Power Battery industry
July 2018	Three-Year Action Plan to Fight Air Pollution	Promote the use of new energy vehicles and set a target of 2020 for the sale and use of new energy vehicles
December 2018	Provisions on the Administration of Investments in the Automotive Industry	Accelerate the development and industrialization of new energy vehicles and key components, advanced manufacturing equipment, power battery recycling technology, auto parts remanufacturing technology and equipment

In 2019, there were four most important related incentive policies issued by the Chinese government:¹²⁴

Time	Incentive policy	Important information
January 2019	Notice on Issuing the Implementation Plan for Further Optimizing Supply to Promote the Stable Consumption Growth and Facilitating the Formation of a Strong Domestic Market	Continue to optimize the structure of new energy vehicle subsidies. Use more subsidies to support the sales of new energy vehicles with advanced comprehensive performance and encourage the development of new energy vehicles with high technology level
March 2019	Notice on Further Improvement of the Government Subsidies for Promotion and Application of New Energy Vehicles	New energy vehicle subsidies will be adjusted by releasing them in segments
June 2019	Notice on Issuing the Implementation Plan for Promoting the Upgrading of Key Consumer Goods and the Recycling of Resources	Accelerate the development and industrialization of a new generation of automotive power batteries, improve battery energy density and safety, and reduce battery costs
December 2019	Development plan for the new energy vehicle industry (2021-2035) (Draft for Comments)	Plan to reach about 25% of new vehicle sales of new energy vehicles by 2025

In 2020, there were nine primary incentive policies in total:¹²⁵

Time	Incentive policy	Important information
April 2020	Decision on Amending the Regulations for the Admission of New Energy Vehicle Manufacturers and	Lower the entry barrier for electric vehicle manufacturers

¹²⁴ “赣锋锂业:2019年年度报告_赣锋锂业(002460)_公告正文,” <https://data.eastmoney.com/notices/detail/002460/AN202004231378525032.html#>.

¹²⁵ “赣锋锂业:2020年年度报告_赣锋锂业(002460)_公告正文,” <https://data.eastmoney.com/notices/detail/002460/AN202103301478706270.html>.



	Products (Draft for Comments)	
April 2020	Announcement on Relevant Policies for the Exemption of Vehicle Acquisition Tax on New-energy Automobiles	From January 1, 2021 to December 31, 2022, the purchased electric vehicles are exempt from vehicle purchase tax
April 2020	Notice on Further Improving the Fiscal Subsidy Policies for the Promotion and Application of New Energy Vehicles	The implementation period of the fiscal subsidy policy for the promotion and application of electric vehicles will be extended to the end of 2022
May 2020	Announcement on Relevant Requirements for Adjustments to the Implementation of the China VI Emission Standard for Light-duty Vehicles	Since July 1, 2020, the nationwide implementation of the China VI emission Standard for light-duty vehicles, and the production of light-duty vehicles of China VI emission Standard is prohibited
June 2020	Measures for the Parallel Administration of the Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises	The electric vehicle credit ratio requirements for 2021-2023 are clearly defined, and the electric vehicle credit ratio requirements for 2019, 2020, 2021, 2022 and 2023 are increasing year by year
July 2020	Notice on New Energy Vehicle Activities in the Countryside	It is a temporary stimulus policy for six months, from July to December 2020; the funds required for the campaign will be borne by local governments and car companies.
July 2020	Decision on Amending the Regulations for the Admission of New Energy Vehicle Manufacturers and Products	The decision came into effect on September 1, 2020. The new entry regulations remove the requirement to apply for admission of new energy vehicle manufacturers in relation to “design and development capabilities”; remove the temporary provisions of the transition period for new energy vehicle manufacturers to apply for admission
October 2020	Development plan for the new energy vehicle industry (2021-2035)	Promote the establishment of a national unified market, and improves the concentration of the industry and market competitiveness. The Plan points out four key development directions, including encouraging the strengthening of international cooperation in the field of new energy vehicles and increasing policy support for the use of new energy vehicles in public services.
December 2020	Notice on Further Improving the Fiscal Subsidy Policies for the Promotion and Application of New Energy Vehicles	To accelerate the transformation and upgrading of the public transport industry, localities can continue to give subsidies for the purchase of new energy buses

In 2021, the government issued seven policies most relevant to the promotion of the



electric vehicles and battery industries, including:¹²⁶

Time	Incentive policy	Important information
February 2021	Guiding Opinions of the State Council on Accelerating the Establishment of a Sound Economic System with Green, Low-carbon and Circular Development	Promote green low-carbon means of transportation, and strengthen the construction of new energy vehicle charging and switching and other supporting infrastructure.
March 2021	2021 Industry and Information Technology Standards Work Points	Vigorously carry out R&D of the standards for electric vehicles and charging and switching systems, fuel cells; revise the system guidelines for electric vehicles, lithium-ion batteries and other industries
March 2021	Notice on Issuing the Implementation Plan for Accelerating the Cultivation of New Types of Consumption	To meet the demand for new energy vehicles, improve the configuration and layout of charging power supply, and increase the construction of charging piles (stations). Encourage charging pile operating companies to appropriately reduce charging service fees
March 2021	The 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China	Breakthrough in key technologies such as high-security power batteries for new energy vehicles
May 2021	Guidelines on Strengthening Environmental Protection in Pilot Free Trade Zones to Promote High-Quality Development.	Encourage the use of new energy vehicles for public transportation, and improve the construction and layout of charging infrastructure in parks
August 2021	Notice on Issuing the Measures for the Administration of the Cascade Utilization of Traction Batteries for New Energy Vehicles	Encourage cooperation among enterprises to efficiently recycle used power batteries for secondary use
October 2021	Guiding opinions of the five departments on further strengthening the Construction of Safety system in New Energy vehicle Enterprises (Draft for Comments)	In the case of recalls caused by product quality, the corresponding supplier should be re-evaluated in a timely manner.

So far, in 2022, there has been one most relevant incentive policy, but analysts are

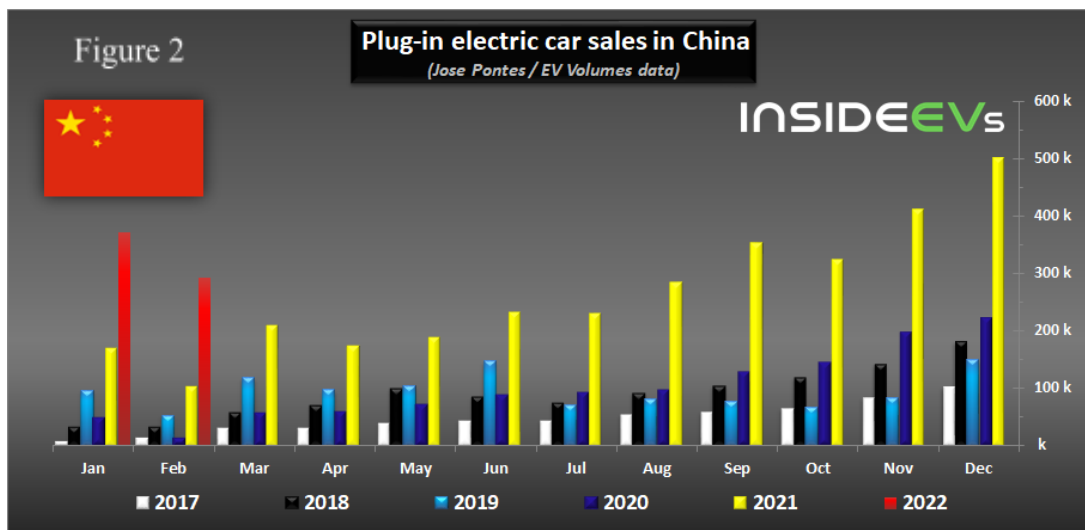
¹²⁶ Ganfeng Lithium, “江西赣锋锂业股份有限公司2021年年度报告,” March 31, 2022, https://pdf.dfcfw.com/pdf/H2_AN202203301556117545_1.pdf?1648676805000.pdf.

expecting to see more by the end of the year:¹²⁷

March 2022	Report on the Work of the Government 2022	Lithium resources are of strategic importance to correctly understand and grasp the security of supply of primary products for lithium batteries
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By analyzing these policies, we find that since the year 2017, the number of incentive policies issued every year has seen a stable growth, and in 2020 the number doubled. This might be due to the impact of the COVID-19 pandemic, and the country’s commitment to reach “carbon neutrality” before 2060.¹²⁸ In addition, since 2018, China has been adjusting and improving the government subsidies for promotion and application of new energy vehicles for three years, indicating that China has been accelerating its fiscal support for the development of the industry.

Encouraged by these incentive policies, China’s new energy vehicles and lithium battery industries are experiencing explosive growth. According to EV Volumes’ data shared by Jose Pontes, in February 2022, some 291,739 new passenger plug-in electric cars were registered in China, which is 176% more than a year ago. (Figure 22)¹²⁹



Backed and facilitated by these incentive policies from the Chinese government, Chinese lithium companies are seeking lithium resources in Latin America to secure lithium supply. However, that the government issues many

¹²⁷ “全国政协委员曾毓群：推动锂资源保供稳价，完善锂电池运输管理_王琳琳_财经_宋钰婷” https://www.sohu.com/a/526637281_114988.

¹²⁸ “An Energy Sector Roadmap to Carbon Neutrality in China – Analysis,” IEA, <https://www.iea.org/reports/an-energy-sector-roadmap-to-carbon-neutrality-in-china>.

¹²⁹ “China: Plug-In Electric Car Sales Almost Tripled In February 2022,” <https://insideevs.com/news/576396/china-plugin-car-sales-february2022/>.



incentive policies for the lithium sector could possibly result in a heavy reliance of this industry on such policies. So, if the relevant national policies are substantially adjusted or not effectively implemented in the future, they will have an adverse impact on the lithium industry.

China's presence in Latin America's lithium sector

Overview of Chinese companies and projects

Ganfeng Lithium Co.

Founded in a small town in Jiangxi Province in 2000, Ganfeng Lithium Co. has transformed from midstream lithium compounds and lithium metal manufacturer to an international leader in upstream (lithium resources development) and downstream (lithium battery manufacturing and comprehensive recycling of retired lithium batteries) integration in the lithium industry.¹³⁰ With a production capacity of over 40 types of lithium compounds and lithium metal products in five categories, the company is now one of the most complete manufacturers of lithium products.¹³¹ Ganfeng is not a state-owned company, but its senior executives, including the president Liangbin Li, have strong connections with the Chinese government.¹³²

The company has the world's largest lithium hydroxide production capacity. In 2021, the company had a 22% share of global lithium hydroxide capacity and produced 28% of the world's lithium hydroxide.¹³³ The company also ranks first in the lithium metal product capacity in the world.¹³⁴ These capacities provide Ganfeng a lot of advantages in the global lithium competition. The company has successfully entered the supply chain of overseas high-end customers such as Tesla, LG Chem, Volkswagen, and BMW.¹³⁵

In order to secure a stable and diversified source of lithium resources, since

¹³⁰ Ganfeng Lithium, “江西赣锋锂业股份有限公司2021年年度报告,” March 31, 2022, https://pdf.dfcfw.com/pdf/H2_AN202203301556117545_1.pdf?1648676805000.pdf.

¹³¹ Caitong Securities, “赣锋锂业(002460),” April 21, 2021, https://pdf.dfcfw.com/pdf/H3_AP202104231487324043_1.pdf.

¹³² “赣锋锂业(002460)公司高管_新浪财经_新浪网,” https://vip.stock.finance.sina.com.cn/corp/view/vCI_CorpManagerInfo.php?stockid=002460&Pcode=30061636&Name=%C0%EE%C1%BC%B1%F2.

¹³³ Ganfeng Lithium, “江西赣锋锂业股份有限公司2021年年度报告.”

¹³⁴ Ibid.

¹³⁵ Caitong Securities, “赣锋锂业(002460).”



2011, the company has been laying out lithium resources in the world. Through the mode of “shareholding + underwriting,”¹³⁶ the company has been able to master various types of lithium resources in Argentina, Mexico, Australia, Ireland, and places within China.¹³⁷ At present, the company’s raw material is mainly lithium pyroxene from Mt. Marion and Pilbara in Australia. Ganfeng also accounts for 24% of global output of lithium hydroxide.¹³⁸ However, the company is increasing the supply of lithium from brines and clay, mainly from its projects in Latin America. Ganfeng has three projects in Latin America that are still under construction. The three projects are Cauchari-Olaroz (Jujuy, Argentina), Mariana (Salta, Argentina), and Sonora (Sonora, Mexico). The company is producing lithium carbonate and lithium chloride in Argentine projects and lithium hydroxide in Mexico (See Table 1 and Table 2)

Table 1 Ganfeng Lithium projects in Latin America¹³⁹

Project	Location	Ownership	Plan
Cauchari-Olaroz	Jujuy, Argentina	44.8% Lithium Americas; 46.7% Ganfeng Lithium; 8.5% Jujuy Energía y Minería. Sociedad Del Estado (JEMSE)	Phase I: capacity of 40,000 tons of lithium carbonate; Phase II: expansion capacity of not less than 20,000 tons of lithium carbonate equivalent
Mariana	Salar de Llullaillaco, Salta, Argentina	100% Ganfeng Lithium	Phase I: capacity of 20,000 tons of lithium chloride
Sonora	Bacadehuachi, Sonora, Mexico	50% Ganfeng Lithium, 50% Bacanora (Ganfeng 90% ownership)	Phase I: capacity of 50,000 tons of lithium hydroxide

Table 2 Ganfeng Lithium subsidiaries in Latin America¹⁴⁰

¹³⁶ Ibid.

¹³⁷ Ganfeng Lithium, “江西赣锋锂业股份有限公司2021年年度报告.”

¹³⁸ Chang Che, “Ganfeng Lithium’s Global Expansion Continues,” SupChina, December 8, 2021, <https://supchina.com/2021/12/08/ganfeng-lithiums-global-expansion-continues/>.

¹³⁹ Ganfeng Lithium, “江西赣锋锂业股份有限公司2021年年度报告.”

¹⁴⁰ Ibid.



Name	Operation location	Business	Shareholding	Method
Minera Exar	Argentina	Lithium Development	46.67%	Acquisition
Litio Minera Argentina S.A.	Argentina	Salt Lake Resource Exploration	88.75%	Merger
Ganfeng Litio Argentina S.A.	Argentina	Salt Lake Resource Exploration	100.00%	Establishment
Bacanora Lithium Plc	Mexico	Lithium Development	86.88%	Acquisition
Sonora Lithium Ltd	Mexico	Lithium Development	93.44%	Acquisition

In Argentina, Ganfeng, Lithium Americas and JESME created a joint venture called Minera Exar. Its Shareholders Committee is composed of two representatives of Lithium Americas, three representatives of Ganfeng, and one representative of JEMSE.¹⁴¹ The board of directors of Exar Capital B.V., a Netherlands-based financing company for the Caucharí-Olaroz project, is composed of one representative of Lithium Americas, two representatives of Ganfeng, and three independent directors.¹⁴² Ganfeng owns 51% of Exar Capital, while Lithium Americas owns 49% of the company.¹⁴³ Ganfeng receives 51% of the Cauharí-Olaroz project's output, while Lithium Americas receives the remaining 49%.¹⁴⁴ Ganfeng owns approximately 11% of Lithium Americas' shares.¹⁴⁵ This 11% stake in Lithium Americas allows Ganfeng to have one nominee on the company's board of directors.¹⁴⁶ Ganfeng's current representative on this board of directors is Xiaoshen Wang, who is the Vice Chairman and Executive Vice President of Ganfeng. Lithium Americas has taken measures to avoid potential conflicts of interests for all

¹⁴¹ "Annual Information Form," 59.

¹⁴² Ibid.

¹⁴³ "Condensed Consolidated Interim Financial Statements for the Three Months Ended March 31, 2022" (Lithium Americas, 2022), 9.

¹⁴⁴ "Condensed Consolidated Interim Financial Statements for the Three Months Ended March 31, 2022," 6.

¹⁴⁵ "Annual Information Form," 80.

¹⁴⁶ Ibid.



its board members. For example, the company established a committee of independent directors to review all deals relating to potential conflicts of interests and hired a counsel to advise this committee.¹⁴⁷ Ganfeng's maneuver to place one of its own executives on the board of a company that it currently cooperates with epitomizes a larger pattern by Chinese companies. According to a lithium expert, China's investment philosophy is "long-term, geopolitical, and philosophical. Chinese companies are more willing to take risks, and they have a more forward-thinking vision for the lithium industry: their refining, capital, and battery capacity led to worldwide acquisitions before others got involved."¹⁴⁸

In Mexico, the future seems uncertain for Ganfeng. As we mentioned, the Senate passed a bill to nationalize lithium mining and extraction. Although the government has no experience in mining lithium, it is planning to establish a state-owned company that has exclusive rights in lithium mining in the country.¹⁴⁹ The Mexican president also indicates that the government will review specifically those contracts with Ganfeng Lithium to check whether the company has complied with requirements to mine.¹⁵⁰ This will pose great risk to Ganfeng's operation in Sonora.

Regarding Ganfeng's negotiating style, an interviewee indicates that Ganfeng's CEO excelled in making deals with everyone, which allowed the company to become a major producer without having resources.¹⁵¹ Many other companies saw these deals as too risky.¹⁵² Although it is a top lithium company, Ganfeng does not have the international skill that other Chinese companies have.¹⁵³ For example, Ganfeng has never built a mine and never significantly invested in the development of raw material assets.¹⁵⁴ Its tremendous ability to process lithium into other chemicals, however, has sufficiently driven its dominance.¹⁵⁵ The lack of extraction capabilities

¹⁴⁷ Ibid.

¹⁴⁸ Subject 6, Searching for White Gold: China's Quest for Latin America's Lithium.

¹⁴⁹ "Mexican Senate Approves Nationalization of Lithium Mining," US News & World Report, [//www.usnews.com/news/business/articles/2022-04-19/mexican-senate-approves-nationalization-of-lithium-mining](https://www.usnews.com/news/business/articles/2022-04-19/mexican-senate-approves-nationalization-of-lithium-mining).

¹⁵⁰ "Mexico Nationalizes Lithium, Plans Review of Contracts," *Financial Post*, April 19, 2022, <https://financialpost.com/pmn/business-pmn/mexico-nationalizes-lithium-plans-review-of-contracts>.

¹⁵¹ Subject 5.

¹⁵² Subject 5.

¹⁵³ Subject 5, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

¹⁵⁴ Subject 5.

¹⁵⁵ Subject 5.



has forced Ganfeng to cooperate with other companies, such as Lithium Americas, to account for the whole value chain.

Contemporary Amperex Technology Co. Limited (CATL)

CATL is a leading global new energy innovation technology company focusing on the development, production, and sales of new energy vehicle power battery systems and energy storage systems.¹⁵⁶ According to the company's 2020 annual report, it has ranked first in power battery usage for four consecutive years in the world, occupying 50% of the total installed market share of domestic power batteries.¹⁵⁷ CATL supplies batteries to almost all of the global automakers, including Tesla, BMW, G.M. and Volkswagen.¹⁵⁸ Although CATL is not a state-owned company, it has investors with connections to Beijing, and Beijing's policy encouraging Chinese automakers to only use domestic batteries has benefited CATL greatly.¹⁵⁹

As one of the biggest lithium-ion battery manufacturers, CATL also has participated in the global quest for lithium in order to expand its supply chain vertically and to secure a long-term supply of lithium. However, because of the fierce competition in Latin America's lithium industry, CATL has not been able to secure any deals in the region (See Appendix: Box 1).

BYD

BYD was founded in Shenzhen in 1995. It started out as a battery making company and, in 2003, it entered the automobile industry. Leveraging its strength as a battery maker, BYD has become a conglomerate spanning multiple fields, including automobiles, batteries, IT, and semiconductors. The company is now one of the most important manufacturers of rechargeable batteries, and it supplies batteries for international companies, such as Samsung, Dell, Ecovacs Robotics, and iRobot.¹⁶⁰

¹⁵⁶ 宁德时代, “宁德时代新能源科技股份有限公司2021年半年度报告,” August 2021, <http://static.cninfo.com.cn/finalpage/2021-08-26/1210861690.PDF>.

¹⁵⁷ 宁德时代, “宁德时代新能源科技股份有限公司 2020 年年度报告,” April 2021, https://www.catl.com/uploads/1/file/public/202104/20210430094928_4n1av8qek4.pdf.

¹⁵⁸ “How China's CATL Became the Top Electric Car Battery Maker - The New York Times,” https://www.nytimes.com/2021/12/22/business/china-catl-electric-car-batteries.html?_ga=2.34677028.428729184.1650566343-881432553.1631497845.

¹⁵⁹ Ibid.

¹⁶⁰ BYD, “比亚迪股份有限公司 2021 年半年度报告,” August 2021, <http://static.cninfo.com.cn/finalpage/2021-08-28/1210897778.PDF>.



Like many other Chinese companies, BYD also has participated in the global quest for lithium resources. However, BYD has not been able to secure any deals in Latin America's lithium sector. However, the main reason behind this is not because of the fierce competition, but because of the changing political and social environment in Chile. On January 13, 2022, Chile's Ministry of Mining awarded BYD a contract to extract about 80,000 tons of metallic lithium. BYD bid \$61 million for this contract.¹⁶¹

However, on January 14, Chile announced its decision to suspend the bidding, on the grounds that the bidding process was in doubt.¹⁶² The governor of Copiapo and indigenous communities believed that the bidding violates the principles of environmental protection and economic development.¹⁶³

Tianqi Lithium Corporation

Tianqi Lithium Corporation (Tianqi) is a globally established lithium company. Tianqi, which wields its own technological expertise in the production of basic lithium chemicals, does not directly own any lithium project in Latin America.¹⁶⁴ Rather, it holds shares in SQM, a Chilean lithium company and fellow industry leader. Only Albemarle and SQM are permitted to operate in Chile's Salar de Atacama.¹⁶⁵ Through its own means as well as its subsidiary Inversiones TLC SpA, Tianqi owns 23.75% of all SQM shares as of December 31, 2021.¹⁶⁶ The most recent significant change of ownership in SQM occurred in 2018, when Inversiones TLC SpA bought all of the Serie A shares belonging to Nutrien Ltd, a Canada-based company.¹⁶⁷ Tianqi is unable to expand its access directly to Chile's Salar de

¹⁶¹ "China's BYD Wins Chile Lithium Extraction Contract - BYD USA," *Https://En.Byd.Com/* (blog), <https://en.byd.com/news/chinas-byd-wins-chile-lithium-extraction-contract/>.

¹⁶² "Chilean Court Suspends BYD's Lithium Extraction Contract," *Pandaily* (blog), January 19, 2022, <https://pandaily.com/chilean-court-suspends-byds-lithium-extraction-contract/>.

¹⁶³ *Ibid.*

¹⁶⁴ "Sociedad Química y Minera de Chile S.A. Annual Report 2020," 23.

¹⁶⁵ Subject 3, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

¹⁶⁶ "Consolidated Financial Statements as of December 31, 2021: Sociedad Química y Minera de Chile S.A. and Subsidiaries" (Sociedad Química y Minera de Chile S.A.), 13, https://s25.q4cdn.com/757756353/files/doc_financials/2021/q4/Financial-Statements_4Q2021_English.pdf.

¹⁶⁷ "Sociedad Química y Minera de Chile S.A. Annual Report 2020" (Sociedad Química y Minera de Chile S.A.), 80, [https://s25.q4cdn.com/757756353/files/doc_financials/2020/ar/Memoria-Anual-2020_eng_final-\(1\).pdf](https://s25.q4cdn.com/757756353/files/doc_financials/2020/ar/Memoria-Anual-2020_eng_final-(1).pdf).



Atacama. Tianqi's shareholdings in SQM have nonetheless raised concerns within the lithium sector. SQM itself has noted that Tianqi's status as a shareholder "could result in risks to free competition."¹⁶⁸ Due to the number of shares it owns, Tianqi is permitted to select up to three members of SQM's Board of Directors.¹⁶⁹ Since Chilean law forbids companies from denying their directors any information, Tianqi has strategically positioned itself to receive any information about SQM that it deems important.¹⁷⁰ SQM's concerns over Tianqi's competitive advantages through this arrangement led to government action in 2018, when Tianqi agreed to an extrajudicial settlement with Chile's antitrust regulator, the *Fiscalía Nacional Económica*, to maintain "competitive conditions" in the lithium market, to mitigate risks described in the agreement, and to limit Tianqi's access to "sensitive information" regarding SQM and its subsidiaries.¹⁷¹ Other measures included in this agreement barred Tianqi from appointing any of its own executives to the board.¹⁷² SQM, however, remains dissatisfied by the terms of the agreement, arguing that the terms do not effectively mitigate the identified risks, which in turn diminish competitiveness in the lithium market and potentially violate the Chilean Corporations Act.¹⁷³ While Tianqi has made a strategic investment in SQM to enter the Chilean lithium market, according to our expert, Tianqi originally sought a larger investment in SQM but struggled with other debt issues.¹⁷⁴

As negotiated between SQM and Corfo on behalf of the Chilean government, SQM owns mineral exploitation rights to the Salar de Atacama until 2030.¹⁷⁵ Currently, all of Chile's Li exploitation is produced by SQM and Albemarle.¹⁷⁶ SQM will seek to extend its own lease beyond 2030.¹⁷⁷ Different scenarios arise for Tianqi through the future of this agreement. Should SQM eventually lose its rights to the Salar de Atacama, Tianqi would need to reconsider the usefulness of its investment in

¹⁶⁸ "Sociedad Química y Minera de Chile S.A. Annual Report 2020," 63.

¹⁶⁹ Ibid.

¹⁷⁰ Ibid.

¹⁷¹ "Sociedad Química y Minera de Chile S.A. Annual Report 2020," 63.

¹⁷² "Sociedad Química y Minera de Chile S.A. Annual Report 2020," 81.

¹⁷³ "Sociedad Química y Minera de Chile S.A. Annual Report 2020," 63.

¹⁷⁴ Subject 5, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

¹⁷⁵ "Sociedad Química y Minera de Chile S.A. Annual Report 2021" (Sociedad Química y Minera de Chile S.A.),

52, https://s25.q4cdn.com/757756353/files/doc_financials/2021/ar/Memoria-Anual-2021_eng.pdf.

¹⁷⁶ Subject 3, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao, 2022, 3.

¹⁷⁷ "Sociedad Química y Minera de Chile S.A. Annual Report 2021," 52.



SQM and could potentially sell its shares in the company. At the same time, a potential failure by SQM to extend its lease could open an opportunity to Tianqi to negotiate its own agreement for the rights to the Salar de Atacama. Should lithium continue to be vital to the clean energy transition, Tianqi may thus be presented with an opportunity to secure a more direct access to the Salar de Atacama. The election of Gabriel Boric and the ongoing constitutional convention in Chile have drawn concerns over the potential nationalization of lithium in Chile. However, expert opinions suggest that the nationalization of lithium is unlikely. “Lithium is under so much technological and innovation pressure to be replaced by other technologies that to put another problem and make it state-owned would be killing the subject for me.”¹⁷⁸ Due to the Chilean government’s strategic view of lithium, companies have restrictions in the way they develop the resource: production quotas and close cooperation with the government are common features.¹⁷⁹ Chile, however, has begun considering lowering production quotas after companies complained over restrictions.¹⁸⁰

Based on expert opinions, the most likely outcome for lithium in Chile will be the creation of a state-owned lithium company that would form joint ventures with the private sector, which has already been discussed in the constitutional convention.¹⁸¹ In Chile's constitutional convention, the new government talked about a state-owned company.¹⁸² Since the Chilean government lacks the technology to produce lithium on its own, options arise for companies willing to do business with the government, such as Tianqi. Lithium companies already view Chile as a difficult place to invest, and the prospect of having to work with a state-owned lithium company could further deter investment.¹⁸³ Such a scenario is how Chinese companies in Latin America’s lithium sector thrive. “The Chinese have proven to be more flexible to those undertakings.”¹⁸⁴ Tianqi’s presence in SQM provides it with the best opportunity aside from Albemarle and SQM to compete in a Chilean lithium sector that seeks new ties through its state-owned company. The Chilean government has not finalized any

¹⁷⁸ Subject 3, Searching for White Gold: China’s Quest for Latin America’s Lithium, 3.

¹⁷⁹ Subject 7, Searching for White Gold: China’s Quest for Latin America’s Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

¹⁸⁰ Ibid.

¹⁸¹ Subject 7, Searching for White Gold: China’s Quest for Latin America’s Lithium.

¹⁸² Subject 3, Searching for White Gold: China’s Quest for Latin America’s Lithium.

¹⁸³ Subject 6, Searching for White Gold: China’s Quest for Latin America’s Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

¹⁸⁴ Subject 4, Searching for White Gold: China’s Quest for Latin America’s Lithium.



major decision regarding the future of lithium, but Tianqi's planning may lead to significant success under such conditions.

Zijin Mining Group Co., Ltd.

Zijin Mining Group Co., Ltd. (Zijin) is a Chinese mining company with global presence and a market capitalization of roughly \$40 billion.¹⁸⁵ On January 26th, 2022, through its subsidiary 2872122 Ontario Limited, Zijin bought Neo Lithium Corp., a Canadian company that had ownership of the highly coveted Tres Quebradas (3Q) lithium project in Argentina's Province of Catamarca. 3Q is measured to have 1.3 million tons of proven and probable lithium carbonate equivalent reserves.¹⁸⁶ The project also holds favorable permits, such as the right to mine in an area covering 350km² for 99 years; a 30-year tax stability guarantee with the federal government; and an agreement with the Province of Catamarca to build a plant on government land.¹⁸⁷ Overall, Zijin's acquisition of Neo Lithium serves not only as a testament to the company's expertise in making high-stakes deals but also as an example of competition between two Chinese lithium companies.

On September 14th, 2020, Neo Lithium announced that CATL had acquired an 8% stake in the company.¹⁸⁸ The transaction, which was worth \$6.5 million, made CATL the third-largest shareholder in Neo Lithium.¹⁸⁹ As part of the acquisition, Neo Lithium agreed to "nominate and support" one director from CATL for election to its own board of directors.¹⁹⁰ CATL sought Neo Lithium's 3Q project, and Neo Lithium viewed CATL as a strategic, financially able, and operationally experienced partner in developing the project that could increase global opportunities for Neo Lithium.¹⁹¹ Nonetheless, Neo Lithium continued to explore other potential offers for its 3Q

¹⁸⁵ "Neo Lithium Corp. Announces Closing of Plan of Arrangement with Zijin Mining Group Co., Ltd." (Neo Lithium Corp., January 26, 2022), https://neolithium.ca/news-detail.php?id_news=87.

¹⁸⁶ "The 3Q Project," Neo Lithium Corp., accessed May 6, 2022, <https://neolithium.ca/project.php>.

¹⁸⁷ Ibid.

¹⁸⁸ "Notice and Management Information Circular for the Special Meeting of Shareholders to Be Held on December 10, 2021" (Neo Lithium Corp., November 8, 2021), 24, <https://neolithium.ca/zijin-materials/Notice-of-Meeting-and-Information-Circular.pdf>.

¹⁸⁹ "CATL to Invest in Neo Lithium, Help Develop Argentina Mine" (Neo Lithium Corp., September 14, 2020), https://neolithium.ca/news-detail.php?id_news=56.

¹⁹⁰ "Notice and Management Information Circular for the Special Meeting of Shareholders to Be Held on December 10, 2021," 25.

¹⁹¹ "Notice and Management Information Circular for the Special Meeting of Shareholders to Be Held on December 10, 2021," 25.



project, amongst them an offer from Zijin to acquire the whole company.¹⁹² Neo Lithium viewed Zijin's successful history of completing transactions for other Canadian assets as "a significant factor" regarding credibility and execution risk.¹⁹³ From Neo Lithium's perspective, the offer from Zijin was the most lucrative option, and Zijin had also impressed Neo Lithium's board with its "pace of execution," especially in terms of diligence, transaction documents, and advisor engagement.¹⁹⁴ While Neo Lithium valued CATL's early involvement and potential in the company, CATL lacked the exposure and trust that Zijin had established in Canada.¹⁹⁵ Such factors reflect the difficulties which many companies encounter in an already congested field of competition.

TBEA Co., Ltd.

TBEA Co., Ltd. is a Chinese manufacturing company that has attempted to establish a presence in Bolivia's lithium industry, mainly in the Salar de Coipasa in Oruro and the Salar de Pastos Grandes in Potosí.¹⁹⁶ It is notable that TBEA is not present in Bolivia's Salar de Uyuni. In August 2019, TBEA entered into an agreement with Yacimientos de Litio Bolivianos to form a joint venture at the two salt flats.¹⁹⁷ However, the projects never developed, as political tensions led to cancellations of the contracts.¹⁹⁸ The Chinese government has sought to lobby the Bolivian government to reinvigorate these projects between YLB and TBEA, but no final decision has yet to be made.¹⁹⁹ Meanwhile, China's government representatives in Bolivia continue to tout companies' capabilities to help these companies secure contracts in an infamously challenging business environment.

¹⁹² "Notice and Management Information Circular for the Special Meeting of Shareholders to Be Held on December 10, 2021," 26.

¹⁹³ "Notice and Management Information Circular for the Special Meeting of Shareholders to Be Held on December 10, 2021," 27.

¹⁹⁴ "Notice and Management Information Circular for the Special Meeting of Shareholders to Be Held on December 10, 2021," 28.

¹⁹⁵ Subject 5, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

¹⁹⁶ "Bolivia, with Huge Untapped Reserves, Gears up for Soaring Lithium Demand," France 24, September 15, 2019, <https://www.france24.com/en/20190915-bolivia-with-huge-untapped-reserves-gears-up-for-soaring-lithium-demand>.

¹⁹⁷ "China busca retomar negociaciones con Bolivia para acelerar la industrialización del litio," Bolivia.com, July 4, 2021, <https://www.bolivia.com/actualidad/economia/china-busca-retomar-negociaciones-con-bolivia-312358>.

¹⁹⁸ "China busca retomar negociaciones con Bolivia para acelerar la industrialización del litio."

¹⁹⁹ "China busca retomar negociaciones con Bolivia para acelerar la industrialización del litio."



Tsingshan Holding Group

Tsingshan Holding Group is a globally renowned steel corporation based in China. In November 2021, Tsingshan partnered with Eramet, a French mining company, for the construction of a lithium project in Argentina's Province of Salta.²⁰⁰ Eramet owns 50.1% of the project and is responsible for managing it from an operational standpoint.²⁰¹ Tsingshan owns 49.9% of the project and is responsible for the construction's financing.²⁰² While Tsingshan already possesses high-quality capabilities in extracting and processing other metals, partnering with Eramet guarantees it access to a supply of lithium that is traditionally more difficult to extract.²⁰³ Tsingshan's involvement in this lithium project allows it to bypass any potential difficulties by relying on the expertise of the French company, as Tsingshan is relatively new to the lithium sector.

Comparative Analysis

Other actors

(1) The US

Albemarle is an American "global specialty chemicals company with leading positions in lithium, bromine and refining catalysts." In Chile, Albemarle not only produces lithium brine and potash at the Salar de Atacama but also then produces technical and battery-grade lithium carbonate and lithium chloride, signifying comprehensive capabilities throughout the value chain.²⁰⁴ Albemarle has access to 323,000 metric tons of lithium reserves in the Salar de Atacama, and the combined value of Albemarle's assets in Chile is worth \$941.9 million.²⁰⁵ As a globally active lithium company, Albemarle competes with other prominent corporations, such as

²⁰⁰ "2021 Integrated Report," 16.

²⁰¹ "2021 Integrated Report," 16.

²⁰² "2021 Integrated Report," 29.

²⁰³ Mai Nguyen and Tom Daly, "After Shaking up Nickel, China's Tsingshan Sets Sights on Lithium," *Reuters*, November 26, 2021, sec. Commodities, <https://www.reuters.com/markets/commodities/after-shaking-up-nickel-chinas-tsingshan-sets-sights-lithium-2021-11-26/>.

²⁰⁴ Albemarle Corporation, "2021 Annual Report" (Albemarle Corporation), 24, <https://investors.albemarle.com/static-files/b40d108d-3237-4ecf-9860-71379b89ce19>.

²⁰⁵ Albemarle Corporation, "2021 Annual Report" (Albemarle Corporation), 35, <https://investors.albemarle.com/static-files/b40d108d-3237-4ecf-9860-71379b89ce19>.



Tianqi, Ganfeng, SQM, and Livent Corporation.²⁰⁶ **Together, these corporations account for slightly more than “50% of the global refined lithium production as measured by lithium carbonate equivalent” (LCE).**²⁰⁷

Livent Corporation (Livent) is an American lithium company. Livent, through its local subsidiary Minera de Altiplano SA (MdA), has operated at the Salar del Hombre Muerto in Argentina since 1998.²⁰⁸ In Argentina, Livent also owns manufacturing plants in Fénix to produce lithium carbonate and in Güemes to produce lithium hydroxide.²⁰⁹ Livent has long-term mineral rights to the Salar del Hombre Muerto, which holds the most strategic significance for Livent in terms of access to lithium.²¹⁰ Sensing the increasing demand for lithium, Livent intends to raise its production capacity of lithium carbonate from 40,000 metric tons to 60,000 metric tons by the end of 2025.²¹¹

(2) Canada

Lithium Americas is a Canada-based company with lithium projects in the United States and Argentina.²¹² In Argentina, Lithium Americas is involved in two lithium projects: Cauchari-Olaroz and Pastos Grandes.²¹³ The Cauchari-Olaroz project is located in Jujuy.²¹⁴ The project produces conventional brine that is then processed into 40,000 tons of lithium carbonate per year.²¹⁵ Phase 2 of the project is expected to add an additional capacity of 20,000 tons of lithium carbonate per year.²¹⁶ So far, the project has received \$741 million in investments and is expected to have a lifespan of 40 years.²¹⁷ The project is officially owned by Minera Exar, which is incorporated under Argentine law.²¹⁸ Lithium Americas owns a 44.8% stake in Minera Exar, while Ganfeng owns a 46.7% stake and JEMSE owns an 8.5% stake.²¹⁹ According to the

²⁰⁶ Ibid.

²⁰⁷ Livent Corporation, 10.

²⁰⁸ Livent Corporation, “Annual Report” (Livent Corporation), 13, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001742924/f50188b0-9685-4648-8c6c-5243f2642c70.pdf>.

²⁰⁹ Livent Corporation, 12.

²¹⁰ Livent Corporation, 38.

²¹¹ Livent Corporation, 7.

²¹² “About,” Lithium Americas, <https://www.lithiumamericas.com/>.

²¹³ Ibid.

²¹⁴ “Cauchari-Olaroz,” Lithium Americas, <https://www.lithiumamericas.com/>.

²¹⁵ Ibid.

²¹⁶ Ibid.

²¹⁷ Ibid.

²¹⁸ “Annual Information Form,” 10.

²¹⁹ Ibid.



Amended Shareholders Agreement, Ganfeng and Lithium Americas must reach “a joint approval for various significant business decisions regarding this project.”²²⁰

However, Ganfeng, due to being the largest shareholder of Minera Exar, can potentially make decisions that Lithium Americas may disagree with or even “materially adversely affect” Lithium Americas.²²¹

Lithium Americas owns 100% of the Pastos Grandes project, which is located in the Province of Salta.²²² The conventional brine that is extracted from this project can be processed into 24,000 tons of lithium carbonate per year.²²³ The project has received \$448.2 million in investments and is expected to have a lifespan of 40 years.²²⁴

(3) South Korea

POSCO is a Korean mineral production company known best for its steelmaking. Over the past decade, POSCO has increased its capacities in the extraction and development of lithium, working closely with LG Chem and Samsung SDI on battery production.²²⁵ LG and Samsung’s high demands for lithium have provided POSCO with the incentive to secure reliable access to the lithium supply chain. POSCO first invested in lithium extraction technology in 2010 and began operating its pilot plant in 2017 in Korea.²²⁶ This pilot plant can produce approximately 2,500 tons of lithium per year.²²⁷ In 2018, POSCO Argentina, a newly established subsidiary, set up its Sal de Oro project in the Salar del Hombre Muerto in Argentina.²²⁸ POSCO Argentina is scheduled to begin operating its commercial plant at this Salar by 2023, granting LG, Samsung, and itself even more access to lithium products.²²⁹

²²⁰ “Annual Information Form,” 59.

²²¹ “Annual Information Form,” 65.

²²² “Pastos Grandes,” Lithium Americas, <https://www.lithiumamericas.com/>.

²²³ *Ibid.*

²²⁴ *Ibid.*

²²⁵ “POSCO Opens Its First Lithium Production Plant for Battery Manufacturing,” <https://newsroom.posco.com/en/koreas-first-lithium-production-plant/>.

²²⁶ “POSCO Opens Its First Lithium Production Plant for Battery Manufacturing,” <https://newsroom.posco.com/en/koreas-first-lithium-production-plant/>.

²²⁷ “POSCO Opens Its First Lithium Production Plant for Battery Manufacturing,” <https://newsroom.posco.com/en/koreas-first-lithium-production-plant/>.

²²⁸ Posco Argentina, “About us | Posco Argentina - Mining company in Salta, Argentina,” <http://www.poscoargentina.com/en/about-us>.

²²⁹ Posco Argentina, “About us.”



(4) Japan

Toyota Tsusho Corporation (TTC), a subsidiary of Toyota Motor Corporation, spearheads Japan's presence in Latin America's lithium industry. While Toyota Motor Corporation itself does not extract lithium due to a lack of technological expertise, the growing transition to electric vehicles has attracted the automaking giant to Latin America's lithium. In 2010, the already rising demand for lithium carbonate was measured at 116,000 tons, with 25,100 tons of the total demand being attributed to battery production.²³⁰ Driven by this rising demand in the lithium industry, TTC partnered with Allkem, a global lithium supplier based in Australia, to secure access along the lithium supply chain. TTC, Allkem, and JEMSE co-own the Salar de Olaroz lithium project, with TTC owning 27.32% of the Salar and 25% of Sales de Jujuy S.A., the local operating company.²³¹ In order to acquire the 25% stake, which acts as an equity stake in Allkem's Olaroz Project, TTC was required to arrange a government-guaranteed debt finance.²³² Furthermore, TTC owns a 15% equity stake in Allkem.²³³ TTC lacks the technological expertise necessary to mine the lithium. TTC has therefore positioned itself through capital investment and ownership to act as the exclusive sales agent for Sales de Jujuy, while TTC and Allkem share decision making responsibilities over marketing, product allocation, and terms.²³⁴ Toyota's case is unique in that an automaker interested in EVs, rather than the longstanding presence of an extractive company, is actively leading Japan's growing interest in the lithium supply chain. With the Olaroz project currently in

²³⁰ John Houston and Mike Gunn, "Technical Report on the Salar de Olaroz Lithium-Potash Project," Allkem, May 13, 2011, 4, <https://www.datocms-assets.com/53992/1638502965-31jan122011-may-ni43-101-olaroz.pdf>.

²³¹ "Orocobre 2019 Annual Report" (Orocobre, 2019), 18, <https://www.orocobre.com/wp/?mdocs-file=5938#page=18>.

²³² Houston and Gunn, "Technical Report on the Salar de Olaroz Lithium-Potash Project," 6.

²³³ "Orocobre 2019 Annual Report," 18.

²³⁴ Ibid.



Stage 2 of development, the Olaroz Lithium Facility is expected to reach a capacity of 42,500 tons per annum “to meet soaring global demand.”²³⁵ Since 2018, Japan-based Mizuho Bank has provided financial backing for the project.²³⁶ Once Stage 2 of the Olaroz project is completed, a new guarantee will be made by the Japan Oil, Gas and Metals National Corporation for future financing.²³⁷ Japan’s financial and energy industries have provided key support to Toyota’s ambitions in securing stable access to lithium.

(5) The European Union

Germany

ACI Systems Alemania GmbH (ACISA) is a subsidiary of Germany’s ACI group with experience in Bolivia’s lithium industry. In 2018, Bolivia’s state-owned Yacimientos de Litio Bolivianos (YLB) chose ACISA as its strategic partner for the extraction and industrialization of lithium from residual brine in the Salar de Uyuni, which is the world’s largest lithium deposit and holds a potential 21 million tons of the mineral.²³⁸ The high levels of magnesium found in these brines make the extraction of lithium difficult; however, through cooperation with another German industrial salts and minerals company by the name of K-UTEC, ACISA was able to develop a new technology that could extract “high-quality lithium hydroxide directly from the lithium brine” without requiring extra water and without significantly raising the cost of operation. These high levels of magnesium had traditionally served as a deterrent for companies seeking to gain access to the Salar de Uyuni.²³⁹ ACISA’s ability to develop such a technology reflects not only its advanced capabilities but also its ability to win a contract in an environment that is highly competitive and often unwelcoming for investors. On December 12th of the same year, YLB and ACISA

²³⁵ “Olaroz Resource Upgraded 2.5x to 16.2 Million Tonnes LCE. Confirmation of Strong Project Economics for Olaroz Stage 2” (Allkem, April 4, 2022), 1, <https://www.allkem.co/investors/asx-announcements>.

²³⁶ “Orocobre 2019 Annual Report,” 20.

²³⁷ Ibid.

²³⁸ ACI Systems Alemania GmbH, “Lithium” (ACI Systems Alemania GmbH, August 1, 2019), <https://www.acisa.de/en/lithium/>.

²³⁹ Subject 6, *Searching for White Gold: China’s Quest for Latin America’s Lithium*, interview by Kiano Emami and Yuetong Zhao.



established their joint venture YLB ACISA E.M., with the Bolivian government retaining a 51% stake in the new company.²⁴⁰ The duration of this joint venture was to be 70 years, with production beginning in 2022. Backed by an investment of 300 million euros, the German company sought to produce 35,000-40,000 tons of lithium hydroxide per year.²⁴¹ ACISA brought to Bolivia technological expertise and a commitment to lithium development along the entire supply chain, from lithium extraction to battery production.²⁴² On November 4th, 2019, however, the Bolivian government under Evo Morales repealed Decree 3738, which comprised the legal agreements between ACISA and YLB.²⁴³ ACISA's projects were halted shortly afterward. As of January 24th, 2021, ACISA is engaging the Bolivian government in talks to "revitalize" the joint venture company.²⁴⁴

Resource nationalism and struggles between the national government and local communities in Bolivia's domestic politics will pose a challenge for lithium companies when seeking to secure deals in Bolivia. After widespread protests over the deal between YLB and ACISA, Morales nullified the contract a week before he fled Bolivia.²⁴⁵ Marco Pumari, a politician who led the protests against this contract in Potosí, demanded a tripling of royalties for Potosí Province and more opportunities for the local communities to be involved in the ownership of lithium companies.²⁴⁶ Although the deal between YLB and ACISA is still being renegotiated, Morales' renegeing on the first deal has likely driven most investors away. At this point, "unless China does it, investors do not want to go there. Too much money is required for direct lithium extraction in that mine."²⁴⁷ Furthermore, according to the Fraser Institute's 2021 Annual Survey of Mining Companies, 44% of companies identified

²⁴⁰ ACI Systems Alemania GmbH, "Company" (ACI Systems Alemania GmbH, July 21, 2021), <https://www.acisa.de/en/company/>.

²⁴¹ ACI Systems Alemania GmbH, "Lithium."

²⁴² Ibid,

²⁴³ ACI Systems Alemania GmbH, "Statement of ACI Systems Alemania GmbH on the ACISA Project in Bolivia." (ACI Systems Alemania GmbH, November 6, 2019), <https://www.acisa.de/en/news/detail/statement-of-aci-systems-alemania-gmbh-on-the-acisa-project-in-bolivia/>.

²⁴⁴ ACI Systems Alemania GmbH, "Bolivia and ACISA Have Resumed Talks." (ACI Systems Alemania GmbH, November 6, 2019), <https://www.acisa.de/news/detail/bolivia-and-acisa-have-resumed-talks/>.

²⁴⁵ Clifford Krauss and Meridith Kohut, "Green-Energy Race Draws an American Underdog to Bolivia's Lithium," *The New York Times*, December 16, 2021, sec. Business, <https://www.nytimes.com/2021/12/16/business/energy-environment/bolivia-lithium-electric-cars.html>.

²⁴⁶ Krauss and Kohut.

²⁴⁷ Subject 6, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.



Bolivia's taxation regimes to be a strong deterrent to investment, while 13% identified the taxation regime as a factor for not investing in Bolivia altogether.²⁴⁸ Due to this current mix of deterrents, a lithium project that can advance in construction and produce 20,000 tons of lithium carbonate equivalent is unlikely to be in place before 2030.²⁴⁹

France

Eramet is a French mining company that has also expanded into the lithium industry to position itself as a "key player in the energy transition."²⁵⁰ In 2014, Eramet was granted mining and concession rights to the Centenario-Ratonos Salt Flats in Argentina's Province of Salta.²⁵¹ In 2019, Eramet received an operational permit to begin work.²⁵² Thus, Eramine Sudamerica, Eramet's Argentina-based subsidiary, was established to control the Centenario project.²⁵³ The project consists of lithium mining and refining.²⁵⁴ However, due to the COVID-19 pandemic, the project was discontinued in 2020.²⁵⁵ The pandemic accounted for an estimated loss of 142 million euros related to the temporary shutdown.²⁵⁶ Construction of the lithium plant was relaunched in 2021.²⁵⁷ In November 2021, Eramet partnered with Tsingshan Holding Group, a globally renowned steel corporation based in China, for the construction.²⁵⁸ Eramet owns 50.1% of the project and is responsible for managing it from an operational standpoint.²⁵⁹ Tsingshan owns 49.9% of the project and is responsible for

²⁴⁸ "Annual Survey of Mining Companies 2021" (Fraser Institute, 2021), 3, <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.fraserinstitute.org%2Fsites%2Fdefault%2Ffiles%2Fannual-survey-of-mining-companies-2021-figures-and-tables.xlsx&wdOrigin=BROWSELINK>.

²⁴⁹ Subject 5, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

²⁵⁰ "2021 Integrated Report" (Eramet), 5, <https://prod.eramet.com/sites/default/files/2022-04/2022-04-Eramet%202021%20Integrated%20Report-EN.pdf>.

²⁵¹ "Eramet in Argentina Lithium Project" (Eramet, November 2021), 4, <https://www.eramet.com/sites/default/files/2021-11/Eramet-Press-kit-Lithium-project-Argentina-November2021.pdf>.

²⁵² "Eramet in Argentina Lithium Project," 4.

²⁵³ "2021 Integrated Report," 10.

²⁵⁴ "Interim Financial Report 2020" (Eramet), 2, <https://www.eramet.com/sites/default/files/2020-07/Eramet-Interim-Financial-Report-2020.pdf>.

²⁵⁵ "Eramet in Argentina Lithium Project," 4.

²⁵⁶ "2021 Integrated Report," 2.

²⁵⁷ "2021 Integrated Report," 5.

²⁵⁸ "2021 Integrated Report," 16.

²⁵⁹ "2021 Integrated Report," 16.



the construction's financing.²⁶⁰ The project has rights to potentially 10 million tons of lithium carbonate equivalent in terms of resources. By 2026, Eramet expects to produce 24,000 tons of LCE per year.²⁶¹ Production is expected to begin in 2024.²⁶² Eramet developed its own technique for extracting the lithium from the brine, whereas evaporation is the most common lithium extraction technique for this brine.²⁶³ Eramet's method is able to yield 90% of the lithium from the brine, while the evaporation method traditionally achieves an extraction rate of 50%.²⁶⁴ The creation of this technology reflects Eramet's significant capabilities, which attracts other potential investors, such as Tsingshan.

While some companies have struggled to gain support from local communities, Eramet has worked closely with the local population throughout its presence in Salta. Through quarterly meetings to provide updates on progress and a program to train environmental observers in the local community, Eramet utilizes its abilities to maintain a productive relationship with those its project could significantly impact.²⁶⁵ Eramet has also provided cleaning facilities for the local quinoa producers to increase this sector's presence in the market.²⁶⁶ Through its initiatives, Eramet has directly created 280 local jobs.²⁶⁷

²⁶⁰ "2021 Integrated Report," 29.

²⁶¹ "2021 Integrated Report," 16.

²⁶² "2021 Integrated Report," 29.

²⁶³ "Eramet in Argentina Lithium Project," 8.

²⁶⁴ "Eramet in Argentina Lithium Project," 8.

²⁶⁵ "Activities-Lithium Project," Eramet, <https://www.eramet.com/en/eramine-world-class-lithium-production-project>.

²⁶⁶ "Activities-Lithium Project."

²⁶⁷ "Activities-Lithium Project."

Conclusion



Source: Made by authors

Country	China	United States	Other Actors
Number of companies	7	2	4
Number of projects	8	4	5
Number of countries	4	2	3

Source: Calculated and made by authors

By studying the presence of Chinese lithium companies and companies from other countries, we have arrived at the following conclusions.



Conclusion I. Different companies have different skills. In Latin America, in order to secure a deal, to ensure the progress of projects, and also to comply with the regulations, many companies have to cooperate with others to utilize different skill sets. In our overview, we have seen many examples of companies cooperating with each other and establishing joint ventures. One example is the establishment of a joint venture between Lithium Americas, Ganfeng Lithium and Jujuy Energía y Minería Sociedad Del Estado (JEMSE).

Conclusion II. The competition exists between lithium companies, not only between companies from different countries, but also between the Chinese companies. Sometimes, the competition can be even more fierce between the Chinese companies, as they also compete in the Chinese domestic market and many of them are lithium suppliers for the same companies. The continuing process of outbidding each other between Ganfeng and CATL can be a clear case to illustrate this point.

Conclusion III. Increasingly, the competition in the lithium sector is not only limited to lithium companies anymore, but companies from other industries that are also trying to secure a supply. This is a relatively new phenomenon in Latin America's lithium sector. We have seen that Tsingshan Holding Group, a major Chinese steel company and the world's largest producer of stainless steel, invested \$375 million to build a lithium plant in Argentina with French multinational mining and metallurgy company Eramet. In fact, one of Tsingshan's executives told the media that the battery business will become the company's core business.²⁶⁸ However, what is surprising is that neither of them has had the experience of extracting lithium. The collaboration between the two companies from non-lithium sectors illustrates the fierce competition in Latin America's lithium, as the source of competition does not exclusively come from the traditional lithium companies, but also from new actors, who are gathering together to try to take a slice of the "lithium pie." Another example is the case of Zijin, which also did not have any lithium extraction experiences before it purchased Neo Lithium Corp. along with its lithium reserves.

Conclusion IV. Although companies will face very different challenges and risks in

²⁶⁸ www.ETAuto.com, "After Shaking up Nickel, China's Tsingshan Sets Sights on Lithium - ET Auto," [ETAuto.com](https://auto.economictimes.indiatimes.com/news/auto-components/after-shaking-up-nickel-chinas-tsing-shan-sets-sights-on-lithium/87924775), <https://auto.economictimes.indiatimes.com/news/auto-components/after-shaking-up-nickel-chinas-tsing-shan-sets-sights-on-lithium/87924775>.



Latin America's lithium sector, they also share similar ones. For example, the experience of BYD in Chile and the experiences of TBEA and ACISA in Bolivia are overshadowed by the changing political environment and capricious national policies in the host countries.

Conclusion V. Looking at the source of investment from the country's perspective, China is the only country who has lithium projects in all the four countries. On top of that, China is also the country that has the most projects and companies operating in Latin America's lithium. The United States ranks second, with two companies operating four projects in two countries. This means that China and the United States have a larger demand for lithium from Latin America and also implies that both countries highly value the lithium supply in the region, which might introduce further government support for the companies from the two countries in light of the fast-growing competition.

Conclusion VI. China's willingness to invest in all the four countries, including the ones with great uncertainties in the future, implies that compared to other actors, China is more prepared to deal with the potential risks and challenges. This finding is consistent with our interviews with experts. One interviewee recognized that companies face a lot of geopolitical challenges, "but China mitigated well."²⁶⁹ Regarding Bolivia, the subject continues to say that no country would like to invest in Bolivia at the current stage, "unless China goes there."²⁷⁰ The expert on Chinese lithium companies also said that Ganfeng would take the lithium that others did not want to touch.²⁷¹

Another expert explains that Chinese companies' attitude towards risks is like the Chinese character “机” which can mean both “crisis” and “opportunities.” Chinese companies have the ability to see the possible interconversion between the risk and the opportunity, which is one of the reasons that they are willing to take on riskier projects.²⁷² Another subject also reveals that Chinese companies also have the advantage of having an easy access to loans from the Chinese government,²⁷³ which

²⁶⁹ Subject 6

²⁷⁰ Ibid.

²⁷¹ Subject 5

²⁷² Subject 4

²⁷³ Subject 2



improves their risk management ability. Finally, one expert also indicates that Chinese companies overseas always have the support from the local embassy. “They are like a family,” and this facilitates the involvement of the Chinese companies in multi-sector coordination.²⁷⁴

Conclusion VI. By comparing China’s presence in Latin America’s lithium sector and its experience in its mining industry, we find several similarities.²⁷⁵ First, similar to its investment in the whole mining sector, many Chinese companies gain access to the resources mainly by investing in equity in a company to secure company’s supply.²⁷⁶ Tianqi, Ganfeng, CATL, and Zijin routinely seek to acquire equity shares in other lithium companies to further secure their supplies of lithium.²⁷⁷ Toyota, meanwhile, has adopted a similar approach since it, too, needs a secure supply of lithium-ion batteries. The success of this tactic varies per case, and it is important to note that these companies already possess significant skills themselves at different points of the value chain.

Conclusion VII. Compared to companies from other countries, Chinese companies have more skill sets, which also enables them to extract different types of lithium resources in different countries. This was also confirmed by our interviews. One of our subjects indicates that Chinese companies’ knowledge and experience in building refining plants is growing.²⁷⁸

Conclusions VIII. Different Chinese lithium companies have very different negotiation styles. As we have seen in the overview, it is different regarding how the companies got the deal and how long the process took them. One of our interviewees also gives us two examples based on the experiences working with the Chinese companies: Ganfeng’s executives excelled at making deals with everyone and CATL was very hard to deal with.²⁷⁹

²⁷⁴ Ibid.

²⁷⁵ See Chapter “China’s Experience in Latin America’s mining sector”

²⁷⁶ Subject 6

²⁷⁷ Ibid.

²⁷⁸ Ibid.

²⁷⁹ Subject 5



Risk Assessment for Chinese companies in Argentina

(1) Political risk

Political risk (or geopolitical risk) is important for investors to look at before investing their money in a country, especially for a long-term investment. An investment's return could suffer as a result of political changes or instability in a country, which can arise from a change in government, legislative bodies, other foreign policymakers or military control.²⁸⁰ Although political risks are hard to quantify, for the purpose of this assessment, we will present some of the most relevant risks in Argentina, including potential political and economic instability, potential changes in the business or investment regulations, and bilateral relations between the country and China.²⁸¹

Argentina is a federal, democratic republic with governing power divided between executive, legislative and judicial branches.²⁸² In 2021, Argentina was rated as one of the most stable democracies by the Freedom House.²⁸³ However, it faces a lot of challenges. Some research indicates that in Argentina there seems to exist hyper-presidentialism, which has significantly undermined the country's democracy and the checks and balances between different branches.²⁸⁴

It is important to consider government approval when analyzing political risks, because it measures whether the voters are satisfied with the performance of the government that they previously voted for. A bad approval rating could possibly mean a downturn in the country's democracy or even provoke political instability and unrest. Therefore, it can interrupt the business climate and is an important indicator for Chinese companies to examine before they make investment decisions.

According to the data from the Latinobarómetro, in 2020, Argentina's

²⁸⁰ "Political Risk," Investopedia, <https://www.investopedia.com/terms/p/politicalrisk.asp>.

²⁸¹ "What Is Political Risk and How to Protect against It? | Allianz Trade," Corporate, https://www.allianz-trade.com/en_global/news-insights/business-tips-and-trade-advice/what-is-political-risk-and-how-to-protect-against-it.html.

²⁸² "Argentina: A South American Power Struggles for Stability," Council on Foreign Relations, <https://www.cfr.org/backgrounder/argentina-south-american-power-struggles-stability>.

²⁸³ "Argentina: Freedom in the World 2021 Country Report," Freedom House, <https://freedomhouse.org/country/argentina/freedom-world/2021>.

²⁸⁴ "Misuse of Executive Power as an Obstacle to Democratic Institutional R' by Anna C. Brito," https://scholarship.claremont.edu/cmc_theses/1366/.



government approval rate is 28%, which is much lower than the region's average of 40%.²⁸⁵ Compared to the other three lithium countries, Argentina ranks significantly lower than Mexico (58%), slightly higher than Bolivia (21%) and a lot higher than Chile (15%).²⁸⁶ When looking at the ten-year trend of government approval (2011-2020), we find that the rating for Argentina presents a continuing decrease in general, from 57% in 2011 to 28% in 2020.²⁸⁷ **This indicates that people have become more unsatisfied about the current government.** In fact, in Argentina, **mass protests are occurring nationwide because of the country's dire economic situation, violation of human rights, and extractivism.** This last one will pose particular challenges for Chinese investment in the lithium industry. For example, in the Chubut Province, the local government's attempt to modify mining legislation to enable the implementation of large-scale mining sparked mass protests and led to unrest in December 2021.²⁸⁸ The protests were met with the government's violent repression, which further escalated the situation. As a result of the public pressure, the province's government had to repeal the new regulation and stopped the large-scale mining permit.²⁸⁹ This example reveals two potential political risks for Chinese lithium companies. **First, this shows a high level of conflicts between the government and the civil society; second, it also manifests that it is very possible for the provincial governments to reverse its decision on the mining and investment regulations, which will undermine the investors' confidence in the long-term operation.**

However, we also should be aware that differences exist between different provinces. The provinces in north Argentina that hold the lithium reserves, including Salta, Jujuy, and Catamarca, are poorer and less developed than some of their more southerly counterparts like Chubut, but are in a stronger position in terms of their framework compared to Chubut.²⁹⁰ According to data from the Fraser Institute, Salta, Catamarca and Jujuy achieved high ratings for the index "Uncertainty Concerning the

²⁸⁵ "Latinobarometro," <https://www.latinobarometro.org/lat.jsp?Idioma=0&Idioma=0>.

²⁸⁶ Ibid.

²⁸⁷ Ibid.

²⁸⁸ "Protesters in Argentina Take to the Streets against IMF and Large-Scale Mining - CIVICUS - Tracking Conditions for Citizen Action,"

<https://monitor.civicus.org/updates/2022/02/04/protesters-argentina-take-streets-against-imf-debt-negotiation-and-large-scale-mining/>.

²⁸⁹ Ibid.

²⁹⁰ "Argentina's Lithium Rush Heats up as Demand Expectations, Prices Soar."



Administration, Interpretation and Enforcement of Existing Regulations,” at 85%, 47% and 50%, respectively.^{291 292} In contrast, Chubut only achieved 7%, placing itself as one of the most uncertain mining destinations for investment in terms of regulations.²⁹³

Despite the widespread social conflicts and protests against the extractive industry, facing the heavy external debt, **the Argentine government has shown great determination to attract investment in the mining industry to boost its economy.**²⁹⁴ The Minister of Productive Development Kulfas also highlights the importance of lithium for the country’s development for solving its internal and social debt. According to him, Argentina’s federal government is working with the governors of Salta, Jujuy, and Catamarca to receive more inquiries of interest from international and national investors for Argentine mining, and in particular for lithium.²⁹⁵ It might be for this reason, unlike the other three countries, that Argentina has not and is not expected to list lithium as “strategic mineral” or to nationalize the industry. **Therefore, we assess that in Argentina the nationalization risk is very low.**

So far, the federal government has established policies to boost national and foreign private investment in the sector, to promote stability and legal security in the treatment of mining concessions, to promote equal treatment to national and foreign investors, and to ensure free competition in the mining sector.²⁹⁶ Moreover, Argentina’s federal and provincial governments have also shown efforts to further bring in Chinese investment in the lithium sector. One example of this occurred in May 2021, when Argentina’s Mining Ministry, the government of Jujuy signed a memorandum of understanding with Ganfeng Lithium for the development of a

²⁹¹ Higher percentage means stronger regulations to encourage investment. 100% the highest.

²⁹² “Annual Survey of Mining Companies, 2021,” Fraser Institute, April 12, 2022, <https://bit.ly/3KNsYhp>.

²⁹³ Ibid.

²⁹⁴ “Buenos Aires Times | Opposition Asks Fernández to Condemn Russian Invasion in Stronger Terms,”

<https://www.batimes.com.ar/news/argentina/opposition-calls-on-fernandez-to-condemn-russian-invasion-in-stronger-terms.phtml>.

²⁹⁵ “Kulfas: inversiones en litio podrían situar a Argentina entre los mayores productores globales,”

<https://www.ambito.com/economia/litio/kulfas-inversiones-podrian-situara-argentina-los-mayores-productores-globales-n5431738>.

²⁹⁶ “Mining in Argentina: Overview,” Practical Law,

[http://uk.practicallaw.thomsonreuters.com/7-572-8327?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](http://uk.practicallaw.thomsonreuters.com/7-572-8327?transitionType=Default&contextData=(sc.Default)&firstPage=true).



lithium-ion battery factory.²⁹⁷ The parties also agreed on identifying further opportunities to invest in the country's lithium sector.²⁹⁸ Therefore, the purpose of the MoU was not only to deepen Chinese investment in the exploitation of lithium, but also to advance the value-added technologies in the lithium and battery industry. **Therefore, we assess that the Argentina's government's policy towards the promotion of lithium development will create a convenient access for Chinese lithium companies to the sector.**

However, as the country's economic and financial crisis is deepening, both the existing and expanding operations and the new projects are under uncertainty. For example, in 2020, Livent reported a slower expansion than expected in Salar del Hombre Muerto; Orocobre temporarily suspended its expansion in Olaroz; Galaxy Resources suspended all non-essential services at the Sal de Vida development; and Eramet suspended its Centenario-Ratones project for roughly one year.²⁹⁹

Furthermore, it is also worth mentioning that Argentina will have the general elections next year, which will bring more political risks and generate uncertainties in the policies under the new administration.

In Argentina, the National Constitution establishes that the provinces are the owners of the mineral resources within their jurisdiction under the federal legal system, as the National Constitution of Argentina states in Article 124:

“With the knowledge of the National Congress, the Provinces may create regions for economic and social development and establish bodies with power to achieve their goals, and they may enter international agreements as long as these are not incompatible with the foreign policy of the Nation and do not affect the powers delegated to the Federal Government or the public credit of the Nation...The original ownership over natural resources existing in their territory belongs to the

²⁹⁷ “China’s Ganfeng Signs Deal with Argentina’s Government to Develop Lithium-Ion Battery Factory | Metal Bulletin.Com,” <https://www.metalbulletin.com/Article/3989669/Chinas-Ganfeng-signs-deal-with-Argentinas-government-to-develop-lithium-ion-battery-factory.html>.

²⁹⁸ Ibid.

²⁹⁹ Comisión Chilena del Cobre, “Oferta y Demanda de Litio Hacia El 2030,” 2020, <https://www.cochilco.cl/Mercado%20de%20Metales/Produccion%20y%20consumo%20de%20litio%20hacia%20el%202030.pdf>.



*Provinces.*³⁰⁰

This means that provinces in Argentina make final decisions in attracting investment. The central government only sets a general mining framework.³⁰¹ Therefore, most provinces have their own Mining Procedural Codes, which generally follow the standards and guidelines of the national Mining Code. The provincial Mining Procedural Codes set out the relevant procedure for requests for the granting of mineral rights and available mechanisms to challenge decisions of mining enforcement authorities.³⁰² Provinces also have their own regulations that affect mining activity, such as environmental legislation that applies to mining operations. As a result, in order to gain access to the lithium resources, **Chinese companies need to negotiate at the provincial level and comply with the different regulations set up by the provincial government. On the other hand, this could also mean that provinces that possess similar types of mineral resources will compete with each other to offer the investors the most attractive policies and regulations, in order to achieve their goals of development.** Compared to other three countries, where the companies deal with the national government in a direct manner, Argentina's system will likely provide Chinese investors more leverage in the negotiation.

On top of that, according to Argentina's Mining Code, individuals and legal entities can obtain concessions to explore and develop the deposits and can freely dispose of the minerals extracted from the concession area as owners (Section 8, Mining Code).³⁰³ Furthermore, there are no specific restrictions or limitations on the processing, sale, export, or import of the extracted mineral resources.³⁰⁴ **This means that in Argentina, the Chinese lithium companies have the freedom to deal with the lithium they extract without any restrictions, and it is easy for them to get the resources out of Argentina.** However, due to the increasing economic difficulties in the country, an expert warns that the Argentine government will impose restrictions on foreign companies taking their earnings out of the country and they will not be able to manage their revenues freely.³⁰⁵

³⁰⁰ "Argentina 1853 (Reinst. 1983, Rev. 1994) Constitution - Constitute," https://www.constituteproject.org/constitution/Argentina_1994?lang=en.

³⁰¹ Subject 7

³⁰² "Mining in Argentina."

³⁰³ Ibid.

³⁰⁴ Ibid.

³⁰⁵ Subject 7



China-Argentina relations

In 2014, China and Argentina established a comprehensive strategic partnership, which revitalized and upgraded their bilateral relations.³⁰⁶ During the Fernandez administration China-Argentina relations have achieved a great boost. Both Chinese President Xi Jinping and Fernandez have expressed a desire to deepen their comprehensive strategic partnership.³⁰⁷ The Ministry of Foreign Affairs, International Trade and Worship declares that Argentina is “deepening and strengthening its relations with China.”³⁰⁸ In 2022, on the occasion of the visit by Argentine president Fernandez to Beijing during the 2022 Winter Olympics opening ceremony, the two parties released a joint statement on deepening the comprehensive strategic partnership, further expanding and developing their cooperation on different issues.³⁰⁹

This statement was succeeded by the announcement of Argentina's government to join the Chinese Belt and Road Initiative (BRI), which is a transnational program led by the Chinese government.³¹⁰ One of the five top priorities of the BRI is “unimpeded trade,” including the reduction of investment and trade barriers, and the promotion of regional economic integration.³¹¹ According to the report issued by the United States’ government, Argentina’s participation in the Initiative could pave the way for increased Chinese investment in the country.³¹² In fact, Argentina will be able to unlock Chinese finance and investment in the country,³¹³ especially in the three core sectors: transport, energy, and communications.³¹⁴ On Twitter, the Argentine

³⁰⁶ “45th Anniversary of Diplomatic Relations between Argentina and China | Ministerio de Relaciones Exteriores, Comercio Internacional y Culto,” <https://cancilleria.gob.ar/en/news/newsletter/45th-anniversary-diplomatic-relations-between-argentina-and-china>.

³⁰⁷ “Argentina.”

³⁰⁸ “New Boost to Strategic Relations with China | Ministerio de Relaciones Exteriores, Comercio Internacional y Culto,” <https://www.cancilleria.gob.ar/en/news/newsletter/new-boost-strategic-relations-china>.

³⁰⁹ “中华人民共和国和阿根廷共和国关于深化中阿全面战略伙伴关系的联合声明（全文）_滚动新闻中国政府网,” http://www.gov.cn/xinwen/2022-02/06/content_5672272.htm.

³¹⁰ “Argentina Joins China’s Belt and Road Initiative,” *Dialogo Chino* (blog), February 8, 2022, <https://dialogochino.net/en/trade-investment/argentina-joins-china-belt-and-road-initiative/>.

³¹¹ “Belt and Road Initiative,” *Belt and Road Initiative* (blog), <https://www.beltroad-initiative.com/belt-and-road/>.

³¹² “CRS Search Results,”

<https://crsreports.congress.gov/search/#/?termsToSearch=China's%20Engagement%20with%20Latin%20America%20and%20the%20Caribbean&orderBy=Relevance>.

³¹³ “Argentina Could Unlock Chinese Finance for Vital Investment in Infrastructure and Other Sectors by Joining BRI, Blogger Says,” Business & Human Rights Resource Centre, <https://www.business-humanrights.org/en/latest-news/argentina-could-unlock-chinese-finance-for-vital-investment-in-infrastructure-and-other-sectors-by-joining-bri-blogger-says/>.

³¹⁴ “Argentina Joins China’s Belt and Road Initiative.”



president gladly claimed that joining BRI will bring Argentina more than US \$23 billion of Chinese investment for works and projects.³¹⁵ **This strengthening of bilateral relations will boost Chinese lithium companies' confidence in investing in Argentina. We expect to see more bilateral cooperation between China and Argentina in the lithium industry.**

However, we also should pay attention to the fact that the bad reputation of Chinese investment in the region's mining sector will likely result in reluctance and opposition from the population. One of our interviewees worries about China's unreliability and uncertainty on rule of law in international negotiations.³¹⁶

(2) Market risk

We have defined our market risk in the context of lithium companies' experiences operating in the Province of Jujuy. Since lithium resources are provincially owned in Argentina, it is important that lithium companies study each province when deciding where to set up projects. Jujuy provides a unique case because the province has established its own lithium company, ensuring more strategic autonomy for the local community. We will specifically look at the demands which the Jujuy Province expects in return for lithium projects and how foreign companies have navigated such demands.

JEMSE is a mining investment company that is owned by Argentina's Jujuy Province.³¹⁷ The Province of Jujuy has identified its lithium as a strategic resource as part of its larger plans for development.³¹⁸ On August 26th, 2020, Jujuy Province signed the JEMSE Option Agreement with Minera Exar and exercised this option on April 4th, 2021, providing JEMSE with an 8.5% equity interest worth \$23.5 million in Minera Exar.³¹⁹ However, this agreement does place certain limitations on JEMSE in favor of Minera Exar and its Canadian and Chinese investors. For example, JEMSE was required to reimburse Lithium Americas and Ganfeng the equivalent of its 8.5%

³¹⁵ Alberto Fernández [@alferdez], "Tuve una cordial, amistosa y fructífera reunión con Xi Jinping, presidente de China. Acordamos la incorporación de Argentina a la Franja y la Ruta de la Seda. Es una excelente noticia. Nuestro país obtendrá más de US\$ 23 mil millones de inversiones chinas para obras y proyectos. <https://t.co/LGyIJ6zWdG>," Tweet, *Twitter*, February 6, 2022, <https://twitter.com/alferdez/status/1490332024216985603>.

³¹⁶ Subject 6

³¹⁷ "Annual Information Form," 14.

³¹⁸ *Ibid.*

³¹⁹ *Ibid.*



stake (\$23.5 million) to help fund the construction of the Caucharí-Olaroz project, exempting “one-third of the after-tax dividends otherwise payable to JEMSE in future periods.”³²⁰ Furthermore, the contract categorizes JEMSE’s right to future dividends as “being subordinate to Minera Exar’s obligation to service its debt, including intercompany loan repayments and interest, used by the Company and Ganfeng to finance construction.”³²¹ JEMSE is also not allowed to transfer or dispose of its equity stake without prior consent from Lithium Americas and Ganfeng.³²² JEMSE is allowed to convert its equity stake into royalty, but only under certain conditions.³²³ Ganfeng and Lithium Americas are legally obligated to insure JEMSE’s 8.5% stake in case of dilution, JEMSE will still be responsible for repaying the loan.³²⁴ In addition, JEMSE has a right under certain conditions to convert its ownership interest into a royalty.³²⁵ Minera Exar has also negotiated agreements with different aboriginal communities that have historically owned the land where the company now operates.³²⁶ Minera Exar thus negotiated agreements with each local aboriginal community “to have the right to explore the property and for surface use, water use, transit, and building ponds and facilities, with most of these agreements explicitly covering development and mining operations.”³²⁷ Furthermore, Minera Exar has “agreed to support local communities through a number of infrastructure and education programs.”³²⁸

Since Argentina’s lithium sector is the most developed, lithium companies are forced to navigate their interactions with fellow competitors, sometimes even cooperating with them for mutual benefits. The partnerships between Toyota and Allkem; Eramet and Tsingshan; and Ganfeng and Lithium Americas all epitomize the theme of different actors utilizing their own skills in return for help in other skills that they lack. Thus, companies operating in Argentina’s lithium sector should be prepared to make deals with competitors when opportunities for cooperation arise. Such deals decrease the risks that companies face along the value chain, as very few

³²⁰ “Annual Information Form,” 14.

³²¹ Ibid.

³²² Ibid.

³²³ Ibid.

³²⁴ Ibid.

³²⁵ Ibid.

³²⁶ Ibid.

³²⁷ Ibid.

³²⁸ Ibid.



companies actually retain the expertise to conduct whole-capacity lithium industrialization from building a mine to manufacturing a lithium-ion battery. **While many corporations have an interest in Argentina’s lithium, the camaraderie between them actually decreases the risks of somehow being excluded from the supply chain.**

(3) Environmental and Social (E&S) risks

Environmental and Social (E&S) risks are the potential negative consequences to a business that result from its impacts (or perceived impacts) on the natural environment (i.e., air, water, soil) or communities of people (e.g., employees, customers, local residents).³²⁹ As lithium resources are located in the arid territories mainly populated by indigenous communities and wild animals, the Salars (salt flat) are a natural hydric entity that feeds the place’s human and non-human life.³³⁰ As the process of extracting lithium requires a large amount of water —research shows that roughly 500,000 gallons of water goes into extracting 1 ton of lithium³³¹ —it has already posed a particular threat to the local society and environment. Experts in the lithium industry have named this “the colonial shadow of green electromobility.”³³²

In Argentina’s mining industry, the companies have to comply with the Environmental General Protection Act No. 25,675 and Law No. 24,585. Law No. 24,585 sets out the most important rules of environmental protection specific to mining activities, including

- Individuals or entities seeking to conduct prospection, exploration or exploitation activities over a certain area must first file an environmental impact statement (EIS) with the enforcement authority.

³²⁹ European Bank for Reconstruction and Development, “Environmental and Social Risks,” n.d., <https://www.ebrd.com/downloads/about/sustainability/14-es-risks.pdf>.

³³⁰ “Lithium Extractivism and Water Injustices in the Salar de Atacama, Chile: The Colonial Shadow of Green Electromobility - ScienceDirect,” <https://www.sciencedirect.com/science/article/pii/S0962629821000421>.

³³¹ “Full Symposium Schedule - Tallahassee Community College,” <https://www.tcc.fl.edu/academics/academic-enrichment/undergraduate-research-symposium/symposium-on-undergraduate-research-2022/full-symposium-schedule/>.

³³² “Lithium Extractivism and Water Injustices in the Salar de Atacama, Chile: The Colonial Shadow of Green Electromobility - ScienceDirect.”



- If the EIS meets the standards of Law No. 24,585 and its complementary rules, the enforcement authority issues an environmental impact declaration (EID) that allows the applicant to carry out the proposed activities.
- The EID is issued for two years with a set of conditions and requirements that the interested party must comply with to maintain the validity of the EID.
- Companies must submit updates of the EIS every two years from its initial approval.³³³

Although the law seems seamless, when it comes to implementation in the lithium sector, there have been a bunch of oversights in the process, and a lack of consideration from the government over human rights and social and environmental sustainability.

Studies on lithium extraction in Caucharí-Olaroz have revealed that the government of Jujuy has not collected basic information to help investors to understand the environmental impacts of lithium mining in the region.³³⁴ **Therefore, for Chinese lithium companies, the lack of information further results in their incapacity to assess the environmental impacts in the EIS presented to the enforcement authority, failing to control their activities and minimize the negative impacts.**

In addition, as we mentioned in the section of political risks, Argentina's extractive sector is facing strong opposition from the local communities, which has resulted in political instability. The lithium extraction sector is no exception. **The existing strong opposition to the extractive sector, and the continuing conflicts between the local communities and the provincial government will be a prominent challenge for Chinese lithium companies.**

In fact, there have already existed several mass protests against the operation of

³³³ "Mining in Argentina: Overview," Practical Law, [http://uk.practicallaw.thomsonreuters.com/7-572-8327?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](http://uk.practicallaw.thomsonreuters.com/7-572-8327?transitionType=Default&contextData=(sc.Default)&firstPage=true).

³³⁴ Pía Marchegiani, Jasmin Höglund Hellgren, and Leandro Gómez, "Lithium Extraction in Argentina: A Case Study on the Social and Environmental Impacts" (Fundación Ambiente y Recursos Naturales, May 2019), https://goodelectronics.org/wp-content/uploads/sites/3/2019/05/DOC_LITHIUM_ENGLISH.pdf.



the lithium companies. For example, in the Jujuy province, the communities of Salinas Grandes are trying to resist the arrival of mining companies, and to prevent them from extracting lithium.³³⁵ It seems unfair that foreign companies profit billions of dollars from their lands, deepening the water shortages, while they are struggling to pay for sewage systems and fighting to secure drinkable water.³³⁶ In the area where Minera Exar (a joint company by Lithium Americas, Ganfeng Lithium and JESME) extracts lithium, at least one of the six local communities, Pastos Chicos, already has to have potable water trucked in.³³⁷ The water injustice and local protests have become so dominant in the sector that they have been filmed into a documentary: *En el Nombre del Litio (In the Name of Lithium)*.³³⁸

This manifests the fact that Argentina's federal and provincial governments have failed to conduct effective or sufficient consultation with the communities, failing to comply with international standards or domestic legislation, and making the indigenous population feel to have been “left out” from the process.³³⁹ Moreover, research on this issue reveals that the government of Jujuy province does not provide the local communities with the access to “independent” information but only technical data from the lithium companies, which they are not able to fully understand.³⁴⁰ **As a result, without the involvement of competent authorities, the Chinese lithium companies will face difficulties and challenges in their exchanges with the local communities, which can possibly end with misunderstanding and conflicts.**

³³⁵ “Documentary Shines a Light on Lithium Mining and Conflicts in Argentina,” *Dialogo Chino* (blog), August 3, 2021, <https://dialogochino.net/en/extractive-industries/44943-in-the-name-of-lithium-documentary-shines-a-light-on-mining-and-conflicts-in-argentina/>.

³³⁶ “Companies Are Making Billions in Lithium Mining. But These Indigenous People Are Being Left Out.” Washington Post, <https://www.washingtonpost.com/graphics/business/batteries/tossed-aside-in-the-lithium-rush/>.

³³⁷ Ibid.

³³⁸ Cristián Cartier and Martín Longo, *En El Nombre Del Litio*, Documentary (Calma Cine, FARN, 2021).

³³⁹ “Companies Are Making Billions in Lithium Mining. But These Indigenous People Are Being Left Out.”

³⁴⁰ Marchegiani, Hellgren, and Gómez, “Lithium Extraction in Argentina: A Case Study on the Social and Environmental Impacts.”



Potential implications of China's presence in Latin America's lithium sector

The changing dynamics in the triangular Latin America-China-U.S. relations

China-U.S. competition has been one of the most heated media topics in the past decade. One reason is that many observers debate that the history of world politics is a “succession of hegemonies,”³⁴¹ where the rise of China entails the decline of the United States,³⁴² and the world falls into another “Thucydides’s Trap.”³⁴³ In this context, China’s fast-growing relationship with Latin America has been one of the concerns for the United States, as many countries in the region have historically been important allies for the United States. China’s expanding presence in Latin America has offered the region an opportunity to diversify its international relations and to counterbalance its dependence on the United States and the former European colonial powers. Moreover, in the past decade, the United States has been paying more attention to the Indo-Pacific area, leaving behind a power vacuum in Latin America, which has facilitated China’s advances in the region.³⁴⁴ Increasingly, Latin America seems caught in a triangular dynamic of the U.S.-China-Latin American relations.

In 2006, at the beginning of China’s emergence in the region, China and the United States created a consultation mechanism to discuss Latin American affairs. This mechanism aims to increase the transparency of both countries’ policies towards Latin America and to coordinate the actions and positions.³⁴⁵ However, this consultation meeting was held only seven times (2006-2015). With the United States becoming increasingly hostile to China’s activities in Latin America, it gradually lost its willingness to consult with China on Latin American affairs and demonstrated an urgent need to restore its own leadership in the Western Hemisphere.

³⁴¹ Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), <https://doi.org/10.1017/CBO9780511664267>.

³⁴² Michael Beckley, “China’s Century? Why America’s Edge Will Endure,” *International Security* 36, no. 3 (2011): 41–78.

³⁴³ “Destined for War: Can America and China Escape Thucydides’s Trap?,” <https://www.hks.harvard.edu/publications/destined-war-can-america-and-china-escape-thucydides-trap>.

³⁴⁴ Jacqueline Laguardia Martínez, *China -Latin America Relations*, 2022.

³⁴⁵ “中美举行第七次拉美事务磋商 — 中华人民共和国外交部,” https://www.fmprc.gov.cn/web/wjb_673085/zjzg_673183/lmzs_673663/xwlb_673665/201507/t20150716_7647934.shtml.



In addition, since Trump's administration (2017-2021), the United States has started to view China as a major challenger to U.S. international standing, and has tightened its policies in Latin America.³⁴⁶ In 2019, the former Secretary of State of the United States, Mike Pompeo (2018-2021), called out China for spreading “disorder” and “corruption” in Latin America, trying to warn Latin American countries to distance themselves from the Asian giant.³⁴⁷ Especially, in the past couple of years, the region’s left wing has been showing signs of revival since the “Pink Tide” at the end of the 20th century.³⁴⁸ This has raised more alarms for the United States’ politicians, as some of them accuse China of being “an incubator of populism” in Latin America and offering support for the region’s “antidemocratic regimes”.³⁴⁹

This conflict and confrontation between China and the United States in Latin America has escalated in recent years, leaving the region between a rock and a hard place. In recent years, we have observed a few trends presented in Latin America’s attitude towards its relations with the United States and China.

On the one hand, during the COVID-19 pandemic, there has been a deepening reliance of Latin America on China, as we mentioned earlier in this report.³⁵⁰ China has been able to leverage its assistance to the region to achieve some equal favors. Huawei’s participation in the 5G auction was a great example. Two weeks after declaring to join the “Clean Network Initiative,”³⁵¹ and to decisively exclude Huawei from Brazil’s 5G auction, the Brazilian government reversed the ban because of its urgent needs for Chinese vaccines.³⁵² On the other hand, Latin America’s counter-control claims against the United States have grown significantly. For example, in September 2021, at the meeting of the Community of Latin American and

³⁴⁶ 宋均营 and 付丽媛, “构建”均衡、稳定、协调、合作“的中美拉三边关系,” *0452 8832(2021) 6 期 0070-14*, <https://www.ciis.org.cn/gjwtyj/dqk/>.

³⁴⁷ “China, Russia ‘Spread Disorder’ And ‘Corruption’ In Latin America: Pompeo - New Cold War: Know Better,” <https://newcoldwar.org/china-russia-spread-disorder-and-corruption-in-latin-america-pompeo/>.

³⁴⁸ The Editors, “With a Resurgent Left, What’s Next for South America?,” <https://www.worldpoliticsreview.com/insights/27904/after-the-end-of-the-pink-tide-what-s-next-for-south-america>.

³⁴⁹ “China’s Growing Influence in Latin America,” Council on Foreign Relations, <https://www.cfr.org/background/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri>.

³⁵⁰ See chapter “China-Latin American relations”

³⁵¹ “The Clean Network,” *United States Department of State* (blog), <https://2017-2021.state.gov/the-clean-network/>.

³⁵² Londoño Ernesto and Casado Leticia, “巴西需要疫苗, 中国抓住了机会,” *纽约时报中文网*, March 16, 2021, <https://cn.nytimes.com/world/20210316/brazil-vaccine-china/>.



Caribbean States (CELAC), the Mexican president Andrés Manuel López Obrador suggested the unity of Latin American countries and accused the Organization of American States (OAS) of being “interventionist and a tool of the United States.”³⁵³ However, it is without a doubt that Latin America still shows a great dependence on its relations with the United States to combat problems such as drug trafficking, criminal organizations, and illegal immigration, given the geopolitical proximity.

In this situation, in order to avoid being stuck in the great power competition, Latin America has chosen to be neutral on many issues, embraced a pragmatic stance, and maintained friendly ties with both Washington and Beijing.³⁵⁴ However, with the mounting tensions between the two parties, especially with their emerging competition to get a larger slice of the region’s “lithium cake,” Latin America is now already treading on thin ice, and its “staying neutral” strategy will finally come to an end.

According to a former government official, Latin America has to “balance what we can from the strategic rivalry,” as the region relies on global economic competition and innovation.³⁵⁵ The U.S. and Europe have been pushing for the campaign warning Latin Americans about Chinese investment.³⁵⁶ According to a former government official, “as long as China offers its space for change, investment, financing and technologies...we’ll continue in the direction of the expansion of Chinese companies in Chile and in Latin America.”³⁵⁷ Overall, the region will not want “pressures from the US concerning its security interests that end in conflicts with our economic interests. We don’t want to receive limits in the dealings with China, or the Asia Pacific.”³⁵⁸ Latin American countries could very well “become the victims of the great power competition because we are very small.”³⁵⁹

We expect to see that Latin America’s lithium countries will face more

³⁵³ “Latin American Leaders Divided on OAS at Regional Meeting,” September 18, 2021, <https://jamaica-gleaner.com/article/caribbean/20210918/latin-american-leaders-divided-oas-regional-meeting>.

³⁵⁴ Oliver Stuenkel, “Latin American Governments Are Caught in the Middle of the U.S.-China Tech War,” *Foreign Policy* (blog), <https://foreignpolicy.com/2021/02/26/latin-america-united-states-china-5g-technology-war/>.

³⁵⁵ Ibid.

³⁵⁶ Subject 1, Searching for White Gold: China’s Quest for Latin America’s Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

³⁵⁷ Subject 1.

³⁵⁸ Ibid.

³⁵⁹ Ibid.



pressures and might not be able to make decisions on lithium independently without any geopolitical discomfort. What could be even worse is that it is possible for different countries in the region to opt to join different spheres, creating irreversible obstacles to greater regional cooperation in the future.

A China-free lithium supply chain?

Both the United States and China are on track to develop lithium-based batteries not only for the development of the electric transportation but also for energy security and national defense, as it provides stationary energy storage, and reliable, secure, and advanced energy storage technologies to support critical mission, crucial to developing the clean-energy economy and supporting agile military forces.³⁶⁰

The Chinese government has already recognized lithium as one of the critical minerals, or Strategic Emerging Industry (SEI) minerals, for many years. It means that, for China, lithium is crucial for ensuring the sustainable development of strategic emerging industries at the current stage, and for China to “build a well-off society in an all-round way.”³⁶¹ In addition, as indicated earlier in this report, China has issued a great amount of incentive policies promoting the lithium and battery industries,³⁶² encouraging Chinese mining companies and battery companies to join the global competition of securing the lithium supply chain.

The thirst of the United States for lithium has been further deepened by the Russia-Ukraine war that exposed the world’s heavy reliance on Russian oil and gas. As in the United States, the price of gas skyrocketed as a result of the energy shortage because of the Russia-Ukraine war, the Biden administration released a memorandum stating that the demand for lithium and other critical minerals deemed essential for the clean energy transition will “increase exponentially as the world transitions to a clean energy economy” that further relies on large-capacity batteries.³⁶³ The president

³⁶⁰ “National Blueprint for Lithium Batteries,” Energy.gov, <https://www.energy.gov/eere/vehicles/articles/national-blueprint-lithium-batteries>.

³⁶¹ Patrik Andersson, “Chinese Assessments of ‘Critical’ and ‘Strategic’ Raw Materials: Concepts, Categories, Policies, and Implications,” *The Extractive Industries and Society* 7, no. 1 (January 1, 2020): 127–37, <https://doi.org/10.1016/j.exis.2020.01.008>.

³⁶² See Chapter “China’s incentive policies (2015-2022)”

³⁶³ “Memorandum on Presidential Determination Pursuant to Section 303 of the Defense Production Act of 1950, as Amended” (The White House, March 31, 2022), <https://www.whitehouse.gov/briefing-room/presidential-actions/2022/03/31/memorandum-on-presidential-determination-pursuant-to-section-303-of-the-defense-production-act-of-1950-as-amended/>.



invoked the Defense Production Act, a Cold War-era law, to boost lithium development, and announced that the government would provide federal money for U.S. miners.³⁶⁴ The United States will now seek to “secure a reliable and sustainable supply” of lithium in the interests of national security.³⁶⁵ Lithium is now a defense material for the United States.³⁶⁶

This move is expected to arouse the U.S. miners’ excitement for obtaining lithium and the price of this mineral is expected to increase dramatically. While the memorandum only specifically mentions domestic mining, the production of lithium carbonate will lead the United States to expand its presence in Latin America’s lithium industry.³⁶⁷

Taking a step back, even before the war, the United States government already acknowledged the significance of lithium, but did not get sufficient attention because it has not arrived at the level of national priority. In 2021, the Federal Consortium for Advanced Batteries (FCAB), led by the Departments of Energy, Defense, Commerce, and State, published the National Blueprint for Lithium Batteries 2021-2030. In the report, it states that in order to establish a secure battery materials and technology supply chain to support long-term economic competitiveness and meet national security requirements, the government will secure U.S. access to raw materials for lithium batteries by “leveraging partnerships with allies and partners to establish a diversified supply” and to develop “resilient defense supply chains not under threat from near-peer adversaries.”³⁶⁸ The report demonstrates the significance of lithium for the U.S. national security, as well as that the United States will participate in the quest for lithium more actively in the global context, and most likely in Latin America, to prevent any threats from other important actors in the market.

Additionally, in the Blueprint, the U.S. government also acknowledged the threat posed by China in the global lithium market, as it mentioned “China dominates the supply chain for the manufacture of lithium-ion batteries, including the processing of

³⁶⁴ Jael Holzman, “Biden’s Defense Production Act Order Promises Money to Miners,” E&E News, April 4, 2022, <https://www.eenews.net/articles/bidens-defense-production-act-order-promises-money-to-miners/>.

³⁶⁵ The White House, “Memorandum.”

³⁶⁶ Subject 7, interview.

³⁶⁷ The White House, “Memorandum.”

³⁶⁸ “National Blueprint for Lithium Batteries.”



minerals and raw materials.”³⁶⁹ It is also worth mentioning that the United States is now heavily reliant on China for the mining and processing of lithium, posing what government agencies have determined is a national security risk.³⁷⁰

Considering all these factors, we expect to see an amplifying U.S.-China rivalry on the issue of lithium, more specifically, of Latin America’s lithium. As our interview Subject 5 observed: the China-U.S. relationship has deteriorated, and the United States wants a China-free lithium supply chain.³⁷¹

Risks to the lithium market

By exposing the rising demand for lithium to what will likely be a limited extent of contention, the likelihood of an imbalanced energy transition also increases. The exact role that lithium will have in the broader U.S.-China great-power competition will likely be limited, however. While our expert on Great Power Competition sees lithium neither reaching a breaking point in the U.S.-China relationship nor as an area where the United States and China can continue to cooperate, competition within the lithium industry will continue to rise with global demand.³⁷² The “substantial increase in political tensions” between the two global powers, however, will pose significant risks to lithium companies operating in the United States, China, or both due to “increasingly active industrial policies.”³⁷³ Potential risks of these policies include a diminished ability to receive approval for financing as well as necessary government approvals.³⁷⁴

The chemical processing plants which China is building up domestically for its lithium supply are cost-effective for China and increase the security of Chinese companies’ supply, with a plant in China requiring \$100 million compared to \$1 billion in Australia, which is crucial to China’s supply chain.³⁷⁵ China’s ability to conduct its own chemical processing plants reflects its technological growth in the lithium industry and its preparation for a future where lithium-ion batteries power

³⁶⁹ Ibid.

³⁷⁰ Holzman, “Biden’s Defense Production Act Order Promises Money to Miners.”

³⁷¹ Subject 5, Searching for White Gold: China’s Quest for Latin America’s Lithium.

³⁷² Subject 2, Searching for White Gold: China’s Quest for Latin America’s Lithium, interview by Kiano Emami and Yuetong Zhao.

³⁷³ “Annual Information Form” (Lithium Americas, March 15, 2022), 68, https://www.lithiumamericas.com/_resources/pdf/investors/AIF/2021.pdf?v=0.090.

³⁷⁴ “Annual Information Form,” 68.

³⁷⁵ Subject 6.



much more of the world's energy grids. At the same time, the United States possesses its own significant chemical processing plants for lithium through companies such as Albemarle.³⁷⁶ China, the United States, and Europe all have their own advantages and disadvantages as they seek to build their own supply chains.³⁷⁷ In fact, while China may have access to much of the world's lithium carbonate, this conversion capacity is increasingly being built in Europe and the United States.³⁷⁸ The world's significant actors continue to prepare for a scenario where government relations have damaged the lithium industry's widespread access. In such a case, a completely independent supply chain will be crucial for each global actor. The cooperation that currently exists between various companies will thus be threatened. Companies will thus be unable to complement each other's skill sets.

The Chinese government's long-term approach to lithium has led to its support of various lithium companies. Until the incorporation of lithium into the Defense Production Act, it was perceived that the Biden administration was not creating opportunities for mining in the United States.³⁷⁹ One of our experts even referred to the U.S. government as an "enemy of lithium producers because they are not supportive."³⁸⁰ Hence, an upcoming implication of the deterioration of U.S.-China relations and the United States government's desire to create a domestic supply could lead to more cooperation between the American government and American lithium companies.

While competition between different actors in the lithium industry is natural and longstanding, there has yet to be any competition fueled strictly by state actors. The impending transition to cleaner energy matrices and the entrance of state actors into the lithium sector have amplified and expanded competition in the lithium sector. While these new facets of competition will further scrutinize Latin America's abundant lithium resources, the most relevant competition will likely focus on the lithium chemicals into which the lithium brine is processed. These chemicals, such as lithium carbonate, are essential to the production of large-capacity batteries. Most of the lithium chemical processing occurs outside Latin America. The capacity to

³⁷⁶ Ibid.

³⁷⁷ Ibid..

³⁷⁸ Subject 5, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

³⁷⁹ Subject 5.

³⁸⁰ Ibid.



process this lithium is most strategic for the production of batteries. China does have conversion capacity, but such manufacturing plants are also being built abundantly in Europe and the United States.³⁸¹ Such an objective will be difficult to achieve, as currently China produces roughly 75% of produced lithium batteries.³⁸² Still, China does not control lithium, especially Latin America's vast resources.³⁸³

Therefore, companies from different countries need to cooperate with each other due to different skill sets. The growing state factor in the lithium market not only will cause companies to increase their presence in lithium globally but also will create difficulties for these companies to continue to cooperate with counterparts from "rival" governments. The discourse of competition between States regarding this "strategic mineral" will force companies to respond to market pressure from governments, leading to risks for corporate profits.

As our interviewee says: "Some people will talk about it in strategic terms just because it is key to lithium-ion battery production. I frankly do not see it as being a key issue for saying the Chinese through lithium are doing something that is threatening the U.S. because the lithium supply is large enough. I think it will be part of the discourse because it is seen as strategic."³⁸⁴

³⁸¹ Subject 4, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao.

³⁸² Subject 3, Searching for White Gold: China's Quest for Latin America's Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.

³⁸³ Subject 5, Searching for White Gold: China's Quest for Latin America's Lithium.

³⁸⁴ Subject 2



Appendix

Box 1. Competition between Chinese lithium companies in Latin America

The Canadian mining company Millennial Lithium is a lithium mining specialist focused on Argentina. Millennial Lithium has two projects in Latin America. The first one is the Pastos Grandes Project, located in Los Andes Department, Salta Province, Argentina. The second one is the Cauchari East Project in Jujuy Province.³⁸⁵ These two projects are positioned to take advantage of their excellent locations and surrounding infrastructures. According to the 2021 Investment Attractiveness Index of Fraser Institute, Jujuy Province and Salta Province have a score of 61.17 and 72.05, respectively, positioning themselves as two of the most geopolitically stable and mining-friendly places for the mining industry.³⁸⁶ Pastos Grandes Project has some of the best infrastructure in the Lithium Triangle, such as access to power, natural gas, ports, and paved highways.³⁸⁷ Cauchari East Project is adjacent to and contiguous with Lithium America's (Canadian lithium company) Cauchari Project and Orocobre's (Australian mining company) Olaroz mine,³⁸⁸ benefiting from the infrastructure operation and management.

In 2021, Ganfeng offered CAD \$353 Million cash to purchase Millennial Lithium. In July, Millennial Lithium announced that they were "pleased to receive this offer",³⁸⁹ as they believed that Ganfeng "would bring significant technical lithium expertise to Pastos Grandes".³⁹⁰

However, two months later, CATL announced its intention to acquire Millennial Lithium in an all-cash offer for CAD \$377 million, outbidding Ganfeng.³⁹¹ As a result, Millennial Lithium terminated the Ganfeng Arrangement Agreement in accordance with its terms and entered into the CATL Arrangement Agreement.³⁹²

³⁸⁵ "Millennial Lithium Corp. - Drill Hole Maps," Millennial Lithium Corp. Website, [//www.millenniallithium.com/](http://www.millenniallithium.com/).

³⁸⁶ "Annual Survey of Mining Companies, 2021," Fraser Institute, April 12, 2022, <https://bit.ly/3KNsYhp>.

³⁸⁷ "Millennial Lithium Corp. - Drill Hole Maps."

³⁸⁸ Ibid.

³⁸⁹ "Millennial Lithium Corp. - News," Millennial Lithium Corp. Website, [//www.millenniallithium.com/](http://www.millenniallithium.com/).

³⁹⁰ Ibid.

³⁹¹ "Millennial Lithium Corp. - 2021," Millennial Lithium Corp. Website, [//www.millenniallithium.com/](http://www.millenniallithium.com/).

³⁹² Ibid.



The competition did not stop there. In October, Lithium Americas offered Millennial Lithium a “Superior Proposal,” beating CATL to buy the company for CAD \$400 million in stock and cash.³⁹³ CATL did not challenge the deal. The acquisition was completed in January 2022.³⁹⁴

The continuing outbidding process is very fascinating when we consider that Ganfeng is the largest shareholder of Lithium Americas (11.2%).³⁹⁵ According to a lithium industry expert, it is very possible that Ganfeng has been part of Lithium Americas’ acquisition of Millennial Lithium.³⁹⁶

This case shows the fierce competition between Chinese companies in Latin America’s lithium industry. This is due to the surging demand for lithium resources in the new energy industry, which has created an imbalance of supply and demand in the sector. Moreover, both Ganfeng and CATL are suppliers for big international companies, including Tesla, BMW, G.M. and Volkswagen. This further complicates the relationship between the two Chinese lithium companies.

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³⁹³ Ernest Scheyder, “Lithium Americas Beats CATL to Buy Millennial for \$400 Million,” *Reuters*, November 18, 2021, sec. Energy, <https://www.reuters.com/business/energy/lithium-americas-beats-catl-buy-millennial-400-million-2021-11-17/>.

³⁹⁴ “Lithium Americas,” Lithium Americas, <https://www.lithiumamericas.com/>.

³⁹⁵ Lithium Americas, “Lithium Americas Corporate Presentation,” April 2022, https://www.lithiumamericas.com/_resources/presentations/corporate-presentation.pdf.

³⁹⁶ Subject 5, Searching for White Gold: China’s Quest for Latin America’s Lithium, interview by Kiano Emami and Yuetong Zhao, 2022.



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