Beyond Raw Materials

Who are the Actors in the Latin America and Caribbean-China Relationship?

Enrique Dussel Peters
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(coord.)

RED ALC-CHINA
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LATIN AMERICAN STUDIES

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Beyond raw materials : who are the Actors in the Latin America and Caribbean-China Relationship? / Armony, Ariel C. ... [et al.] ; coordinación general de Enrique Dussel Peters ; Armony, Ariel C. ; prefacio de Claudia Detsch ; Pablo Stefanoni. - 1a ed. . - Buenos Aires : Nueva Sociedad ; Buenos Aires : Friedrich-Ebert-Stiftung ; México DF : Red Académica de América Latina y el Caribe sobre China ; Pittsburgh : University of Pittsburgh. Center of Latin American Studies, 2015.
224 p. ; 23 x 15 cm.

ISBN 978-987-95677-7-7

1. Relaciones Internacionales. 2. Relaciones Económicas Internacionales. 3. América Latina. I. Armony, Ariel C., II. Dussel Peters, Enrique, coord. III. Armony, Ariel C., , coord. IV. Detsch, Claudia, pref. V. Stefanoni, Pablo, pref.
CDD 327.1

Editing and proofreading: Amanda A. Morgan, Kristie J. Robinson
Cover design and layout: Fabiana Di Matteo
Cover photography: Shutterstock

Defensa 1111, 1º A, C1065AAU
Buenos Aires, Argentina

First edition: 2015

ISBN 978-987-95677-7-7

Queda hecho el depósito que establece la Ley 11.723.
Libro de edición argentina.

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Preface

The emergence of the People's Republic of China as a superpower—it is the planet's largest exporter and second largest economy—has reshaped international power relationships and solidified the shift of the world's commercial and financial flows to the North Pacific. As part of accelerated processes of urbanization, millions of Chinese people have risen out of poverty, others have begun to enjoy middle-class levels of consumption, and a few have joined the new elite of millionaires, a status that is allowed even to members of the Communist Party today. Along with this, the Asian giant has taken on enormous importance in Latin America, owing in particular to its great demand for commodities, which has contributed to the rising prices of raw materials exported from the region (such as soybeans and minerals) and to the improvement of terms of exchange. China's importance is also due, however, to the growth of its investments in Latin America, including in strategic businesses and critical infrastructure, as well as to its loans. Today, China is the chief commercial partner of Brazil, which in 2013 was the source of 45 percent of China's whole-grain soy imports. It is the chief market for exports from Brazil and Chile, and the second largest for Argentina, Colombia, Peru, Uruguay, and Venezuela.

Those who see the world as divided into camps, especially from a progressive Latin American perspective, see China as a counterweight to US "back-yard imperialism" and also—in a sort of Third World bad habit—as an ally of countries that are on the periphery of the South-South framework in a world that is moving from a unipolar to a multipolar system. In China's Policy Paper on Latin America and the Caribbean (2008), China's own government speaks of a "harmonious world of durable peace and common prosperity", and seeks to distance itself from images associated with old colonial powers. Critics, however, point to an ever-increasing dependence on China, which could lead to new forms of political and economic subjection.

What are the most appropriate ways of considering Chinese influence in Latin America? Is it possible to talk about win-win situations or strategic cooperation in reference to these international ties? Who are the actors? What specific shape do Chinese advances take in the region, advances that have generated anti-Chinese feelings, especially in Central America? Is this "neo-colonialism by invitation", as the case in Africa has been described? Is China contributing to the reprimarization of

Latin American economies already marked by extractivism? What differentiates the interchanges between China and Latin America from prior unequal relationships between center and periphery? Are more egalitarian relationships even possible, given the enormous asymmetries in power that exist?

This book addresses these questions and others, the answers to which pose a great challenge to Latin American nations and their policymakers. Are what frequently appear to be attitudes of fear or enthusiasm, or as criticism by opponents of governments' often-opaque ties to China, worth looking at from a perspective that is broader and less marked by political circumstances? In Sino-Latin American relations, models of development are at stake, as are the options for the future of this region, one which in recent years has seen economic growth and poverty reduction, but that has still not lessened its dependence on the export of natural resources, a factor that is today triggering new alarms and reviving old phantoms.

Claudia Detsch
Director
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Pablo Stefanoni
Editor in Chief
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Introduction

No one would have predicted in the 1990s that China would emerge as a fundamental player in Latin America and the Caribbean (LAC) in the 21st century. From the expansion of Confucius Institutes, which promote Chinese language and culture, to China's key role as a trade partner and source of foreign direct investment (FDI), with annual flows above $10 billion during 2010-2013, China's rise as a vital protagonist in Latin America is probably the most important transformation in the region since the turn of the century.

The new relationship was preceded by China's reforms in the 1980s and rapid integration into the world market since then, culminating in its admission to the World Trade Organization in 2001. China has emerged as a major supplier and client, with involvement in every country in the region, independently of the status of their diplomatic ties with Beijing.

China´s recent relationship with LAC could be divided into two broad stages. In the first stage of the relationship, LAC's socioeconomic structures in general and specifically its structural connections with China were substantially transformed. Trade and FDI flows boomed during the last 20 years, and analysts in LAC and China have identified at least three new structures in LAC as a result. First, China has become the second largest trading partner of the region, and even the first for some countries, including Brazil, Chile, and Peru. Second, LAC's trade deficit has increased, and its exports have much less value added and lower technology than the goods it imports from China. (Less than 5 percent of LAC exports have medium or high technological levels, while more than 60 percent of Chinese exports to LAC are at those levels.) Third, LAC's exports to China suffer from substantial concentration: A small group of commodities including soybeans, minerals, and oil account for more than 80 percent of LAC´ sexports to China. As a result of these trends, the booming LAC-China relationship is also creating substantial challenges in the region.

This volume addresses the impact on Latin America of China's "going global" or "going out" (*zou chuqu*) strategy—the Chinese government's encouragement for Chinese enterprises to "go out" into the world in search of trade and investment opportunities, and the expansion of China's global presence at all levels, from large state-owned enterprises to family businesses. Our approach, however, goes beyond a focus on extractive industries or trade, zeroing in on the various actors who engage to create these ties, shape them, and assign them meaning.

The LAC-China relationship has recently advanced toward a second stage, as evidenced by the rapid expansion in the number of researchers and students working on various aspects of China-LAC relations, increasing cultural exchange, growing immigration from China to LAC, a boom in tourism, and the launching of new mechanisms for cross-regional dialogue, such as the China-CELAC (Community of Latin American and Caribbean States) Forum. Most of these new trends have not received sufficient attention. This volume seeks to address this gap through an examination of the LAC-China relationship that connects the micro to the macro and vice versa in a fluid and nuanced manner.

This book focuses on the actors in the relationship, both in LAC and in China. Its conceptual framework, although we do not make an explicit and formal conceptual analysis, acknowledges the increasing theoretical relevance of institutions and actors for development in general and specifically in economics, political science, and the social sciences. Different forms of "institutionalism" in the last decades have increasingly enriched debates that once assumed outcomes based on free markets and certain conditions regarding private property and access to information. This analysis goes beyond established knowledge of the LAC-China relationship—particularly trade, in which LAC has become a major source of raw materials for China—to look at characteristics and features of the important actors in the bilateral relationship. Surprisingly, there has been almost no systematic analysis on the topic.

The concept of actors is understood in a broad sense—namely, as institutions, both formal and informal, including the public sector, immigrants, and participants in online forums, but also the main actors in specific bilateral relations such as trade (in general and specifically in soybeans), infrastructure investment, oil, and minerals, and in the interaction between the Caribbean and China. By examining the relationship from this point of view, our goal is to understand successes, failures, and challenges in the ongoing ties between China and LAC. The analysis is academically relevant but also of interest for policymakers.

The volume is divided in two sections, the first establishing a general framework and exploring some special topics, and the second presenting case studies of specific aspects of the relationship. The first section starts with an in-depth analysis of a neglected set of actors: netizens, or individuals who participate in or contribute to online groups, forums, and other communities. Their views are relevant because they contribute to "the creation of an image of China and the Chinese that is replicated, recreated, and circulated in innumerable ways," thus shaping perceptions of the relationship between LAC and China. Ariel Armony and Nicolás Velásquez focus on negative dispositions towards China in five Latin American countries and find a shared anxiety resulting from the effects of China's involvement in Latin America's domestic development (focused on issues such as demand for natural resources, immigration, and the environment). The critical discourse on China in these countries is a result of sociocultural, political, and economic views that have the potential to strengthen anti-Chinese sentiment over the long term.

The second chapter, by Enrique Dussel Peters, highlights the importance and extensive presence of the Chinese public sector (institutions of the central government, provinces, cities, counties, and municipalities) in their relationship with LAC. From this perspective, the public sector in China presents a complex and interlinked structure of institutions under the leadership of the Chinese Communist Party that formulate, implement, finance, and evaluate long-term national development goals. Today, according to some accounts, the Chinese public sector's share of GDP is between 40 and 50 percent, while cities control tens of thousands of companies active in telecommunications, automobile manufacturing, banking, and other sectors. China's public sector has thus become a formidable and competitive player.

Yang Zhimin looks at quasi-governmental organizations and other actors in China, specifically the China Council for the Promotion of International Trade, which plays a bridging role, working with the state and public and private companies in China and in LAC, that is significant to understanding China's trade relationship with LAC. In the section's final chapter, Bettina Gransow examines China's investment in infrastructure in LAC, looking at strategies, actors, and risks. Gransow highlights the relevance of China's Development Bank and Export-Import Bank and their respective roles in infrastructure investment globally and in LAC. Taking into account the array of existing actors in this field, the author suggests an "emerging but fragile agenda of sustainable development" in China-LAC relations.

The second section of the book examines five case studies focusing on specific actors in the LAC-China relationship. Eduardo Daniel Oviedo presents the main actors in two important aspects of the Argentina-China relationship: migration and the soybean trade. The analysis shows complex and dynamic relationships involving the Argentine state, large exporting companies, and institutions associated with migration and human trafficking. Both legal and illegal actors participate in these relationships; in some cases, private institutions play roles that were historically assigned to the public sector. Adrian Hearn looks at the relationship between Brazil and China from the perspective of agriculture and emphasizes the diverging traditions of trust between state and society as a means to understand conflicts and distrust in the case of Chinese agricultural investments in Brazil. From this perspective, a long-standing pattern of lack of transparency in Chinese state-owned enterprises appears as one of the key dimensions requiring reform.

Sun Hongbo's chapter refers to the main actors in the Venezuela-China relationship, for China a typical relationship with a resource supplier. Political and particularly public commercial actors, such as the China Development Bank, are the main forces in this dynamic relationship, in which risk has increased as a result of changes in the political and economic environment. The author argues that a variety of actors operate under an institutional design based on a goal of economic complementarity and mutual benefit.

Julie Michelle Klinger analyzes the actors in China's relations with the Brazilian mineral sector, emphasizing that investments that were once highly concentrated have become more diverse. Thus, new companies from China and new subnational entities in Brazil are increasing the level of complexity of the bilateral relationship. One of Klinger's most interesting findings points to the active role of Brazilian private and subnational state actors in advancing Brazil's development goals, often independently from national policy. Finally, Dong Jingsheng examines the main actors in China's relations with the Caribbean, where governments, companies, banks, and immigrants are playing a dynamic role in the bilateral relationship and shaping its future. Chinese actors in this relationship face challenges that require them to learn from historical experiences, in some cases from anti-Chinese movements.

The studies in this volume reflect the increasing complexity of the LAC-China relationship and the need to go beyond trade, extractive industries, and FDI issues to understand current conditions and emerging structures. From this perspective, actors on both sides of the LAC-China relationship play a critical role in shaping a wide range of trends, including anti-Chinese movements, trade, FDI (particularly in infrastructure, agriculture, oil, and mineral exploitation), immigration, and tourism. These actors are fundamental players shaping bilateral relations between China and such countries as Argentina, Brazil, Venezuela, and the Caribbean nations. The findings reported in these studies enhance our understanding of these actors' respective roles and their impact on outcomes. The chapters suggest both a research agenda, the need to develop our understanding of specific actors on both sides of the LAC-China relationship, and a policy agenda, the challenge to actors on both sides to improve their knowledge of each other and, based on that knowledge, their respective actions and agendas.

Enrique Dussel Peters Ariel C. Armony

I. General Framework and Topics

Anti-Chinese Sentiment in Latin America: An Analysis of Online Discourse

Ariel C. Armony / Nicolás Velásquez

Be Right Back, the episode that opened the second season of the TV series *Black Mirror*, told the story of "a young widow reconnecting with her deceased husband through an online app that recreated him using all his social media posts" (Debnath 2013). A company offers customers the opportunity to generate a replica of a dead loved one "created out of his social media output, his emails, everything he ever tweeted or tumbled or filmed himself doing on the Internet" (Sims 2013). The replica of the young woman's partner first communicates via instant messages, then talks to her on the phone, and finally becomes available in synthetic flesh. The replica is fully aware of his limitations, but he has the capacity to learn and align himself more perfectly with the nuances of the real husband's personality: his jokes, catch phrases, and warmth. Nevertheless, artificial intelligence cannot match real life. This episode problematized identity in an increasingly virtualized world, and highlighted an important point about self-expression: We are becoming more and more intimately linked to what we post on the Internet.

During a February 2015 visit to Beijing, Argentina's president, Cristina Fernández de Kirchner, hosted an event that was designed to attract Chinese business and investment to Argentina. To celebrate the event's success, she tweeted to her 3.53 million followers, emphasizing how many Chinese business people had attended the meeting. In the closing part of her message, however, Fernández de Kirchner made fun of the Chinese accent by exchanging the "r" and "l" sounds: "Did they only come for lice and petloleum?" (*¿vinieron sólo por el aloz y el petlóleo?*) (Fernández de Kirchner 2015). The intention was probably to refer, in ironic tones, to the Chinese appetite for food crops and oil. The tweet aroused a strong backlash in the Chinese and Argentine social media. Many found the joke insulting and racist. Although the Chinese government did not comment on the Argentine president's tweet, the message "is likely to linger in the collective mind of the Chinese Web, a realm in which slights to China's national image have a way of circulating long past the point when they might be expected to expire," as *The New Yorker* commented (Osnos 2015).

Be Right Back brilliantly captured the zeitgeist of today's social media. Some studies have suggested ways of predicting users' personalities through the information made available on their Facebook profiles (Golbeck et al. 2011; Markovikj et al. 2013). There is increasing consensus that social media can open a window on the multiplicity of viewpoints expressed by individuals. Twitter, Facebook, and many other outlets allow us to study spontaneous expressions of opinion publicly posted by individuals; by using these tools, ordinary people can "comment, in real time and for a potentially global audience, on world events" (Jamal et al. 2015: 56). Access to these discourses has opened up new opportunities for political analysis, because we can monitor them directly and examine their content in new and interactive ways (Jamal et al. 2015; Markovikj et al. 2013).

Only very recently have studies of relations between China and Latin America started to examine in detail the wide range of actors that shape these interactions. These actors are part of globalized, often highly complex processes, and they constitute diverse groups of stakeholders with a wide range of perspectives, including on risks and opportunities. The attention paid to these actors has become more nuanced as the analysis of trade, mining, infrastructure building, and other topics has become increasingly more sophisticated.

The construction of perceptions is a key dimension of international relations. Perceptions lead to emotions and these, in turn, shape actions. Studies of perceptions often draw on the political discourse found among the elite and in public opinion surveys, focus groups, ethnographies, and the mainstream media (Armony 2012; Cornejo et al. 2013; Faughnan and Zechmeister 2013; Zechmeister et al. 2013). But social media also present an important tool for examining the construction of relationships, as the *Be Right Back* episode and Fernández de Kirchner's tweet illustrate.

This study examined the views of social-media participants on the relationship between China and Latin America—in particular, Facebook users expressing negative views in response to news articles about China. Our main goal was to gain insights into the concepts that structure negative views on China and to reconstruct anti-Chinese narratives that circulate in Latin America today. Online expressions allow us to explore popular views in greater detail than would be possible with traditional public opinion polls, since the comments are freely expressed in response to news about real events and reflect individuals' knowledge and perceptions of global issues. The driving questions behind this project were: How are negative visions of China framed in online comments? Do they reveal prejudices or biases? How are Latin American issues perceived to be reflected in news about China?

A focus on the perceptions of netizens adds a valuable dimension to the study of interactions between China and Latin America. We utilize the term "netizen" to describe an individual who utilizes the Internet to participate in or contribute to a group, forum, or other cyber community. It would be a methodological error to limit our analysis to the views of people involved in activities related to China. Individuals who make comments online may not be connected in any meaningful way with China, but their views contribute to the creation of an image of China and the Chinese that is replicated, recreated, and circulated in innumerable ways. These views are thus an inherent part of the answer to the question "who are the actors?" in China–Latin America relations.

Online communities are a source of diverse, unrestricted, and spontaneous discourse. They pull in contradictory perspectives and socially dominant narratives. Data obtained from virtual communities can help us understand how people structure their views (Armony and Armony 2005). There are, however, some limitations to this approach. For example, it does not entail using a random sample of the population; that is, findings cannot be read as reflecting public attitudes in an entirely representative way (Jamal et al. 2015). Actors are self-selected and tend to represent a particular social sector. Nonetheless, these expressions result in the formation of a "discordant discourse," which is "contentious and not always deeply reflective, but revealing about values, perspectives, and emotions of large numbers of people who have politically relevant views and are ready to express them" (Jamal et al. 2015: 55). The "discordant discourse" of Internet users commenting online can offer new insights into the evolving relationship between China and Latin America.

Research Design and Methodology

We used Facebook's application programming interface, which connects the site's databases to third-party applications, to capture comments posted by individual readers on news content related to China on the official Facebook pages of eight leading Spanish-language Latin American newspapers in five countries. We built our own application to capture the data through the R programming language (R Core Team 2014) and the Rfacebook package (Barberá 2014). The following newspapers were included in the study:

- Argentina—*La Nación* (<www.facebook.com/lanacion>)
- Chile—*El Mercurio* (<www.facebook.com/emol.cl>) and *La Tercera* (<www.facebook.com/laterceracom>)
- Colombia—*El Tiempo* (<www.facebook.com/eltiempo>) and *El Espectador* (<www.facebook.com/elespectadorcom>)
- Mexico—*El Universal* (<www.facebook.com/ElUniversalOnline>)
- Peru—*El Comercio* (<www.facebook.com/elcomercio.pe>) and *La República* (<www.facebook.com/larepublica.pe>)

We examined the comments on the newspapers' Facebook profiles rather than those on the newspapers' own websites because the latter encourage anonymity, which is conducive to irresponsible discourse (such as spam and hate speech), while the former allows identifiable users to express their views in a more accountable manner (see Diakopoulos and Naaman 2011). This decision led us to tap into what Ruiz et al. (2011) referred to as "communities of debate" rather than "homogeneous online communities." The goal of this project was to identify the substance of negative opinions rather than to gauge the level of debate on Chinese issues.

First, we captured 2,500 posts from the newspapers' Facebook pages. Then, through a semi-automated machine-learning process, we identified news content related to China or Chinese issues. In a final manual review, we filtered sporting events, retaining news on competitions (such as Nanjing's 2014 Youth Olympic Games) but discarding reports on individual matches and scores.

The last manual review confirmed the overall validity of the machine-curated selection and yielded 65 news stories posted between 29 January 2013 and 3 September 2014. We then captured the public comments on these posts, a total of 3,866 comments. Not all these comments were intelligible to us, since many consisted entirely of ASCII art, commercial publicity, or hyperlinks. We retained only those comments written in clear Spanish, which narrowed the total to 1,367. These comments expressed 774 views on Latin American issues, 777 views on Chinese issues, and 184 views on Latin American and Chinese issues. (A single comment could express one or more views on a number of issues, and thus there were more views than comments.)

We coded the views manually, obtaining 1,551 observations. These were our main units of analysis. We categorized these observations into three basic dimensions: (1) Do they express views on China, Latin America, or both? (2) Do they offer negative, positive, mixed, or neutral opinions? (3) What sorts of topics are mentioned? Content analysis determined that comments clustered around the following topics: products, business-related issues, culture, development, and international relations. The volume of comments and news articles for each category differed substantially (for example, comments on products were much more frequent than news articles about products). Negative observations, the focus of this project, made up 52% of the sample.

We selected newspapers from five of the seven largest Latin American countries in terms of population, economy, and bilateral trade with China: Argentina, Chile, Colombia, Mexico, and Peru (UNCTAD 2014). We did not work with Brazilian newspapers because our machine-based methods were fine-tuned for the Spanish language. We excluded Venezuela because our initial pilot study did not find a major Venezuelan newspaper with enough news posts about China on its Facebook page. Instead of Venezuela, we included Peru, the seventh largest Latin American country by population and gross domestic product and the largest Andean recipient of Chinese Foreign Direct Investment (FDI) in the last five years (Schipani 2014). While we cannot claim that our sample represents anything other than the communities of online newspaper readers, our research design allowed us to assume that most of the commenters were located in the home countries of the monitored newspapers.

Newspapers were selected for the study based first on the number of followers on their Facebook pages and second on the volume of news that they posted about China. Newspaper policies vary with regard to what they offer on their websites and Facebook pages. For instance, some traditional newspapers, such as *Clarín* in Buenos Aires and *Reforma* in Mexico City, regularly post coverage of Chinese issues to their websites but not to their Facebook pages. Examples of the comments are presented in Table 1.[1]

1. The complete data set of comments is available online at <https://github.com/nicvel/FB-LATAM-PRC>.

TABLE 1 Selected comments from newspaper Facebook pages

Issue	Source
Products	*El Universal (Mexico)* China otorgará 5 millones de dólares de ayuda a países afectados por ébola. (China will provide US$5 million in aid to countries affected by Ebola) <www.facebook.com/ElUniversalOnline/photos/a.114062330680.121845.54013055680/10152643347230681>
Business	*La Nación (Argentina)* Los chinos lanzan su canasta de 76 productos (Chinese [markets] launch their basket of 76 products) <www.facebook.com/lanacion/posts/227972197381884>
Culture	*El Universal (Mexico)* Denuncian a zoo chino por imágenes de tigre desnutrido (Chinese zoo denounced over images of malnourished tiger) <www.facebook.com/ElUniversalOnline/photos/a.114062330680.121845.54013055680/10152637086840681>
Development	*El Espectador (Colombia)* Escándalo de carne podrida en China se expande a más marcas y llega a Japón (Chinese spoiled-meat scandal expands to more brands and reaches Japan) <www.facebook.com/elespectadorcom/photos/a.10150225336479066.355927.14302129065/10152591140104066>
International relations	*La Nación (Argentina)* China elimina los "campos de trabajo" y la política del "hijo único" (China repeals "labor camps" and the "one child" policy) <www.facebook.com/lanacion/posts/10151792558319220>

China's Growing Presence in Latin America

The evolving relationship between China and Latin America in the 21st century can be seen as a dynamic process in which China has pursued a global policy of "going out" (*zou chuqu*). China's "landing" (*desembarco*) in Latin America has resulted in an expanding presence in the economic, political, and social realms.

Comment
"Pues a ver si no falla ese equipamiento que van a mandar ya que es Made in China." ("The equipment is made in China; let's see whether it fails or not.") "La verdad es que siendo chino deberían checar si es ayuda o el embarque son tan mal hechos y todo lo que viene de ellos es basura." ("In fact, as the equipment is Chinese, they should check if it's [really] aid or if the shipment[s] are so poorly made and everything that comes from them is junk.")
"Lastima que en los chinos de aca, tienen todo vencido, hace unos dias los clausuraron por tener heladeras en mal estado, productos vencidos, cucarachas, ademas de todo eso querian sobornar." "Too bad all products are expired in Chinese [supermarkets], a few days ago they were shut down because of their malfunctioning refrigerators, expired products, cockroaches, and on top of that they resorted to bribery."
"Los chinos son unos desalmados con los animales No sólo con este pobre Tigre también con los perros incluso se los comen en lo particular yo no consumo ningún producto chino. aparte de que son una porquería de productos." ("The Chinese are heartless toward animals. Not just regarding this poor tiger but also with dogs, which they even eat. I do not consume Chinese products at all. Furthermore, they are junk.")
"Disque la potencia. Tienen el mercado inundado de. Bacterias y. Contaminación nuclear!" ("A so-called world power. They have flooded the market with bacteria and nuclear waste!")
"Mmmmm ... peligroso ... no tienen lugar ... emigrarán o se expandirán ... no les queda otra... Y lo harán a países como el nuestro ... con mucho territorio deshabitado y con políticas de inmigración light como la nuestra ... y nuestra ideosincrasia cambiará radicalmente" ("Mmmm ... dangerous ... they don't have enough space ... they will emigrate or expand ... they don't have any other option ... And they will [emigrate] to countries like ours ... with plenty of uninhabited territory and with lenient immigration policies like ours ... and our cultural identity will change radically")

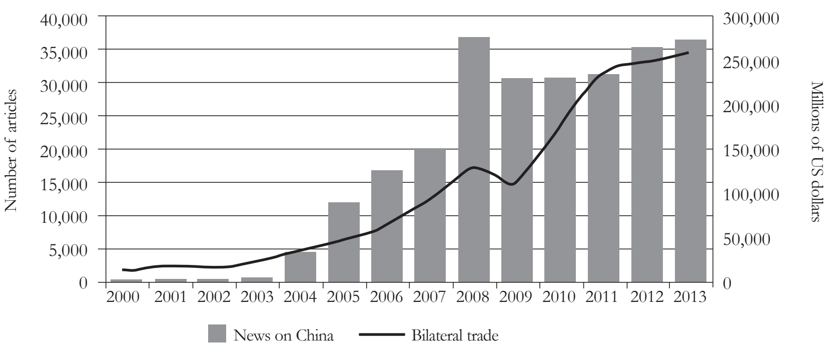
As in previous "landings," the recent expansion of China's presence in Latin America is shaping the identities of those arriving and those already living in the region. These encounters generate a gamut of experiences that are also shaping the actors' perceptions of each other. China's activities in different Latin American countries have evoked a range of local sensitivities in diverse sectors. This process shapes perceptions and misperceptions of China and the Chinese.

Sometimes (mis)perceptions serve as frames for reality, and sometimes they create reality (Armony and Strauss 2012; Paz 2012).

> Dispossessed and exploited communities in areas of mining activity may perceive of China as a rapacious extractor of natural resources, while Chinese managers may equally see the same reality as one of obstreperous, unreasonable and/or lazy people devoid of either work ethic or an understanding of what is best for their own "development." (Armony and Strauss 2012: 10)

Our study dovetails well with two trends in Latin America. First, as Figure 1 illustrates, the rapid increase in Latin America's trade with China has been accompanied by a surge in news coverage on China (the figure refers to the Spanish-language newspapers indexed by Proquest's Latin America Newsstand service). This provides a timely context for our methodological approach. Ordinary Latin Americans received very limited information about China before 2004 (at least through newspapers); since then, the availability of news about the Asian power has rapidly increased.

Figure 1 **Bilateral trade between Latin America and China and coverage of China in Latin American newspapers**



Sources: Data from ProQuest (2014) and UNCTAD (2014).

Second, access to the Internet, including social networking sites, has expanded significantly in Latin America (Table 2). According to a recent survey by the Latin American Public Opinion Project (LAPOP 2014), more than half the population of Argentina, Chile, and Colombia, and more than 40 percent of Peruvians and Mexicans, access the Internet at least once a month. Social media sites are the primary online destinations in Latin America; in this category, 94 percent of users' time is spent on Facebook (Zain 2013: 13, 24). In this sense, the widening of the public sphere brought about by greater connectivity in the region provides a strong rationale for research into online and social network expressions of public opinion.

Table 2 **Internet access and social networking activity in the five study countries**

	Population	Percent of population with monthly or more frequent Internet access	Activity on social networking sites	
			Facebook users	Average monthly hours per user*
Argentina	43,024,374	58.7%	20,594,680	10.2
Chile	17,363,894	51.9%	9,648,660	7.2
Colombia	46,245,297	56.8%	17,505,920	10.0
Mexico	120,286,655	42.3%	40,150,340	7.3
Peru	30,147,935	47.8%	9,856,600	8.3

Sources: Population (2014 estimate): US Census Bureau (2014); access to Internet: LAPOP (2014); Facebook users by country (2012): Internet World Stats (2014); average monthly hours per user: Zain (2013: 21).
* Average time spent on social networking sites. Data for Colombia was estimated from the Latin American average.

Chinese–Latin American economic links remain highly dynamic after almost 15 years of dramatic growth in bilateral trade (UNCTAD 2014). Despite the cooling down of the Chinese economy, and an apparent end to the commodity boom, it is unlikely that trade levels will fall dramatically. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) has estimated that between 2007 and 2011, close to 90 percent of Chinese FDI to Latin America was directed toward natural resource extraction. After peaking in 2010 at US$13.7 billion, the Chinese investment rate in Latin America stabilized at around US$10 billion annually in 2011 and 2012 (Chen and Pérez Ludeña 2013). Large Chinese investments in the resource extraction sector (e.g., US$20 billion in Peru) were announced in 2014 (Schipani 2014). Although on a much smaller scale, Latin American FDI in China showed a steady upward trend, reaching an estimated US$670 million in 2013 (Estevadeordal et al. 2014).

In his closing remarks at the forum held by China and the Community of Latin American and Caribbean States (CELAC) in Beijing in January 2015, President Xi Jinping asked for a joint effort to raise the bilateral trade volume to "US$500 billion and China's direct investment volume in the Latin American region to US$250 billion within ten years"

(Ministry of Foreign Affairs 2015). Educational and political exchanges have followed the path opened by trade. During the China–CELAC Forum, President Xi presented plans to offer 6,000 scholarships and 6,000 internships for Latin Americans by 2020. He also proposed an exchange of 1,000 Chinese and Latin American youth leaders, and extended an invitation from the Communist Party of China to 1,000 political cadres for party-to-party exchanges (Ministry of Foreign Affairs 2015). China–CELAC's road map for cooperation issued after the January 2015 meeting offered eight quadrennial goals focused on advancing bilateral cooperation in the cultural, scientific, partisan, diplomatic, journalistic, and sporting realms (CELAC–China Forum 2015).

President Xi's comments reflected the fact that the bilateral relationship was initially based on trade but is now evolving into other dimensions. In 2013, China was the most important trade partner for Chile, the second most important for Colombia and Peru, and the third most important for Argentina. It is the second most important extra-regional source of imports for the five Latin American nations included in this study, within the top three export destinations for all South American countries and the fourth for Mexico (WTO 2014). Nonetheless, there are also numerous controversies over investments or infrastructure projects involving both public and private partnerships between Chinese and Latin American actors. Some of them have been aborted, such as the project to set up an assembly plant by the Chinese automobile manufacturer FAW (originally First Automotive Works), or more recently, the Mexican government's decision to annul a contract with China Railway Construction Corporation to build the Queretaro–Mexico City high-speed rail (Dussel Peters and Ortiz 2015: 53–55; Reuters 2015). According to the newspaper *Jornada*, various executives from state-owned Chinese enterprises suggested that after the collapse of these multi-million-dollar investment projects, the Chinese government was reviewing all its investment projects in Mexico (Reuters 2015).

A 2012 survey conducted in 26 Latin American countries asked participants to name the most influential country in their region. The United States was chosen by 50 percent; China, in second place, was chosen by 25 percent. Two years later, China's portion of this vote had declined to 17 percent and the United States' vote increased to 57 percent, picking up most of the points lost by China (LAPOP 2012, 2014). When asked to predict the degree of influence in a decade, the same survey respondents expressed the opinion that the United States would lose ground and China would gain. Almost 40 percent of respondents in 2012 said that the United States would be the most influential country in their region in

2022, while 30 percent said the same about China. Two years later, this trend appeared to continue, although China's share decreased to 24 percent while the United States, again capturing most of those lost points, was predicted by 46 percent to be the most influential country.

The slight decline in the perceived influence of China at the regional level does not translate into a decline in the perceived influence at the domestic level. Indeed, the perception of China's influence in the respective countries increased from 2012 to 2014 (from 66 to 75 points on a 100-point scale). With regard to the level of influence at the country level, the United States and China were virtually tied in 2014.

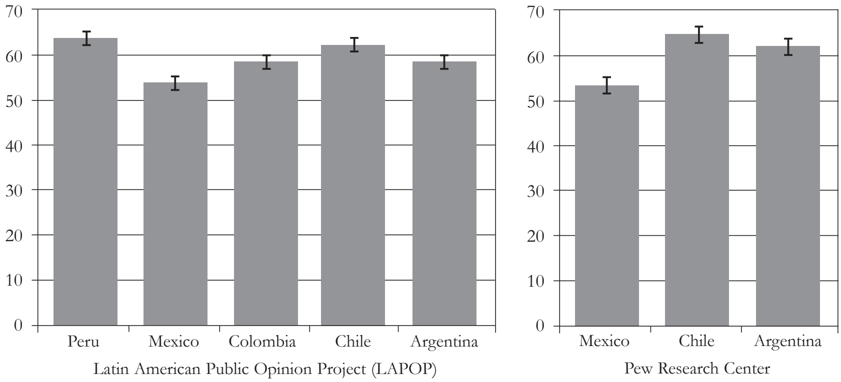
In the region as a whole in 2014, 64 percent of respondents viewed China's influence in their countries as positive. In the four largest and most industrialized economies in Latin America (Argentina, Brazil, Colombia, and Mexico), fewer respondents—but still more than half—expressed that view. The percentage of positive responses in Argentina, Brazil, and Colombia was less than 5 points below the regional average; in Mexico, it was 10 points below (LAPOP 2014). Another survey in Mexico found a difference between the general public and the leadership class in opinions on China's influence in Mexico. While 49 percent of respondents among the general public viewed China's influence in positive terms, only 35 percent of the leaders were of the same opinion (González González 2014).

As Figure 2 illustrates, the polls conducted by LAPOP and the Pew Research Center confirmed that solid majorities welcome China's presence in the region. Even in Mexico, where there is a consistent negative reaction against China, a substantial proportion of the population views the Asian country favorably.

From 2012 to 2014, the Chinese development model lost some of its appeal while the United States reinforced its position as the model most admired by Latin Americans. In 2014, China moved down from second to third most admired model (Japan moved up to second place). In fact, the US and Japanese models were favored by 54 percent of respondents, who thus expressed preference for a model that combines a market economy and liberal democracy. Trust in the US and Chinese governments declined slightly from 2012 to 2014, but the decline was more pronounced in the case of China.

The LAPOP survey asked respondents about problems in the areas of communication, law, politics, culture, and labor faced by Chinese businesses

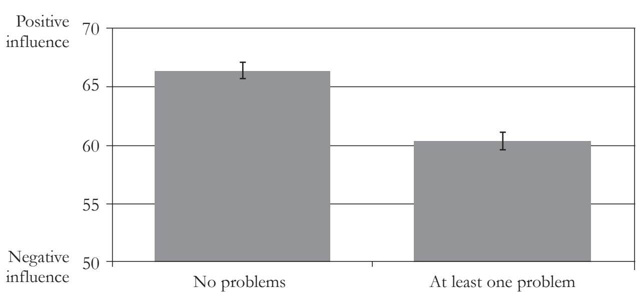
FIGURE 2 **POSITIVE VIEWS OF CHINA**



Sources: Data from LAPOP (2014) and Pew Research Center (2013b). Maximum value is 100; minimum value is 0.

operating in their country. For the region as a whole, awareness of problems facing Chinese businesses eroded by 6 percentage points the perception of those businesses' benefits to the national economy (Figure 3). This erosion, which compared responses by the people who saw no problems with responses by the people who so saw problems, was more severe in some individual countries; for example, in Brazil, the region's largest economy, there was a 13-point difference from the regional average. This finding—that awareness of at least one type of problem faced by Chinese businesses is the best predictor of negative views of the impact of Chinese business on the economy—echoes the findings reported in a recent collection of case studies on China's FDI in Latin America (Dussel Peters 2014).

FIGURE 3 **AWARENESS OF PROBLEMS FACED BY CHINESE BUSINESSES COMPARED TO PERCEPTIONS OF THE INFLUENCE OF CHINESE BUSINESSES ON THE ECONOMY FOR THE ENTIRE LATIN AMERICAN REGION**



Sources: Data from LAPOP (2012). Maximum value is 100; minimum value is 0.

Nearly half of respondents who had a negative perception of China's influence on their country also thought that China had a lot of influence on their country, compared with 39 percent for those who did not hold a negative view. Only 30 percent of Latin Americans who viewed Chinese influence on their country negatively expressed trust in the Chinese government, compared with 47 percent of those who did not hold a negative opinion of China's influence. Of respondents who assessed Chinese influence negatively, 82 percent believed that the state of their national economy was worse than a year ago, compared with 77 percent of those who did not have a negative perception. Results were similar when respondents were asked to compare their current personal economic situation with their situation a year ago (LAPOP 2014).

Challenges to the Relationship between China and Latin America

Since 2007, dozens of large Chinese corporations have arrived in a number of Latin American countries, either by establishing local branches or by acquiring previously existing operations (Ellis 2014). Market-seeking investment from China is growing rapidly in the region (Frischtak et al. 2012). This has generated a significant number of social, legal, and labor challenges.

Chinese investment has focused primarily on oil, mining, and agriculture. However, in recent years, it has diversified, with an expanding presence in the fishing sector, sugar processing, forestry, construction, automobile manufacturing, cellular technology, and communication networks (Ellis and Granados 2015). Chinese companies face a variety of challenges in their interactions with authorities, workers, environmental groups, indigenous communities, and other local actors (Ellis 2014).

The Chinese presence in the region ranges from large corporate holdings to small retail businesses run by Chinese immigrants. Recent events, such as the controversial project to build a transoceanic canal in Nicaragua in partnership with the HKND Group, headed by a billionaire from Hong Kong, have generated concerns about widespread environmental damage, forced displacement of people, and other serious consequences (Laursen 2014). The project has triggered a wave of anti-Chinese protests in Nicaragua, some of them coordinated by online communities hosted on Facebook (No al Canal Interoceánico en Nicaragua 2014).

Chinese businesses encounter a variety of challenges in Latin America, including adapting to local customs, navigating legal regimes, dealing with corruption, and developing proper communication channels with domestic stakeholders. The average Latin American citizen is aware of these problems. The question is whether there will be tolerance or whether these problems will erode perceptions of China and the Chinese, eventually coalescing into a more intense core of anti-Chinese sentiment (see Barbosa et al. 2014; Ellis 2014, part 2).

Negative depictions of the Chinese have been common in the West. The "yellow peril" concept of the early 20th century is now expressed in less harsh terms, but it still involves the idea of China as enigmatic, fearsome, and untrustworthy (Mawdsley 2008). The Chinese have often been characterized as villains, from Dr. Fu Manchu, the sinister character who appears in comics, books, and films, to accusations of "swallowing the Mexican market" or "invading Mexico" (Cornejo et al. 2013: 63; Mawdsley 2008).

The Internet is now a popular channel for expressing anti-Chinese views: "One of the earliest and most compelling Web pages is http://pincheschinos.blogspot.com, founded in January 2005. This site contains humor-oriented updates on China's pirated products, but it lacks any self-containment or political correctness" (Cornejo et al. 2013: 62). Mocking the Chinese, especially because of their accent, is popular in Latin American humor. The Argentine president's "lice and petloleum" tweet is a distasteful example of such humor. Some of the reactions from Chinese netizens emphasized the paradox of a head of state who chose to ridicule her hosts during a visit that was intended to attract investment. The president's mockery of Chinese pronunciation aligns well with our findings concerning cultural bias against the Chinese in Latin America. This kind of comment is not entirely surprising if we remember that in the case of Argentina, the nation was built around a project that was not inclusive of minorities (Grimson 2005).

A Google search for the term "chistes de chinos" (Chinese jokes) yields nearly half a million results. This trend is not exclusive to Latin America. For instance, a 2013 online poll in response to anti-Chinese remarks on *Jimmy Kimmel Live!* showed that a third of respondents in the United States believed that "America's media and education are currently slipping toward extreme anti-China sentiments" (Schiavenza 2013). Negative attitudes toward China and Chinese people tend to converge around three main issues:

1. The perception that overseas Chinese communities practice ethnic favoritism, which has existed for at least a century in the region, is today fueled by China's global rise and the perceived role that Chinese immigrants play as intermediaries in China's "going out" strategy (Hearn 2012: 112). In some countries, Mexico for example, ordinary citizens view Chinese communities as "the foot soldiers" of China's commercial conquest of their country (Hearn 2012: 126). Sometimes, such talk may turn into action. Mexico's anti-Chinese rhetoric in the early decades of the 20th century "grew into expropriations of Chinese business and even physical aggression"; ensuing animosity against the Chinese has largely involved protests, demonstrations, and other symbolic actions (Cornejo et al. 2013: 63).
2. Chinese businesses are accused of "obscure and unregulated business practices" and of showing disdain for "fairness and transparency." These allegations include violations of labor and wage standards, human rights abuses, piracy, smuggling, lack of quality control, environmental degradation, dumping, and other reprehensible practices (Hearn 2012: 132).
3. There is concern about the sustainability and impact of China's rise as a global power. China's hunger for food and energy has triggered anxiety about the consequences for the global environment and the future of the countries that supply China with natural resources (Armony 2012).

A better understanding of anti-Chinese sentiment would open a window onto the dynamics of perception in the China–Latin America relationship and enable a more nuanced understanding of narratives about China and related prejudices, biases, and misconceptions. It is important to understand negative responses to distinct aspects of the Chinese presence in order to establish the role played by these negative reactions in opinion formation (see Sautman and Yan 2009: 730).

Patterns in Negative Perceptions

The rapidly evolving relationship between China and Latin America challenges us to examine the dynamics of perception and the role that the representation of a partner plays in the construction of the relationship. The images of China created by ordinary Latin Americans are important for understanding how they construe interactions with the Asian power. Public perceptions are likely to play a role in the creation and re-creation of potentially hostile attitudes toward China and the Chinese, encouraging in turn tighter internal solidarity (and isolation from the outside) in domestic Chinese networks (see Hearn 2012: 132). Seeking to understand how Latin Americans distort and misperceive China, and how they construct and embrace myths about China, is part of the process of understanding how actors and discourses contribute to shape the narratives about China that circulate in the public sphere (see Shen 2012: 161).

This analysis of online reader comments on news related to China focused on negative views in an attempt to understand the ways in which they are articulated by ordinary citizens. In this context, even overstated expressions of negativity were useful for our analysis, since the goal was to unpack precisely such negative articulations. Dominant themes in the posts we reviewed were product quality, business-related issues, culture, development, and international relations.

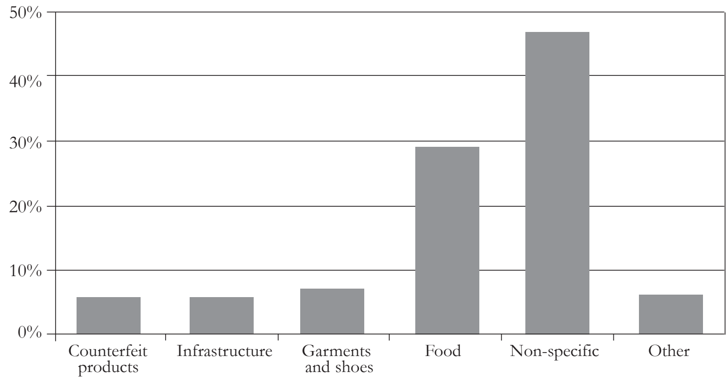
The product- and business-related themes cover the economic sector, including trade, investment, and the increasing presence of Chinese companies and entrepreneurs on the ground in Latin America. The cultural underpinnings of the China–Latin America connection are important because of the differences between the two cultures and Beijing's emphasis on soft power (see Kurlantzick 2007). In the development arena, debate has focused on the complementarity of Latin American and Chinese economic interests, the risks of the "resource curse" for Latin America, and the threat of de-industrialization in several countries in the region (Arnson et al. 2007). In international relations, China is pursuing a series of initiatives, such as the China-CELAC Forum, which aims to complement bilateral engagements with a regional approach while seeking to avoid conflict with the United States (Armony 2014).

Product Quality

Netizens expressed concern about the quality and reliability of Chinese products. Nearly half of the observations referred to Chinese products in a general way as likely to be flawed; the rest referred specifically to food, garments and shoes, and counterfeit products. Negative comments also referred to Chinese infrastructure (Figure 4).

Not all criticisms reflected direct experience with Chinese consumer goods. A significant proportion referred to problems with food products in China—for instance, spoiled meat distributed to fast food chains in various Chinese cities. Food safety scandals in China, such as the melamine milk scandal of September 2008, have attracted significant

Figure 4 **Negative comments on Chinese products and infrastructure**



attention and concern around the world, especially since China has emerged as an important food exporter (Chung and Wong 2013). Building trust in this area is a major challenge for the Chinese government and Chinese businesses, both at home and abroad. In Brazil, for example, there is growing debate "about the motivations and potential disadvantages of Chinese investment" in the agribusiness sector and concern about Chinese interest in the "infrastructure, food processing, packaging, and other higher value-adding segments of the food production chain," as Adrian Hearn points out in his chapter in this volume. There is anxiety over the impact of such investment on national interests, quality control, and food security. In the online comments reviewed for this study, news stories about food security incidents in China triggered high levels of anxiety and negative comments about China.

Many comments associated China with substandard consumer goods, often implying that all or most Chinese products were substandard. The prevalence of such attitudes may help create a vicious cycle with the potential for intensifying anti-Chinese sentiment. If China is associated with defective products (as well as faulty business practices, which will be discussed later) and, as other studies have argued (Haro Navejas 2007; Hearn 2012), there is a propensity to associate Chinese products and businesses with China's ambitions as a global power, then attitudes toward China will be increasingly filtered through direct experiences with, and biases against, Chinese products and businesses.

Online commenters expressed little trust in consumer goods made in China. This perception shapes their reactions to the impact of China's actions overseas. For example, one news article announced that "China will provide US$5 million in aid to countries affected by Ebola" ("*China otorgará 5 millones de dólares de ayuda a países afectados por ébola*") (El Universal Online 2014). This article triggered the following comment: "The equipment is Made in China; let's see whether it fails or not" ("*Pues a ver si no falla ese equipamiento que van a mandar ya que es Made in China*"). We found evidence that negative perceptions of Chinese products tend to spill over into unrelated areas. Thus, individuals are likely to frame their overall perception of China (its government, actions, and characteristics as a nation) on the basis of their critical attitudes toward products made in China.

In an interesting paradox in attitudes toward Chinese products, despite the generalized negative perception of Chinese products, Latin Americans buy inexpensive Chinese consumer goods in large quantities. The availability of these cheap products has played a major role in the democratization of consumption across the region. Consumers seem to be ready to take advantage of inexpensive Chinese goods while at the same time strongly criticizing them.[2]

Business-Related Issues

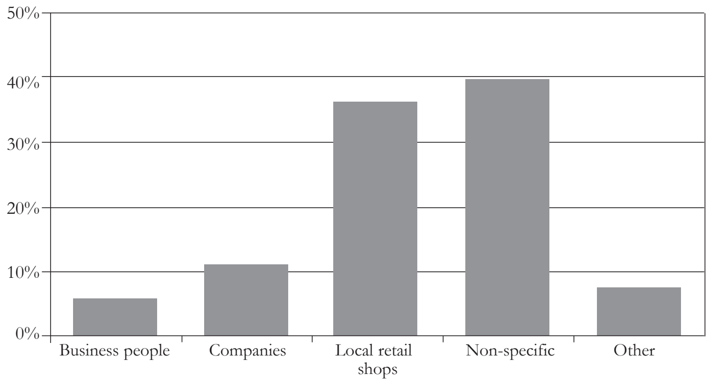
Of negative comments about Chinese businesses, 80 percent referred to practices perceived as unfair, illegal, morally wrong, or abusive. Perceptions revealed in these comments were rarely informed by solid experience. In this category, 40 percent of the observations referred to Chinese businesses in a generic, nonspecific way. Of more specific comments, half mentioned local retail shops owned by Chinese immigrants (such as small supermarkets). This is not surprising, since the urban fabric of many cities (for example, Buenos Aires) has been shaped by the presence of Chinese-owned supermarkets. These businesses offer direct contact with Chinese immigrants in everyday situations.

Large Chinese corporations attracted fewer comments, and most of these did not identify companies by name. This suggests that ordinary Latin Americans do not know the details of the Chinese companies operating in their countries (which are mainly found in the extractive

2. Our study might have missed the lower socioeconomic strata of the population, which has benefitted significantly from the availability of cheap consumer goods imported from China. (Not all China's exports are cheap manufactured goods. It also exports high-quality, high-value products to most markets, ranging from electro-medical devices and wireless communication equipment to construction machinery and motor vehicle engines and components.)

sector). We did not see much evidence that Latin Americans have incorporated Chinese brands as part of their repertoire as consumers. Other Chinese entities mentioned in generic terms were small and medium-sized enterprises and individual business people (Figure 5).

Figure 5 **Negative comments on different Chinese business types**



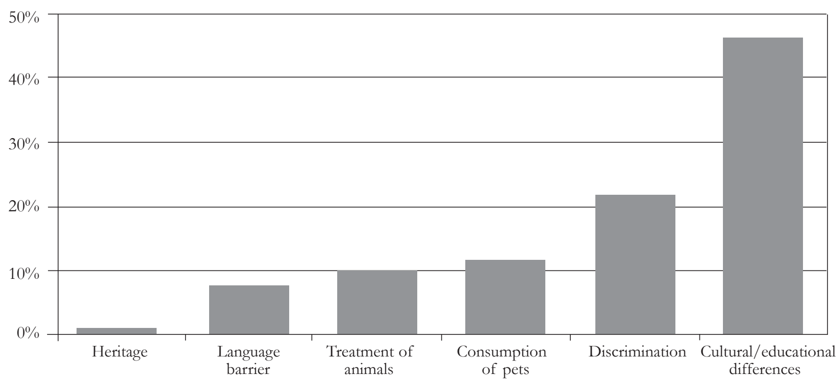
These results match the findings of other studies (see Hearn 2012), which found that the national media, government officials, small and medium-sized entrepreneurs, and consumers criticize Chinese business practices, focusing on the lack of regulation, ethnic partiality at trade fairs, piracy and smuggling, and substandard labor conditions and low wages in Chinese factories. In Mexico, for instance, the dominant narrative is that of a commercial "invasion" that has become uncontrollable and is threatening to destroy Mexican textile, shoe, toy, office equipment, traditional handicraft, and other industries (Hearn 2012: 125–126, 132). As Adrian Hearn argues in this volume, the degree of trust between Chinese investors and Latin American partners (such as Brazil) is rather low in sectors such as agriculture. One major reason for this distrust is the low level of transparency found in Chinese enterprises, with little information being made available about their management and investment practices.

Culture

Culture is often at the center of misunderstandings between Latin America and China. The offensive tweet by the Argentine president during her visit to China in early 2015 provided a sense of the prejudices that still permeate popular conceptions of the relationship between ethnicity and nation. The most important vehicles for communicating such prejudices are likely to be schools, the media, and hospitals (Villalpando et al. 2006).

Nearly 70 percent of the negative comments about Chinese culture in our sample pointed to negative judgments about Chinese culture, largely focused on three aspects: preconceptions about cultural and educational differences (particularly culturally determined lack of hygiene), different food habits (such as the consumption of animals thought of elsewhere as pets), and cruelty toward animals. The other 30 percent can be considered discriminatory expressions about Chinese culture, which include many comments that caricature the Chinese accent (Figure 6). The language barrier is viewed, not as an obstacle that can be overcome, but as a sign of otherness that prevents integration in the nation. In contrast, a comparative project on Chinese immigrant organizations in Latin America (Armony and Portes forthcoming) has shown not only that children of Chinese immigrants tend to be bilingual but also that the market value of Spanish-Chinese bilingualism has increased dramatically as a result of China's global expansion.

Figure 6 **Negative comments on Chinese culture**



When we searched for specific evidence that would sustain the negative comments on culture and language differences, we found almost none; they were largely based on superficial information. There is very little knowledge of Chinese cultural practices in Latin America. Thus, a substantial proportion of the negative views expressed about Chinese culture appear to reflect generalized bias, a finding that is in line with other studies (see Haro Navejas 2007). In general, Chinese culture is seen as coming from far away, and this distance translates into negative notions of essential attributes of Chinese culture that are not informed by evidence. As research on anti-Americanism has shown (Katzenstein and Keohane 2007), this type of predisposition is likely to be reinforced over time because it is unlikely to be open to new information.[3] Positive online comments about Chinese culture, on the other hand, are strongly linked to direct experiences with cultural events organized by the local Chinese community (such as the Chinese New Year celebration).

These attitudes toward Chinese culture match the findings of public opinion surveys. In a recent Pew Research Center survey, solid majorities of respondents in Argentina (55 percent), Chile (57 percent), and Mexico (55 percent) agreed that it is bad that "Chinese ideas and customs are spreading" in their countries. Even larger percentages in Argentina (68 percent) and Mexico (56 percent) expressed dislike for Chinese pop culture (music, movies, and television). In Chile, 50 percent of respondents expressed dislike for Chinese pop culture; in Brazil, 58 percent rejected the spread of Chinese ideas and customs and 75 percent expressed dislike of Chinese pop culture (Pew Research Center 2013a).

While the Pew Research Center poll found widespread negativity toward Chinese culture among Latin Americans, it also revealed admiration for Chinese science and technology among strong majorities in Chile (75 percent), Argentina (72 percent), and Mexico (61 percent) (Pew Research Center 2013a: 27). One possible explanation for this is "an appreciation of the great strides Chinese companies have made in branding products—such as Lenovo computers and Huawei mobile phones—or the realization that many of the components for laptops and tablets come from China." Another explanation is that "it may simply pick up a respect for more mundane made-in-China consumer products such as refrigerators and microwave ovens" (Pew Research Center 2013a: 28).

The Pew survey's finding of admiration for Chinese science and technology indicates that this topic requires further examination. The online comments reviewed for our study showed only a very general knowledge of Chinese consumer goods. We did not find any evidence that admiration for Chinese scientific and technological success tempered

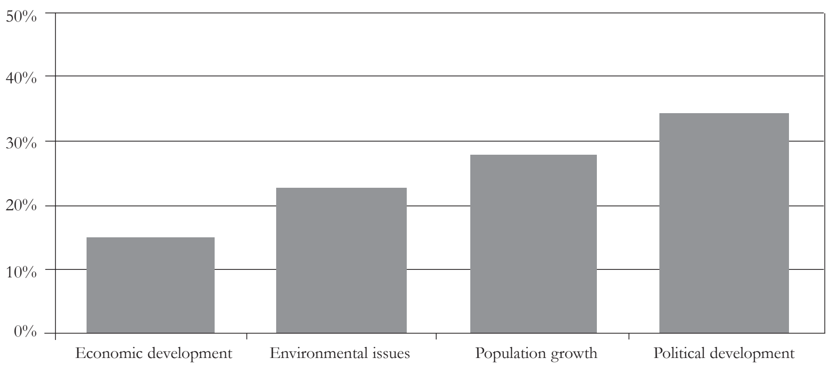
3. On a framework for understanding negative attitudes, applied to anti-Americanism, see Jamal et al. (2015: 55–56) and Katzenstein and Keohane (2007: 10).

the strong negative disposition toward Chinese products in general. In order to achieve a deeper understanding of China's soft power in Latin America, it would be important to explore this issue in more detail: for instance, the role played by Confucius Institutes and other government-sponsored initiatives in helping to spread Chinese culture and language.

Development

Online comments on the issue of development tended to express anxiety. In addition to negative views of China's economic development, which highlight such issues as environmental degradation, there were negative comments about the global impact of China's demographic growth. Commenters expressed apprehension about the sustainability and global impact of China's demographic and economic growth. A large proportion of the comments (66 percent) expressed concern about China's population growth, domestic and global environmental impacts, and economic growth (Figure 7). Opinions sometimes contained contradictions: readers expressed simultaneous negative opinions about China's population growth and its one-child policy.

Figure 7 — Negative comments on China's development



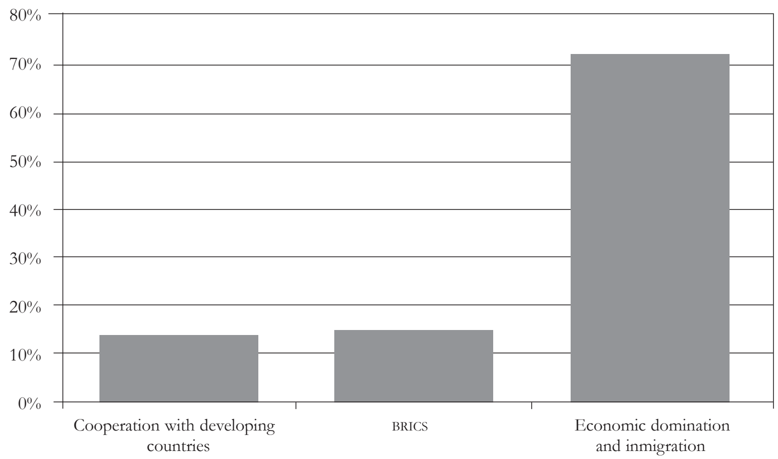
There is significant concern about China's demand for natural resources. There is anxiety about China's growing domestic market and its thirst for consumer goods. This is a view expressed in the media, which tends to emphasize the colossal nature of the Chinese demand, often describing it as so large as to be virtually impossible to satisfy (Armony 2012). Online commenters expressed concern about China's overpopulation as a global threat experienced in the form of rapidly growing Chinese emigration to Latin America.

We wanted to find out whether ordinary citizens had adequate knowledge about China's model of development. Expressions of opinion tended to cluster around the dichotomies of capitalism versus communism and liberalism versus totalitarianism. Comments suggested that it is difficult for people to think that market capitalism and single-party, Communist rule can go together.

International Relations

Commenters voiced concern about China's international relations, particularly with Latin America. Negative views focused on two issues that were seen as closely linked: the threat of economic domination by China and Chinese immigration to Latin America; 72 percent of the negative expressions emphasized these issues. People used the concept of domination to express the idea of a Chinese "invasion" of Latin America resulting from the rise of a global China. As in comments on development, concerns about domination focused on China's demand for natural resources, but also on Chinese immigration. Two other topics that emerged in the category of international relations were concerns about the future prospects for the BRICS (Brazil, Russia, India, China, and South Africa) and problems related to cooperation between China and developing countries, mostly Latin America (Figure 8).

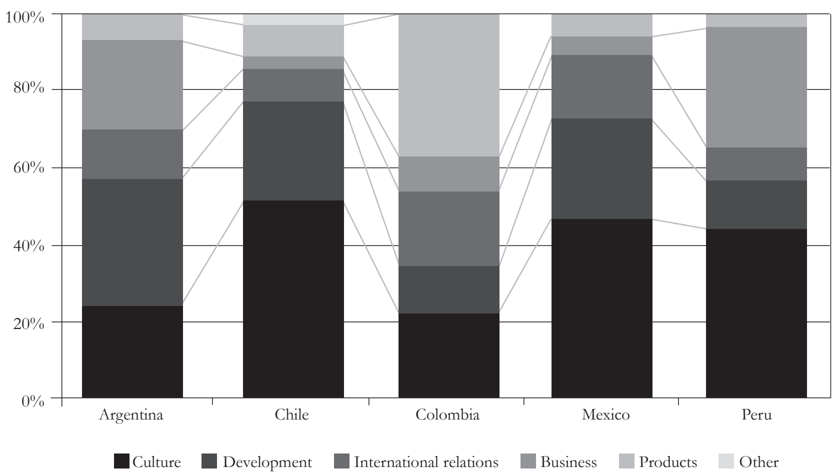
FIGURE 8 **NEGATIVE COMMENTS ON CHINA'S INTERNATIONAL RELATIONS**



NATIONAL-LEVEL TRENDS

Variations appeared across the countries included in this study. Chinese culture, development, and international relations were the main targets of negative comments in Chile and Mexico and among the top four in the rest of the countries (Figure 9). In Colombia, negative responses to news stories about food (in)security in China were prevalent in the products category. In Argentina, negative opinions on Chinese supermarkets dominated the business category. In Peru, most of the comments on Chinese business were about the smuggling of maca (*Lepidium meyenii*), an edible plant endemic to the Peruvian Andes, known in Asia as a stimulant. Peruvian legislation protects it as a national symbol of significant economic value and forbids its export in raw form (see Neuman 2014). We found no comments focused on Chinese mining companies, which have a significant presence in the country.[4]

FIGURE 9 **CROSS-NATIONAL COMPARISON OF NEGATIVE COMMENTS ON CHINA**



The category "Other," while marginal in the context of Figures 9 and 10, is included for methodological reasons.

Negative views about Chinese culture in the comments covered by our study are more prevalent in Mexico, Chile, and Peru than in Argentina and Colombia. In Mexico, xenophobic discourses on the Chinese are not new. During the 19th century, Mexico encouraged Chinese immigration when

4. Future research on perceptions of China should explore territorial variation within countries. It would also be interesting to examine negative attitudes toward the Chinese compared to other national, ethnic, and racial groups. A different comparative approach would be to contrast people's comments during times when China was the focus of important news coverage (for instance, the visit of a head of state to China or a visit by the Chinese head of state) with times when there was little news about China.

cheap labor was needed for public works and agricultural projects in sparsely populated areas. Debates in the main national newspapers revealed the racial contempt that members of the Mexican elite had for the Chinese, whom they saw alongside native *indios* as lesser races prone to living in unhealthy conditions with uncivilized eating habits. The presence of Chinese workers was deemed economically necessary for Mexico's development, but socially and racially antagonistic to the goal of national modernization, which included adapting Mexico to the "white standard" of the Western world (Gómez Izquierdo 2012: 402–403). This contradiction between economic interests and racist/nationalist principles is still common in contemporary media accounts of the Chinese presence in Mexico. As Cornejo et al. (2013: 64) have shown, the symbolic construction of China as the "favorite villain" has served to rally an array of actors (labor unions, the underemployed, and some political and economic elites, among others) behind a notion of China as the source of an "evil other."

The Pew Research Center's Global Attitudes Survey asked people whether they liked or disliked Chinese ways of doing business. In contrast with Africa, where China has made extensive inroads, Latin Americans (with the exception of Venezuelans) are not wholeheartedly positive about Chinese business practices. In Mexico, Argentina, and Brazil, people who disapproved of China's way of doing business outnumbered those who approved (by 44 to 38 percent in Mexico, 37 to 33 percent in Argentina, and 51 to 40 percent in Brazil). Chileans were more inclined to accept Chinese ways of doing business, but a quarter of the respondents expressed disapproval. These results suggest that commercial closeness with China does not explain the acceptance of Chinese business practices: China is the top trading partner for both Chile and Brazil, which display very different attitudes toward Chinese businesses (Pew Research Center 2013b). It is possible that historical variables—long-standing attitudes toward the Chinese and past experiences with Chinese immigration—may help to explain this variation. We did not find significant variations in the topics of development and international relations across the countries included in this study.

The anti-Chinese comments reviewed for this study can be organized along two axes depending on their focus (Table 3): political/economic versus sociocultural (Chiozza 2010), and domestic versus international (Jamal et al. 2015).

A common negative image of China is that of a country that does not offer adequate conditions for the well-being of its population, which is

Table 3 **Analytical matrix**

	International	Domestic
Political/economic	Environment Extractive industries Chinese products	Pollution Food (in)security
Sociocultural	Chinese immigration Cultural differences	Demographic growth

exposed to environmental degradation, inadequate food quality, and expansive population growth. These elements describe the dark side of the Chinese economic miracle. China's problems at home are viewed as linked with problems that China causes overseas. There are political and economic consequences of China's expansion: environmental damage and the negative impact of Chinese extractive industry. The flood of Chinese products into Latin American markets is also seen as a negative consequence. What makes this scenario even more complex is the emphasis on the sociocultural consequences of China's expansion, namely, Chinese immigration and the problems associated with cultural differences. These factors can deepen the rift with China, because of continuing Chinese immigration and the expansion of China's corporate footprint in the region.

Looking into the Chinese Mirror

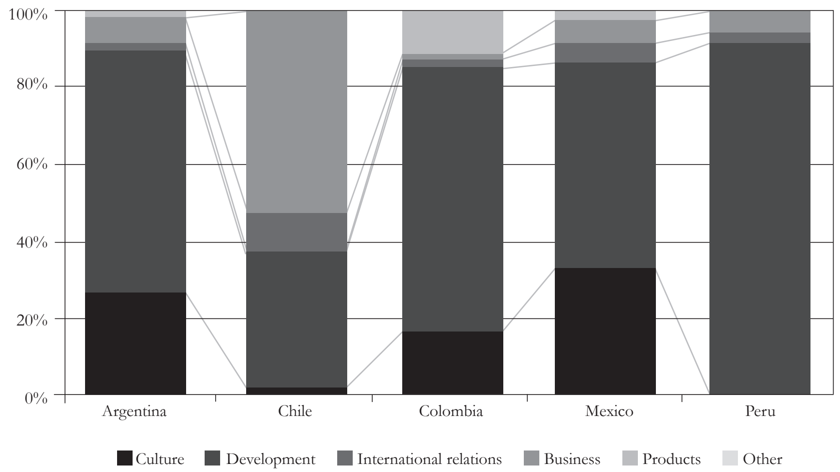
Reflecting another dynamic of the China–Latin America relationship, China-related news also prompted comments about domestic issues in Latin America. In this sense, China functions as a mirror for Latin Americans to see their own reflection—the "other" helps to define the "self" (Cheng 2012: 216). News about China and the Chinese elicited almost as many negative comments about Latin America as about China.

It is well known that China's landing in Latin America has triggered new debates on the question of development. Our study suggests that the expansion of China's presence has made Latin Americans debate "the challenges and opportunities that shape their country's development path" (Armony and Strauss 2012: 13). When looking at China, netizens reflected on the experiences of their own region and criticized their country's development choices. In this fascinating game of mirrors, China becomes a reflection of Latin America's "own confusions and contradictions" as the region seeks to grasp the implications of its relationship with the Asian dragon (Cheng 2012: 216).

Rather than seeing China solely as a negative reflection of their region or country, Latin Americans think about the impact that the relationship with China will have on the development of their own society. Two ideas dominate this discourse: distrust of Latin American governments' capacity to address development challenges, and concern about the weakness of the state apparatus and its inability to protect domestic interests from China's "predatory" influence. In truth, these concerns are not detached from reality, especially if we consider Latin America's weak institutional and legal framework, problems with corruption, and long-standing difficulties in attaining sustainable development. The relationship with China may be seen as a "black mirror": a dark reflection of some of the worst aspects of Latin America's societies.

We can complement the previous analysis of cross-national variations in views on China with a similar analysis of perceptions about Latin America triggered by comments related to China or the Chinese (Figure 10). Unsurprisingly, domestic development was less of a concern in Chile, which has the highest development levels of any country included in our study (UNDP 2014). Negative attitudes toward domestic development were predominant in Peru. The Peruvian economy has benefited from the presence of Chinese companies in the extractive sector; mining has attracted large Chinese investments since the 1990s. However, there have been many problems with Chinese corporations, related to the tensions between profitability and respect for labor and environmental standards. For instance, one of the major Chinese FDI projects outside Asia was the Shougang Corporation's 1992 acquisition of Hierro Perú, the formerly state-owned mining company operating the Marcona open-pit mine in the Ica region. Conflicts with workers plagued Shougang's operations during most of the 2000s. According to one study, differences in governance and corporate culture between Chinese and Western companies were at the root of the tense relations with the Peruvian labor unions (Irwin 2013). The increase in Chinese investment in Peruvian mining during this period led to fears of more problems like those at the Marcona mine (González-Vicente 2012: 119; Sanborn and Dammert 2013: 10–13). Chinese corporate newcomers to Peru's mining sector emphasized community relations, stressing their commitment to social responsibility projects and a "win-win" rhetoric reminiscent of the Chinese official foreign policy (Sanborn and Dammert 2013: chapter 7). Serious questions about environmental responsibility on the part of Chinese actors in the Peruvian mining sector have generated extensive debate on the country's commitment to sustainable development (see Kotschwar et al. 2011).

Figure 10 **Cross-national comparison of negative comments on Latin America**



Negative comments about domestic culture were more frequent in Argentina and Mexico than in Colombia and were rare in Chile and Peru. The prevalence of negative comments about local products in Chile, in both absolute and relative terms, was intriguing and requires further investigation.

Conclusion

Exploring negative attitudes toward China allows us to examine a dimension of China–Latin America interactions that has as yet not received enough attention. Soft power is becoming increasingly important as China expands its presence in Latin America. Online communities offer a rich source of information about perceptions that allow us to explore this dimension in more detail.

In conclusion, three key statements can be derived from the online comments by newspaper readers reviewed for this study:

1. *China's rise triggers anxiety because of its impact on the environment, migration, and demand for natural resources.* The drivers of this concern are political/economic and sociocultural. Apprehensions about the impact of China's "going out" policy and the wave of Chinese immigration into Latin America combine to create a powerful narrative that can sustain anti-Chinese sentiment over the long term. As China expands its investments in the extractive

and agricultural sectors, this may rally a wide range of actors behind a common anti-Chinese agenda.

2. *Relations with China elicit greater concern about the domestic development of the Latin American countries themselves than about China's influence on the region.* China's expanding presence has triggered new concerns about the development path of Latin American countries. The role of China in the region poses questions about sustainability, regulation, economic growth, and other issues. The public is not solely concerned with the threat of Chinese "hegemony" or China's "neocolonial" behavior in Latin America. There is increasing concern about the ways in which China's rise and overseas expansion are shaping the development options for Latin American countries. China's involvement in the region serves as a mirror that reflects deep concerns about Latin America's own development.
3. *In the same way that long-standing views about the state and government in Latin America shape public attitudes toward China, the presence of China in Latin America shapes views on domestic government performance and state capacity.* Attitudes toward state and government, based on experience over time, not only influence public attitudes toward China but are also, in turn, influenced by China's new role in Latin America. The result is a complex critical discourse in which both perspectives reinforce each other. We do not yet know whether this process will yield more informed, critical citizens or will harden anti-Chinese attitudes and, simultaneously, contribute to the erosion of support for institutions and governments in these countries.

These statements are relevant for two main reasons. First, they help us to identify topics associated with negative attitudes toward China and the Chinese, and address them before they become deeply ingrained and harden into bias (Katzenstein and Keohane 2007: 21–22). The hardening of anti-Chinese bias could have serious implications for bilateral relations.

Second, the statements underscore two common modes of expressing negative attitudes, sociocultural and political/economic (see Chiozza 2010: 85, 95). It is difficult to ascertain whether there is a difference in intensity between these modes. Our findings suggest that, in the case of China, the interplay between sociocultural and political/economic views generates the particular anti-Chinese narrative that we have outlined. Further research using autonomous expressions of opinion, such as those collected from newspapers' Facebook profiles, Twitter, and other online sources, can yield valuable information about the rapidly evolving relationship between China and Latin America.

Acknowledgments

The authors would like to express their gratitude for the useful comments received at Freie Universität Berlin and Yale University during presentations of earlier versions of this article.

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The Omnipresent Role of China's Public Sector in Its Relationship with Latin America and the Caribbean

Enrique Dussel Peters

In the last decade, the relationship between Latin American and the Caribbean (LAC) and China has intensified, particularly regarding trade but also in terms of political contacts, culture, education, history, language instruction, and investment. This is reflected in the work of the Institute for Latin American Studies of the Chinese Academy for Social Sciences (<http://ilas.cass.cn/ens/>) and the Academic Network of Latin America and the Caribbean on China (<http://redalc-china.org/>). There are important differences, however, in the depth and quality of research on different issues and across countries.

This chapter discusses the role of China's public sector—including the institutions of the central government, provinces, cities, counties, and municipalities—in the China-LAC relationship, also as a result of China's increasing decentralization since the reforms of the late 1970s and its entry into the World Trade Organization in 2001. In most of LAC, the role of the public sector has decreased rapidly, both regarding a long-term strategy of development and the share over GDP.[1] In China, in contrast, the public sector continues to play a major role, both in the domestic economy and in China's economic relationship with LAC. This omnipresence of the public sector is a result of the political and institutional setting in China, both historically and currently, and can be measured in quantitative terms, for example in foreign direct investment (FDI) and the auto parts-automobile chain. This topic is not sufficiently understood in LAC and is one of the reasons for tension between LAC and China.

This chapter aims to contribute to better understanding of this issue. A brief discussion of the public sector in LAC is followed by a more detailed exploration of the public sector in China, analysis of its

1. There are important differences within LAC in this process—from import-substitution industrialization to export-oriented industrialization—with an overall predominance of macroeconomic stability and little state intervention (Bhagwati and Krueger 1985). For a full discussion on the impact of these policies and differences within LAC countries, see ECLAC (2008).

implications for China-LAC cooperation, and proposals for further research. It is hoped that this will inspire further critical and constructive multidisciplinary dialogue among colleagues from LAC countries and from China.

The Role of the Public Sector in Latin America and the Caribbean

There has been ongoing debate, in LAC and around the world, on the relative merits of planned and market economies, based on the positions of thinkers from Karl Marx to August Friedrich von Hayek. Most of this debate has been abstract and not situated in space or time (Dussel Peters 1997; Hinkelammert 1984). Discussions on property—from the socialization of the means of production to private property as the only efficient way to achieve cultural evolution and a social process of selection—have also argued about different forms of "the state" and "the market" and respective policies. Most of these debates are ideologically highly appealing but of little relevance for the conceptual discussion and in particular for debates on concrete policy alternatives in LAC today. However, several discussions have the potential to shed light on the role of the public sector in LAC-China relations.

Since the 1990s, an increasing number of institutions—particularly associated with the United Nations Development Programme and the work of Inge Kaul (GPGNET 2006; Kaul 2005; Kaul et al. 1999)—have discussed the unsustainability and limitations of globalization and global capitalism. Most of this discussion emphasizes the need for global public goods[2] and public ownership of "ecological goods" (such as forests, water, and air), but some scholars (e.g. Altvater and Mahnkopf 1999; Duchrow and Hinkelammert 2003) have gone further to stress that current global capitalism not only questions the environment (in terms of use-value of commodities) but also local, regional, national, and global socioeconomic conditions, given its increasing destruction and devastation, polarization, and social exclusion. While the issue of property of global public goods is not critical, it establishes interesting questions and conditions for the global sphere of public goods. This is particularly relevant considering the frontal attack on any kind of property of public goods in most of LAC since the 1980s.[3]

2. Global public goods are defined as nonrival goods in consumption and in the particularities of provision and consumption, as well as nonexclusion and fairness (Kaul, Grunbert and Stern 1999).
3. For a detailed discussion of public ownership and capital-labor relations in the 21st century, see Cumbers (2012) and Piketty (2013). In Piketty's analysis, the different forms of ownership in rich countries received little attention, although he acknowledged a rapid process of "privatization of national wealth in the developed countries since 1970" (Piketty 2013: 187).

The concept of "transitional institutions" (Qian 2001, 2003) is useful for understanding socioeconomic transformation in China since the 1980s. Contrary to traditional institutionalism, in China the public sector was able to generate massive incentives to increase production and productivity while maintaining public property. This sophisticated and complicated network of public property and private-sector incentives has been critical for China's socioeconomic performance since the 1980s and the achievement of development at the company and country levels (Nappoleoni 2011; for a full discussion of the concept of transitional institutions and a debate on the "new institutional economics" see Tejeda Canobbio 2011). This approach differs significantly from most LAC policies since the 1980s, including massive privatization, macroeconomic stabilization, and an overall retrieve of the public sector in socioeconomic activities to allow the development of what has been expected to be a more efficient, productive, and competitive private sector.

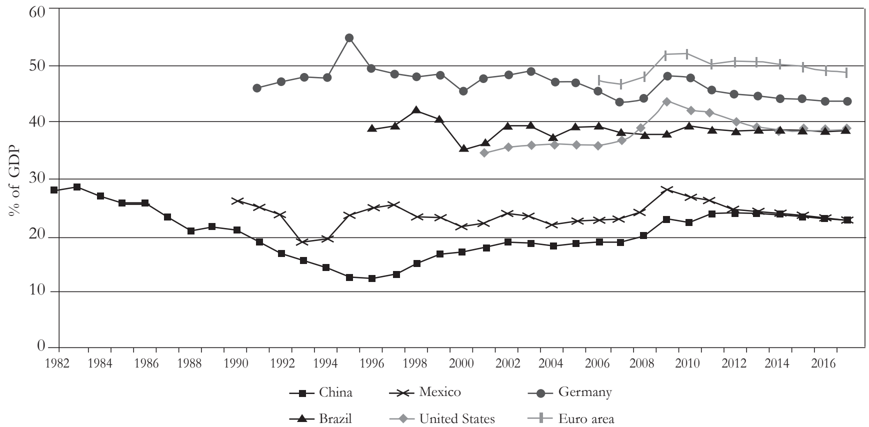
Considering LAC's general tendency to privatize the public sector since the 1980s—with substantial effects on income distribution and overall polarization—institutions such as the Economic Commission for Latin America and the Caribbean (ECLAC 2014) have highlighted the relevance of the public sector and its property/ownership. In the case of natural resources, given the boom in exports of raw materials since the 1990s, a recent ECLAC publication argued that

> ownership of natural resources gives States the option of charging third parties a royalty on each unit of resource extracted, among other payments, in return for the right to operate those resources. Royalties are in addition to taxes on all business operations. ... For ECLAC, assets in the public domain should come under a special regime consisting primarily of the attributes of inalienability, inextinguishability and unseizability. (ECLAC 2014: 274)

The Role of the Public Sector in China

Figure 1 compares government spending in China and several other countries over the last three decades. Government spending includes total expenses and net acquisition of non-financial assets (IMF 2014). In China, the highest spending level since 1982 was in the beginning of the 1980s with levels close to 30 percent of GDP; it reached its lowest point in 1996 at 12.3 percent of GDP. Since then the percentage has increased steadily and has remained above 20 percent of GDP since 2008. However, it is still substantially lower than in Germany and the United States, where levels for most of the period under review doubled China's, and is low even in comparison with LAC countries such as Brazil and Mexico.

Figure 1 **Government expenditure as % of GDP, 1982–2017**



Source: Data from IMF 2014.

The diminished role of the state in China, particularly in terms of expenditure, as compared with prior levels and other countries, has led, in some cases, to the conclusion that falling government expenditure has resulted in an increasing private share in China's socioeconomic performance (OECD 2005). However, "a common mistake is to assume that any entity that is not an SOE (state-owned enterprise) belongs to the private sector" (Szamosszegi and Kyle 2011: 10).

The public sector can be defined as the sum of activities pursued by the central government and by cities, provinces, counties, and municipalities, among others. Based on this general definition, the following text explores three aspects to understand the omnipresence of China's public sector—strategies and policies of the central government, SOEs, and FDI—and takes a closer look at China's auto industry and banking sector.

Central Government Strategies

Based on the political strength of the Communist Party of China (CPC), with the coexistence of eight other legal parties, and a complex relationship between its Central Committee, National Congress, Central Military Commission, Politburo Standing Committee, and National People's Congress, as well as the National Assembly of the Republic of China and the People's Liberation Army, the Central People's Government defines short, medium, and long-term strategies like few other countries in the world (see Anguiano 2013; Cornejo 2008; Goodman and Parker 2015; McGregor 2010; Wu 2005). The State

Council—as the highest executive organ of state power and administration[4], composed of the premier, vice-premiers, state councilors, ministers, and the secretary-general —as well as the National Development Reform Commission (NDRC), reflect the qualitative importance of the central government in terms of formulation, financing, implementation, regulation, and evaluation of strategies and long-term plans (see NDRC n.d.; Szamosszegi and Kyle 2011; USITC 2007).[5] The State Council exercises ownership of state-owned properties except when otherwise specified by law (Weng 2014).

The former structure affects the possibilities of the public sector in defining, implementing, financing, and evaluating national development goals.[6] Such has been the case, for example, in China's five-year plans since 1953, including the current plan (2011-2015), but also other short, medium, and long-term strategies related to GDP growth, science and technology, urbanization, agriculture, and environmental issues, among many others (WB/DRC 2012). From a Latin American perspective, considering the declining qualitative and quantitative presence of its public sector, China's public sector has impressive options to directly participate, through ownership of property, and incentivize other forms of property (such as private, foreign, and different forms of public property, and mixtures of these). China's public sector should not be understood as a "primitive and vertical monolith," but rather as dynamic and competing transitional institutions with national development goals and, as in other countries, some inefficiencies and corruption. Xi Jinping's anticorruption policies at all levels—since the 18th National Congress of the CPC in November 2012, followed by the Third Plenary Session of the 18th CPC Central Committee in November of 2013—affects not only more than 180,000 officials punished for disciplinary violations in 2013, but also whole industries such as luxury hotels, other luxury products and services, and wedding and funeral providers.

The State Council and the NDRC are thus leading public institutions that allow for the definition of development goals, with instruments

4. "The ownership of state-owned properties shall be excercised by the State Council on behalf of the state; where there is any other provision in any law, this provision shall prevail" (Weng 2014).

5. For the case of the NDRC, see: <http://en.ndrc.gov.cn/mfndrc/>. To understand the depth and extension of instruments of the public sector, see: Szamosszegi and Kyle (2011) and USITC (2007).

6. For a detailed discussion on Chinese property law and its recent developments, see Weng (2014) and particularly Zhang (2008). According to Zhang (2008: 7), the new property law is of critical importance for China because historically, "the individual's way of life, rights and obligations were not decided in the way to best serve the benefit of the individual but rather were determined by the need of the rulers or the government."

and financing, together with other public institutions at the national, provincial, municipal, and city level. This relative coherence within the public sector is particularly relevant from a Latin American perspective, in terms of economic policies; for example, in LAC, fiscal, trade, investment, exchange rates, and GDP growth rates are frequently inconsistent and determined by different ministries with different goals. In other cases, these economic policies lack mechanisms for implementation and thus become irrelevant.

The strength and relative coherence of the public sector—as well as its competition, inefficiencies, and corruption—are thus critical to long-term development goals such as urbanization, GDP growth, shifts from exports to the domestic sector, and efforts to enhance FDI and overseas foreign direct investment (OFDI), as well as the efficiency of energy and the protection of the environment. The Third Plenary Session of the 18th CPC Central Committee is a good example of the potential depth and extent of the public sector at different levels: from a new relationship with the market (formerly defined as "basic" and now as "decisive"), to new socioeconomic efficiencies and more comprehensive urban and rural development, in addition to more than 300 specific decisions in 15 reform areas. The effective implementation of these guidelines at all levels of the public sector is, from an LAC perspective, probably one of the most important characteristics of China's current development model. The lack of coherent implementation of medium and long-term policies has been a much debated topic in most of LAC. In the case of innovation and productive policies, for example, ECLAC (2008: 326) concluded that there was a general "absence, at least in the last decades, in the development agenda of Latin America and the Caribbean."

The massive direct and indirect participation of the public sector in China's society and economy is critical in general terms, but also specifically: If, for example, the current central government proposes that the market play a "decisive" role in allocating resources, and thus comprehensively deepening reform, it is essential to understand the starting point of "the market" in China, and of its public sector; otherwise comparisons might be deeply misguided and incomplete. For example, without adequate context, it might be tempting to compare Mexico's recent socioeconomic reforms with China's, when in reality (as this chapter argues), the two countries' respective public sectors and their relation with the market are qualitatively not comparable. Much of the analysis on business relations between LAC and China is vulnerable to this flaw. Better understanding of China's public sector is critical.

State-Owned Enterprises

SOEs are internationally defined as legal entities created by a central government; in China, however, they also include entities that are controlled or invested in by local governments. There are three types of SOE in China:

1. Wholly state-owned companies (国有独资公司) are 100 percent funded by the public sector, many in the railroad, airport, water, gas, and electricity industries.
2. State holding companies (国有控股公司) are those in which the public sector holds a majority of the shares and thus controls important decisions. Many are in the natural resources sector and the electronics and automobile industries; many do not provide services directly but are of interest of the public sector.
3. Enterprises in which the state owns shares (国有参股公司) but does not have controlling power.

SOEs can also be divided in two groups based on whether the state owner or investor is the central government or another element of the public sector (for a full discussion, see www.sasac.gov.cn). The State-owned Assets Supervision and Administration Commission of the State Council (SASAC) is responsible for all SOEs (see <www.sasac.gov.cn/>; OECD 2009; WB/DRC 2012), including those at the provincial, municipal, and county level (Szamosszegi and Kyle 2011).

In terms of statistics, SOEs include only wholly state-funded companies and not those with partial or indirect state ownership (OECD 2009: 6). More recently the concept of "state-owned and state-holding enterprises" is being used statistically, such as in the China Statistical Yearbook (NBS 2013). However, both these SOE concepts drastically understate the relevance of the public sector, since they do not consider enterprises that are effectively controlled by their SOE owners; those "owned and controlled indirectly through SOE subsidiaries based inside and outside of China ... urban collective enterprises and government-owned township and village enterprises also belong to the state sector but are not considered SOEs" (Szamosszegi and Kyle 2011: 1). This underrepresentation is not only quantitative but also qualitative: In addition to missing important segments of China's public sector, it does also not qualitatively grasp the important guidance and massive incentives that the public sector provides to the economy in general, including to private enterprises in strategic sectors such as agriculture, services, telecommunications, and automobiles.[7] GK Dragonomics argued, based on a study of private companies, that

> for large private companies, however, there is a surprising amount of government money available. In fact, we find that so much public funding flows to private-sector companies that investors will not have a full picture of company finances unless they take account of subsidies. For many listed private-sector firms, subsidies are major contributors to net profits. (GK Dragonomics (2013: 3)

Several structures and trends are relevant for understanding SOEs. (Unless otherwise indicated, the discussion below only includes wholly-owned SOEs and does not track ultimate ownership even when indirect public ownership is present.)

SOEs remain a significant section of the economy (Xu 2013: 1) with 54 percent of total corporate assets, according to China's Second National Economic Census, conducted in 2008, and 80 percent of the assets held by listed companies in the Chinese stock market. SOEs monopolize the financial and banking sectors and dominate (have assets exceeding 50 percent in) 9 out of 39 industrial sectors (Xu 2013).

As of this writing, there are 117 central-state-owned enterprises, including Baosteel Group Corporation and China National Offshore Oil Corporation (for a full list, see <www.sasac.gov.cn/n1180/n1226/n2425/index.html>). However, if the subsidiaries and holdings of these 117 enterprises are included, the total number of central SOEs managed by SASAC is about 10,000; it increases to more than 20,000 when including state-holding enterprises (Szamosszegi and Kyle 2011: 8). The state-owned and -controlled portions of the Chinese economy have been estimated at 40 percent of GDP (Szamosszegi and Kyle 2011); including other public institutions, the share of GDP increases to approximately 50 percent.

Table 1 reflects the diversity of business entities in China in 2012 and shows that SOEs comprise almost 160,000 units, 56,000 of them central enterprises and 104,000 local enterprises (SEEC 2015)—1.9 percent of Chinese enterprises. If we add collective-owned enterprises and other forms of public ownership, the share more than doubles, to 5.0 percent. There are important regional differences in the share of enterprises that are SOEs: from 0.76 percent in Jiangsu to 17.33 percent in Tibet. Beijing and Shanghai cities and Guangdong province in

7. On recent SOE reform, see Nolan 2015; SEEC 2015; Zheng and Qian 2015.

TABLE 1 **China: Number of business entities by region and status of registration, 2012 (units)**

	Number of enterprises (1)	Domestic funded enterprises	State-owned enterprises (2)	Collective-owned enterprises	Cooperative enterprises	Joint ownership	Limited liability corporations
National Total	**8,286,654**	**8,043,201**	**159,644**	**183,870**	**74,697**	**13,585**	**1,090,375**
Beijing	374,051	358,611	7,211	11,718	15,286	426	65,821
Shanghai	427,928	385,872	5,371	8,747	2,443	867	26,507
Guangdong	884,679	825,438	11,903	22,205	6,657	1,485	136,879
Tibet	3,434	3,396	595	245	55	45	539
Rest of China	6,596,562	6,469,884	134,564	140,955	50,256	10,762	860,629

Source: Own calculations based on NBS (2013).

2012 owned more than 34,000, 16,500, and 40,700 enterprises, respectively (as a sum of SOEs, collective-owned and cooperative enterprises).[8]

SOEs represent for 66 percent of enterprises with foreign investment in China; 22 of the 31 selected regions have more SOEs than enterprises with foreign capital. (If we include collective and cooperative enterprises, the share more than doubles, with 1.7 public enterprises for every enterprise with foreign investment.)

The assets of all SOEs totaled in 2013 104.1 trillion yuan, 53.31 percent coming from local SOEs, or around US$17.4 trillion (SEEC 2015)—the equivalent of more than 300 percent of LAC's GDP in 2013.

As a result of reforms in China since the 1980s (Wu 2005; Zheng and Qian 2015), the share of SOE jobs in total employment has fallen significantly: among urban employed people, from 35 percent in 2000 to 16.64 percent in 2013; if we include urban collective and cooperative units, the share was 42.14 percent in 2000 and 18.41 percent in

8. From an LAC perspective, this opens a relevant issue: property belonging to local governments. In April 2014, Cechimex organized a workshop on Proposals for Science, Technology (S&T) and Innovation in Mexico City: The Experience of the City of Beijing (<www.economia.unam.mx/cechimex/index.php/es/seminarios?layout=edit&id=158>). In addition to an interesting dialogue on the issue of S&T, one of the most important findings was that Beijing's annual budget is 25 times higher than Mexico City's, even excluding Beijing's direct ownership of enterprises such as BAIC (one of the biggest global automobile producers) and Incom Resources (the biggest polyethylene terephthalate recycler in the world). Including the S&T budget of only these two companies, and the other 34,000 enterprises property of the city of Beijing, would make the budgets impossible to compare.

Share-holding corporations ltd.	Private	Enterprises with funds from Hong Kong, Macao and Taiwan (3)	Enterprises with foreign investment (4)	(2) / (1)	(2) / (3+4)
138,698	**5,917,718**	**112,602**	**130,851**	**1.93**	**65.57**
5,096	252,528	5,578	9,862	1.93	**46.70**
1,942	337,337	15,114	26,942	1.26	**12.77**
11,373	606,355	41,500	17,741	1.35	**20.09**
182	1,617	5	33	17.33	**1,565.79**
120,105	4,719,881	50,405	76,273	2.04	**106.23**

2013 (Table 2). While SOE and public-sector jobs' share of total employment has fallen substantially, in 2013 it was similar to the share of private-enterprise jobs in urban employment. Thus, the public sector plays a significant role in employment. Even in manufacturing, where private and foreign-funded companies play a more important role than in other sectors, the public sector accounted for 77.33 percent of total employment in 2011. In 2011 township and village enterprises; urban state-owned, collective, and other enterprises; and urban private enterprises and self-employed people accounted for 39.58 percent, 37.75 percent, and 22.67 percent of employment, respectively (Economist 2014: 4).

Table 3 summarizes investment in China's public sector. While SOEs' share of total investment has declined, they still account for 25 percent of total investment in fixed assets, 28 percent if we include collective-owned and cooperative companies. For China as a whole and most of the 31 regions under consideration, SOEs' investments in fixed assets are still higher than the private sector's and 7.4 times the investment of foreign-funded companies and companies funded from Hong Kong, Taiwan, and Macao. Regional differences are substantial.

Overseas Foreign Direct Investment (OFDI)

China has become since 2012 the third largest global source of OFDI, after the United States and Japan. In LAC, China has invested almost $10 billion annually in the last five years, and expectations are that this will increase substantially in the future (for a full discussion, see Dussel Peters 2013, 2014; Santo 2012).

TABLE 2 **EMPLOYMENT PATTERNS IN CHINA, 2000-2013**

	2000	2001	2002	2003	2004	2005
Economically Active Population (millions)	739.92	744.32	753.60	760.75	768.23	778.77
Total employed population (millions)	720.85	730.25	737.40	744.32	752.00	758.25
Primary industry (millions)	360.43	365.13	368.70	365.46	352.69	339.70
Secondary industry (millions)	162.19	162.84	157.80	160.77	169.20	180.84
Tertiary industry (millions)	198.23	202.28	210.90	218.09	230.11	237.71
Employment by sector (%)						
Primary industry	50.00	50.00	50.00	49.10	46.90	44.80
Secondary industry	22.50	22.30	21.40	21.60	22.50	23.80
Tertiary industry	27.50	27.70	28.60	29.30	30.60	31.40
Employed in urban areas (millions)	231.51	239.40	247.80	256.39	264.76	273.31
State-owned units	81.02	76.40	71.63	68.76	67.10	64.88
Collective-owned units	14.99	12.91	11.22	10.00	8.97	8.10
Cooperative units	1.55	1.53	1.61	1.73	1.92	1.88
Joint ownership units	0.42	0.45	0.45	0.44	0.44	0.45
Limited liability corporations	6.87	8.41	10.83	12.61	14.36	17.50
Share-holding corporations Ltd.	4.57	4.83	5.38	5.92	6.25	6.99
Private enterprises	12.68	15.27	19.99	25.45	29.94	34.58
Units funded from Hong Kong, Macao or Taiwan	3.10	3.26	3.67	4.09	4.70	5.57
Foreign-funded units	3.32	3.45	3.91	4.54	5.63	6.88
Self-employed individuals	21.36	21.31	22.69	23.77	25.21	27.78
Employed in rural areas (millions)	489.34	490.85	489.60	487.93	487.24	484.94
Township and village enterprises	128.20	130.86	132.88	135.73	138.66	142.72
Private enterprises	11.39	11.87	14.11	17.54	20.24	23.66
Self-employed individuals	29.34	26.29	24.74	22.60	20.66	21.23
Registered as unemployed in urban areas (millions)	5.95	6.81	7.70	8.00	8.27	8.39
Registered unemployment rate in urban areas (%)	3.10	3.60	4.00	4.30	4.20	4.20
Employment in state-owned units as % of urban employment	35.00	31.91	28.91	26.82	25.34	23.74
Employment in state-owned units, urban collectives, and cooperative units as % of urban employment	42.14	37.94	34.08	31.39	29.46	27.39

Sources: Data from NBS (2001-2014).

2006	2007	2008	2009	2010	2011	2012	2013
782.44	786.45	792.43	798.12	783.88	785.79	788.94	793.00
764.00	769.90	774.80	779.95	761.05	764.20	767.04	769.77
325.61	314.44	306.54	297.08	279.31	265.94	257.73	241.71
192.25	206.29	211.09	216.84	218.42	225.44	232.41	231.70
246.14	249.17	257.17	266.03	263.32	272.82	276.90	296.36
42.60	40.80	39.60	38.10	36.70	34.80	33.60	31.40
25.20	26.80	27.20	27.80	28.70	29.50	30.30	30.10
32.20	32.40	33.20	34.10	34.60	35.70	36.10	38.50
283.10	293.50	302.10	311.20	346.87	359.14	371.02	382.40
64.30	64.24	64.47	64.20	65.16	67.04	68.39	63.65
7.64	7.18	6.62	6.18	5.97	6.03	5.89	5.66
1.78	1.70	1.64	1.60	1.56	1.49	1.49	1.08
0.45	0.43	0.43	0.37	0.36	0.37	0.39	0.25
19.20	20.75	21.94	24.33	26.13	32.69	37.87	60.69
7.41	7.88	8.40	9.56	10.24	11.83	12.43	17.21
39.54	45.81	51.24	55.44	60.71	69.12	75.57	82.42
6.11	6.80	6.79	7.21	7.70	9.32	9.69	13.97
7.96	9.03	9.43	9.78	10.53	12.17	12.46	15.66
30.12	33.10	36.09	42.45	44.67	52.27	56.43	61.42
480.90	476.40	472.70	468.75	414.18	405.06	396.02	387.37
146.80	150.90	154.51	155.88	--	--	--	--
26.32	26.72	27.80	30.63	33.47	34.42	37.39	42.79
21.47	21.87	21.67	23.41	25.40	27.18	29.86	31.93
8.47	8.30	8.86	9.21	9.08	9.22	9.17	9.26
4.10	4.00	4.20	4.30	4.10	4.10	4.10	4.05
22.71	21.89	21.34	20.63	18.79	18.67	18.43	16.64
26.04	24.91	24.07	23.13	20.96	20.76	20.42	18.41

TABLE 3 **Investment in fixed assets in China, 2013 (billions of yuan)**

Region	Total (1)	Domestic	State-owned enterprises (SOE) (2)	Collective-owned (3)	Cooperative (4)	Joint ownership	Limited liability	Share-holding
National total	**446,294**	**424,136**	**109,850**	**13,312**	**1,868**	**1,358**	**121,607**	**23,257**
Beijing	6,847	6,084	1,775	117	6	2	3,521	337
Shanghai	5,648	4,735	1,453	68	3	39	1,983	127
Guangdong	22,308	19,425	4,165	991	126	43	6,969	1,275
Tibet	876	874	632	7	3	3	19	54
Rest of country	410,615	393,018	101,825	12,129	1,730	1,271	109,115	21,464

Sources: Data from NBS (2014).

Like few other countries, China has a closed capital account and a fixed exchange rate. In these cases the People's Bank of China and the State Administration of Foreign Exchange, among other institutions of China's public sector, play a crucial role in defining strategies and specific instruments compatible with overall socioeconomic goals established, as analyzed for the central government institutions.

Like no other country among the world's top 25 FDI sources, China's public sector establishes a group of institutional filters to enhance (or prohibit) China's OFDI. China's approach to OFDI has been guided by "going global" strategies since 2000 and by industry-specific catalogues. China establishes positive lists of sectors and processes eligible for OFDI, in contrast with most countries, which set up negative lists, prohibiting sectors and products, while allowing OFDI in the rest. The NDRC and the Ministry of Commerce evaluate OFDI projects according to these criteria, at both the central and local levels; the Ministry of Finance also provides special funds for supporting OFDI and taxation policies. The Export-Import (EXIM) Bank of China, the Credit Insurance Company, SASAC, and the State Administration of Foreign Exchange are additional institutional filters in the implementation of general and national development strategies; these institutions also play a critical role in the selection of projects.

Based on company-level statistics of China's OFDI (Dussel Peters 2013), during 2000-2012 83.9 percent of total mergers and acquisitions (M&A) came from public-owned companies, and 87.3 percent of China's M&A to LAC, which is highly concentrated in the acquisition of raw materials

Private (5)	Self-employed individual	Others	Funds from Hong Kong, Macao and Taiwan (6)	Foreign funded (7)	SOE / Total (2) / (1)	Public / Total (2+3+4)/ (1)	SOE / Private (2) / (5)	SOE / Foreign (2) / (6+7)
121,217	**12,420**	**19,246**	**11,028**	**11,130**	**24.61**	**28.02**	**90.62**	**495.76**
249	50	27	451	311	25.92	27.73	712.34	**232.66**
1,055	4	4	302	611	25.72	26.97	137.71	**159.10**
4,467	757	631	1,591	1,293	18.67	23.68	93.23	**144.45**
56	31	68	1	1	72.18	73.33	1,124.14	**31,560.16**
115,389	11,578	18,516	8,682	8,914	24.80	28.17	88.24	**578.66**

(56.5 percent of China's OFDI in the same period) and the search for a market share in the respective countries (33.8 percent).

From this perspective, Chinese OFDI is qualitatively different from almost all other OFDI worldwide: property matters, reflecting a relative coherence between national development and macroeconomic goals and OFDI for current China. As part of an ongoing debate, several authors (Girma and Gong 2008) have stressed, strictly from an economic perspective, "that the pursuit of non-commercial objectives will result in inefficient behavior and performance on the part of SOEs, which in turn will weaken the host economy" (Globerman 2015: 1).

Case Examples: China's Auto Parts-Automobile Value-Chain and Banking Sector

China's automobile production increased from 0.2 million in 1991 to 18 million in 2013. Since 2009, China has produced more than 20 percent of the global supply of passenger vehicles; in 2013, its share rose to 27.7 percent. Among the top 50 international producers in 2012, 20 brands were from China, including BAIC, Brilliance, BYD, Changan, Chery, FAW, Chongqing Lifan, Geely, and Great Wall. No Latin American brand made the list in 2012.

Since the 1970s, a set of public strategies (including the attraction of FDI through joint ventures and the current support for Chinese original equipment manufacturer (OEM) and brands have determined the performance of the auto parts and automobile chain (AAC), including issues such as the current FDI law, which limits FDI in the automobile sector to a maximum of 49 percent. As a result of these policies, in the first decade of the 21st century, China accounted for more than 150 OEM and at least six companies with their own brands with the potential to compete effectively in global markets—BAIC, Shanghai Automotive Industrial Corporation (SAIC), FAW, Geely, Chery, and BYD. Several dozen decrees, notices, and administrative measures have been implemented since 2000; national and local projects for specific products and processes—for example, regarding electric vehicles and batteries—have created massive incentives (funding, research and development projects, linkages with universities and research centers, as well as substantial public contracting). Considering that the automobile industry is one of the strategic sectors of the public sector since the 1990s, Chinese OEM accounted for almost 30 percent of total passenger car sales in China.

The most important Chinese brands in terms of sales and production—such as BAIC, SAIC, FAW, Dongfeng, Chongqing Lifan, and Great Wall—are public companies of cities or provinces. In 2013, for example, only SAIC and a firm owned by the city of Shanghai, produced 2 million vehicles (cars, light commercial vehicles, and heavy buses) (OICA 2014); SAIC's car production accounted for 61.90% percent and 95.11% percent of Brazil's and Mexico's car production in 2013, respectively. Even in the case of private companies such as BYD, Geely, and Chery, the incentives of the public sector (at the provincial and city level) are critical to their existence; global and domestic competition and economies of scale would otherwise make these projects, new since the 1990s and even 2000s, impossible (DRC 2012, 2013). As Yin (2011) highlighted, this industrial organization in the automobile segment of the AAC in China is a result of competition between cities and provinces (that is, within China's public sector) and one of the factors that has prevented the consolidation process pursued by the central government for more than a decade. (For a detailed analysis of China's auto industry, see DRC 2012, 2013; Dussel Peters 2012; Yin 2011.)

Another interesting illustration of the role of the public sector in China is the banking sector—probably one of the most important factors in China's socioeconomic development since the reforms of the late 1970s. Domestic credit channeled to the private sector (as a percentage of GDP) increased from below 50 percent during 1960-1980 to 50-100 percent during 1980-2000 and then above 100 percent through 2012. During the same period, in most of LAC, the comparable rates were never above 50 percent (WDI 2014). Recent research (Hernández Cordero 2014) has shown that both the People's Bank of China and the banking sector were and are functional to China's long-term development goals. On the one hand, strategies and instruments of the People's Bank of China were part to respective changes in development goals and through instruments such as monetary and credit policies, but particularly to allow creation of new credit instruments and financing by local governments (Stevenson-Yang 2013). On the other hand, the public sector—21 banks, as well as according to the author´s estimates of other public institutions including rural cooperatives—accounted for at least 86.89 percent of total assets in the Chinese banking sector in 2012. As discussed earlier, this arguably understates the real share of the public sector. Foreign banks only account for 1.8 percent of total banking assets, while rural and urban banks and cooperatives—most of them related to the public sector—account for an additional 7.3 percent (Hernández Cordero 2014: 44).

The policy options and instruments for development (including credit and financing, as well as exchange-rate and monetary policies)—and consistent with other long-term strategies in the productive sector, upgrading and integrating with new technologically sophisticated segments, as well as shifting the economy from agriculture to capital-intensive urban manufacturing and services—are thus critical to understanding 21st-century China.

Conclusions

This chapter has attempted to situate the historical debate on the state vs. the market in the context of China's public sector, and in contrast with most of LAC's policies since the 1980s. The concept of transitional institutions and the complexity of the Chinese public sector's current forms of ownership (including ownership by central, provincial, city, municipality, and county governments, and both full ownership and ownership shared with private and foreign entities) allows an impressive array of property ownership forms in China that go far beyond the abstract categories of state and market.

The role of the public sector in OFDI, and the specific examples of the AAC and banking sector, were explored. None of these would be understandable without an analysis of the dynamic role, historical and current, of the public sector in its different levels. The competition within the public sector (as in the case of AAC), the attempt to guide OFDI with relatively coherent results (in terms of the Chinese requirements for its long-term development model), and the functionality of its banking sector under public ownership is overwhelming, acknowledging inefficiencies and corruption. The public sector is an omnipresent and powerful actor in China and China's relationship with other countries, including in LAC.

While the role of the Chinese public sector has decreased, qualitatively and quantitatively, in the last decades, it still is a major actor both directly (through property ownership) and indirectly (for example through incentives, financing, its role as a supplier and client, and fiscal policies). While there is an international recognition regarding the "sizeable" importance of the public sector in China, the argument in this document goes beyond such a "quantitative" assessment: China´s socio-economy is not understandable without starting with the omnipresence of its public sector and is not comparable with any other country in LAC –and many other parts of the world- in terms of their respective public sector today.

China's public sector presents a complex structure of interlinked institutions under the leadership of the CPC that formulates, implements, finances, and evaluates long-term national development goals. Its options for directly participating in this process—through direct ownership and through massive incentives—is impressive from an LAC perspective. This institutional setting provides enormous strengths and a domestic competitive dynamism, also currently under a new set of comprehensive reforms, that is unknown in most of LAC. From this perspective, attempting to understand Chinese firms as receiving subsidies and/or trading unfairly is very limited in the analysis of China´s public sector.

These trends are exemplified in SOEs, FDI, and the auto industry, considering that for some accounts the share of China's public sector is 40-50 percent of its GDP, and the biggest economy since 2014 measured on purchase power parity. Quantitatively, several aspects of China's public sector stand out.

1. There are almost 160,000 SOEs, more than 300,000 if collective and cooperative-owned companies are included—5 percent of all Chinese enterprises, with 1.72 times as many SOEs as companies with foreign investments.
2. Cities such as Beijing account for at least 34,000 public companies, with enormous options for promoting local development and competing with other provinces and cities. In 2013 the auto manufacturer BAIC, property of the city of Shanghai, produced more vehicles than most LAC countries and 61.90 percent and 95.11 percent as many cars as Brazil and Mexico, respectively.

3. Assets of all SOEs not only accounted for US$17.4 trillion in 2013—around 300 percent of LAC's GDP—but 16.64 percent of China's urban employment, 77.33 percent of total manufacturing employment, and around 25 percent of total investment in fixed assets (7.4 times the investment in foreign-funded companies), as well as 84 percent of China's FDI during 2000-2012.
4. The auto and banking industries exemplify not only the pervasive presence of China's public sector—which accounts for at least 86.89 percent of total assets in the Chinese banking sector—but also the institutional competition and regionalization within the public sector, such as in the case of the auto industry and FDI. In the first case, competition between cities and provinces is profound and probably one of the main causes for China's competitiveness in this industry. China's FDI is also relevant in understanding the complexity of China's public institutions—including People's Bank of China, State Administration of Foreign Exchange, NDRC, Ministry of Commerce, Credit Insurance Company, Ministry of Finance, SASAC, and the EXIM Bank—allowing compliance with established and detailed long-term development goals.
5. Regionalization and competition within the public sector, as well as massive incentives to achieve development goals, also cause inefficiencies and corruption. In the case of the auto industry, for example, this competition has prevented consolidation, while local provision of incentives has also resulted in corruption.

China's public sector has thus become a formidable and competitive player, both domestically and globally, in practically all parts of China's society and economy. This is relevant for LAC in terms of negotiations at the bilateral and regional level in which China's public sector seems to be coherent, strategic, and focused on long-term goals. China, from this perspective, is qualitatively and quantitatively different from the other large economies; none of the other countries in the top 25 sources of FDI has similar guidelines for channeling FDI, and public OFDI does not account for more than 5 percent of total respective OFDI in any of these, in contrast to 86.89 percent for China. It is not a question of whether China's public sector is better than its counterparts in LAC, but of understanding the qualitative and quantitative differences in order to avoid inaccurate comparisons of incommensurable elements.

Understanding these differences is important for more than strictly economic reasons. While it is possible to argue that the specific form of ownership is not relevant and that non-profit maximizing behavior will generate inefficient results, the Chinese public sector shows relatively coherent long-term strategies for the development of Chinese companies and the Chinese population. A more detailed evaluation of these strategies is necessary, but what is known so far is impressive, at least from an LAC perspective.

Three final issues

First, there is a need for Chinese, LAC, and other experts to discuss, and deepen and expand conceptually and empirically, the concept of the public sector, specifically in the Chinese case. The general trend, in LAC and other countries since the 1980s, to diminish the public sector's role—in terms of strategies, policies, specific instruments, and expenditures, even in terms of property—should also be questioned. Is new public property imaginable, socially and politically viable, and economically rational at the beginning of the 21st century in LAC? China's experience, from this perspective, can significantly enrich this discussion. From the perspective of LAC, where the public sector has been diminished and impoverished, the rich and complex institutional set of developmental goals in the short, medium, and long run, accompanied by financing, evaluations, and an impressive set of instruments at the local level, seems to run against conventional wisdom. In an issue that needs to be analyzed in more detail, trade imbalances and substantial differences in trade in terms of value-added and technology levels, might also be a result of differences in the public sectors in LAC and China.

Second, the qualitative and quantitative dimensions of China's public sector have resulted in massive challenges for LAC in its growing relationship with China. Challenges exist in respect to legal issues—for example, legal difficulties related to Chinese public OFDI and in contrast to private FDI (Dussel Peters 2013)—including in the auto and banking industries, but also in terms of fair trade. Reciprocity—highlighted by Mexican business vis-à-vis Chinese interest in increasing exports to Mexico (Agendasia 2012)—is another legal and administrative challenge. For example, China is interested in FDI in oil extraction and other energy projects, while Mexico is legally not allowed to do the same in China.[9] The massive presence of the public sector in China also has economic implications (for China and for other countries). In the case of OFDI, for example, profit maximization is not its primary purpose in China, as might the case in other countries, but rather strategic

9. Given the substantive differences between China and other countries in terms of the involvement of the public sector, it is surprising how little discussion there has been globally of China's compliance with the terms of the World Trade Organization. In part, the issue has been addressed in the Transpacific Partnership, which contains a chapter on SOEs.

and long-term national development goals (which can, of course conflict with the long-term development goals of the recipient countries). The public sector's presence is also relevant politically: Energy, mining, and other raw materials industries could be considered important to national security in LAC countries (such as Ecuador, Mexico, and Venezuela), but is also of strategic relevance for China. When problems such as labor and environmental disputes arise, company negotiations become political issues as a result of the ownership resulting from China's OFDI. No form of property, including public property, is neutral.

Third, the analysis presented in this chapter can be the starting point for further case studies at the provincial, city, county, and municipality levels, including segments of value-added chains and company-level analysis. For example, how does the Beijing municipality manage, and strategically envision in the short, medium, and long term, the thousands of companies that it owns? What, if any, evaluations exist of public ownership in specific sectors (such as telecommunications, energy, electronics, and auto parts)?

The conceptual discussion of the state and the market requires a more in-depth exploration in space and time of the experiences of LAC and China, integrating the concepts of the public sector and transitional institutions. More detailed statistics and in-depth discussion are needed—internationally, in China, and in LAC—based on existing information at all levels, starting from different definitions and highlighting respective shortcomings. Strategies, long-term development goals, and respective institutions in the public sector, including their interaction and historical dynamism, require a much more in-depth analysis, in both LAC and China.

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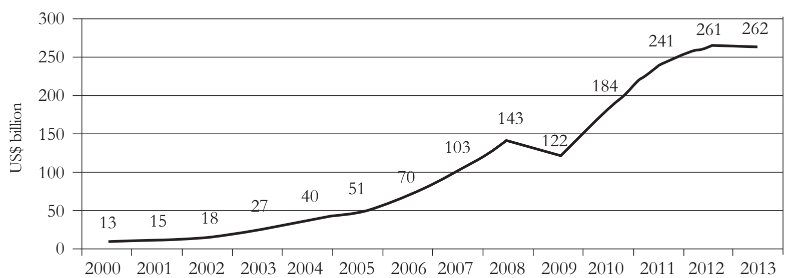
Key Actors in China's Engagement in Latin America and the Caribbean: Government, Enterprises, and Quasi-Governmental Organizations

Zhimin Yang

During the last two decades, China's engagement in Latin America and the Caribbean (LAC) has drawn worldwide attention. The close economic ties between China and Latin America, in particular, have become a topic of intense debate. As the world's second largest economy and top exporter, after three-and-a-half decades with an annual growth rate of 10 percent, China is considered a vital actor in the Latin American economy.

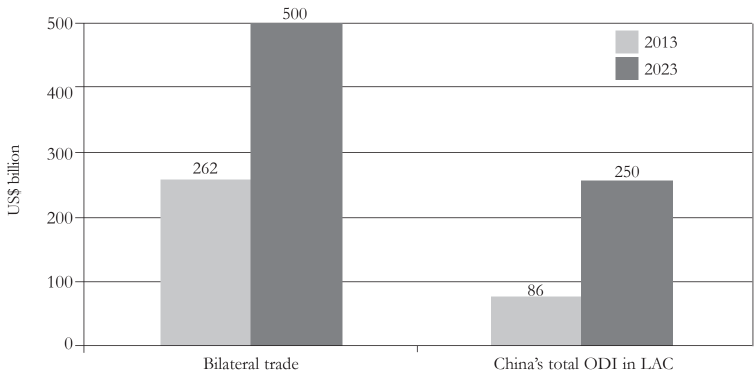
Today, China is Latin America's second-largest trading partner and third-largest investor. By the end of 2013, the volume of bilateral trade between China and Latin America had reached US$261.6 billion, 20 times greater than that of 2000 (Figure 1), and China's total outbound direct investment (ODI) in Latin America reached US$86 billion (Figure 2). "There can be no question that China is playing an increasing role in Latin America, as it is elsewhere around the world" (Committee on Foreign Relations 2005).

Figure 1 **Volume of bilateral trade between China and Latin America, 2000-2013**



Source: CEIC Data Manager 2015.

Figure 2 **China-LAC bilateral trade volume and China's stock ODI in LAC, current and anticipated**



Source: MFA 2015.

China is expected to have even closer economic relations with Latin America in the future, including through the new China-CELAC (Community of Latin American and Caribbean States) Forum. As Figure 2 shows, China has pledged US$250 billion in direct investment to Latin America by 2023 and has set a goal for bilateral trade to reach US$500 billion by the same year (MFA 2015). With regard to bilateral cooperation between China and Latin America, some analysts have asserted that the role played by China is the key to understanding the future development of the world economy (MercoPress 2015).

This chapter takes a close look at the role of three key Chinese actors—the government, quasi-governmental organizations, and enterprises—their interests, and how they work together. In China, the government has strong resource allocation capabilities, owns the development plan, and can take full advantage of the socialist political system. At the same time, under the conditions of the socialist market economy, enterprises—particularly the largest, both state-owned and private—have their own decision-making powers. Quasi-governmental organizations, such as the China Council for the Promotion of International Trade (CCPIT), also occupy an important position in China's foreign trade and economic cooperation.

It has been argued that state-owned enterprises (SOEs) do not have decision-making powers and only do what the government wants. In fact, since 1992, China has begun the reform on SOEs and aimed to establish a modern enterprise system, which features clearly established ownership, well-defined power and responsibility, separation of enterprise from administration, and scientific management. Under the constraints of the modern enterprise property rights structure, the government cannot directly control and manage SOEs so that they have enough capabilities to operate their owns business (Gu and Xie 2002).

The following sections analyze the roles these three actors—government, enterprises, and quasi-governmental organizations—play at different levels and in different fields related to China's engagement in Latin America.

Government: Working from the Top Down

The Chinese government has always played a top-down role in its support for bilateral economic ties and continues to expand this role. In 2008, it issued its first policy paper on Latin America and the Caribbean; in 2012, it initiated a number of measures to boost bilateral trade and investment; in 2014, the "1+3+6" framework for bilateral economic cooperation (described below) was promulgated; and in 2015, the China-Latin American and Caribbean Countries Cooperation Plan (2015-2019) (Xinhua 2015) was announced. China's strategy toward Latin America is becoming increasingly transparent and flexible.

The Chinese government's 2008 policy paper aimed to further clarify the goals of China's policy in the region and to outline the guiding principles for future cooperation between the two sides, while at the same time sustaining the growth of China's relations with the region and strengthening China's cooperation with Latin American and Caribbean countries. It was the Chinese government's first call for comprehensive cooperation between two sides, making a clear proposal with regard to cooperation in the economic sphere, covering trade, investment, finance, agriculture, infrastructure construction, industry, resources, and energy (China's Policy Paper 2008).

After establishing basic principles in the policy paper, China began to work on the details of the principles in order to make them more specific, measurable, and attainable. In 2012, China focused on cooperation in investment and finance and proposed setting up a cooperation fund. Chinese financial institutions would contribute a first tranche of US$5 billion to the fund, while setting up another special loan of US$10 billion to facilitate cooperation in development of infrastructure, including railways, roads, ports, power plants, power grids, and telecommunications facilities. In addition, the Chinese government would contribute US$50 million to set up a special fund for agricultural cooperation and development (Wen 2012).

There is no doubt that actions speak louder than words, and the way in which policies and initiatives are implemented is of crucial importance. In 2014, the Chinese government proposed a "1+3+6" cooperation framework:

- one plan (*yi ge guihua*, 一个规划)—the China-CELAC Cooperation Plan 2015-2019;
- three engines (*san ge yinqing*, 三个引擎) of cooperation—trade, investment, and finance;
- six fields (*liu ge lingyu*, 六个领域) prioritized for cooperation—energy and resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, and information technologies.

At the same time, China has formally undertaken to supply a variety of loans and other funds, summarized in Table 1. In 2015, as one of three important outcome documents of the first Ministerial Meeting of the China-CELAC Forum, the bilateral Five-Year Cooperation Plan (2015-2019) was announced (MFA 2015).

The Chinese government thus plays a key role in providing top-down support for bilateral economic relations. It is a measure of the effectiveness of the role played by the government that economic cooperation was elevated first from bilateral to multilateral and then to over-all cooperation. In addition, the China-CELAC Forum has established a new platform, which is viewed as a new starting point for bilateral economic cooperation.

Table 1 **China's 2015 funding commitments**

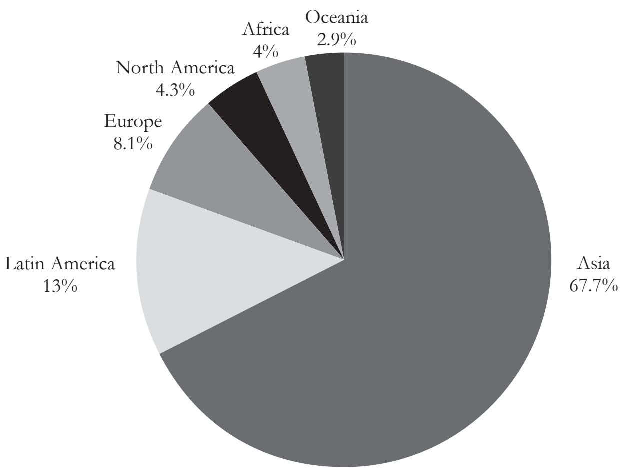
Fund and loans	Amount (US$, millions)
Special fund for agricultural cooperation	50
China-Latin America Cooperation Fund	5,000
Concessional loans	10,000
Special loans for infrastructure	10,000
Credit limit increases for special infrastructure loans	20,000

Sources: MFA 2015.

Enterprises: Working from the Bottom Up

By the end of 2013, the stock of China's ODI worldwide exceeded US$660.4 billion and the stock of China's nonfinancial direct investment reached US$543.4 billion, of which the SOEs accounted for 55.2 percent and the rest came from private companies. During the same period, Latin America attracted 13 percent of China's ODI; it has now become one of the main destinations for China's investment (Figure 3) (MOFCOM 2015).

Figure 3 **Global distribution of China's ODI at the end of 2013**



Source: MOFCOM 2015.

Chinese enterprises benefit from the support of the Chinese government for their pursuit of the "going out" strategy. Two ministries of the Chinese central government, the National Development and Reform Commission (NDRC) and the Ministry of Commerce, provide support throughout the investment process. Before investment begins, they provide information, especially in the form of the *Catalogue for the Guidance of Foreign Investment Industries* (MOFCOM 2012). During the investment process, the NDRC and China Development Bank offer financial support (NDRC 2005a). And after the investment process has been completed, insurance guarantees are provided through the NDRC and the China Export & Credit Insurance Corporation (NDRC 2005b).

While enjoying top-down government support, Chinese enterprises, both state-owned and private, play their own bottom-up role: On the one hand, they are implementers of government policies, and on the other, they sometimes function as pioneers. Large Chinese companies such as Huawei Technologies are pioneers in the sense that, due to their stronger capabilities, they entered into business in Latin America much earlier than other enterprises, so that the Chinese government can draw on the experiences that they have accumulated and transform them into policy.

Generally speaking, the largest Chinese SOEs have advantages concerning capital, technology, and human resources, and are more strongly committed to exploring overseas markets than small and medium-size enterprises are. It is also easier for them to get government support. The biggest private enterprises have a more flexible operational mechanism than the SOEs and have adapted more effectively to the international business environment. Due to these favorable conditions, they were able to enter into business in Latin America earlier, even before government guidance and support were available.

As China's largest oil and gas producer and supplier, as well as one of the world's major oilfield service providers and a globally respected engineering and construction contractor, China National Petroleum Corporation， one of biggest SOEs of China, plays an exemplary role, with a presence in almost 70 countries around the world, including in Latin America and the Caribbean. Its first entry point into Latin America was Peru in 1993, where, after winning an international tender, it started up oil and gas operations (CNPC n.d.). It has been active in Colombia, Costa Rica, Ecuador, Peru, and Venezuela. Milestones have included service contracts for parts of Peru's Talara oilfield in 1993 and 1995, contracts for the Intercampo and Caracoles oilfields in Venezuela in 1997, a cooperation agreement on the Orimulsion project with Petréoleos de Venezuela, S.A. (PDVSA) in 2001, purchase of oil and gas assets from Encana in Ecuador in 2005, a joint venture agreement with PDVSA to develop Zumano oilfield in 2006, an agreement with PDVSA to expand cooperation in the Orinoco oil belt in 2007, a joint venture with PDVSA in 2008, an agreement with Recope (Refinadora Costarricense de Petróleo) to establish a joint venture refinery, also in 2008, and a joint venture agreement with the Venezuelan Ministry of Energy and Petroleum for a section of the Orinoco oil belt in 2010 (CNPC n.d.).

Among the private enterprises effectively implementing the "going out" strategy is the Huawei Corporation, which was able to start up business activities at a very early stage of China's investing overseas because it had developed a clear global strategy at the very beginning. Internationalization was therefore a natural outcome of its development. As one of the world's largest smartphone providers and a major global force in telecommunications and networking, Huawei is making serious progress globally and in 2014 earned a place in the Best Global Brands ranking (Interbrand 2014). It has been argued that "strong international, high-end performances [are] driving Huawei device growth" (Costello 2014). Today, Huawei has 14 branches and representative offices in Latin America, covering 25 countries (Renmin Ribao 2014), and has become the main provider of telecommunications services and solutions for countries including Argentina, Brazil, Colombia, Mexico, and Venezuela (CNC 2015).

In recent years, micro, small, and medium-size enterprises have experienced rapid development. The number of micro and small enterprises in China reached 11.7 million by the end of 2013, making up 76.57 percent of all Chinese enterprises (Xinhua 2014). At the same time, nearly one-fourth of China's nonfinancial ODI came from small and medium-size enterprises (China Trade News 2014). However, these enterprises still face challenges, such as lack of information, limited access to international channels, and inadequate protection from risk.

Large SOEs are still the most important implementers and supporters of the Chinese government's "going out" policies, while large private enterprises also tend to play an important role.

Quasi-Governmental Organizations: Serving as a Bridge

The third type of key actor in economic relations between China and Latin America is the quasi-governmental organizations such as China Development Bank, Export and Import Bank of China, and CCPIT. Of these, the CCPIT, established in 1952, is no doubt the most influential. It comprises enterprises and organizations representing the economic and trade sectors in China, and aims to operate and promote foreign trade, to use foreign investment, to introduce advanced foreign technologies, to conduct activities of Sino-foreign economic and technological cooperation in various forms, to promote the development of economic and trade relations between China and other countries and regions around the world (CCPIT n.d.).

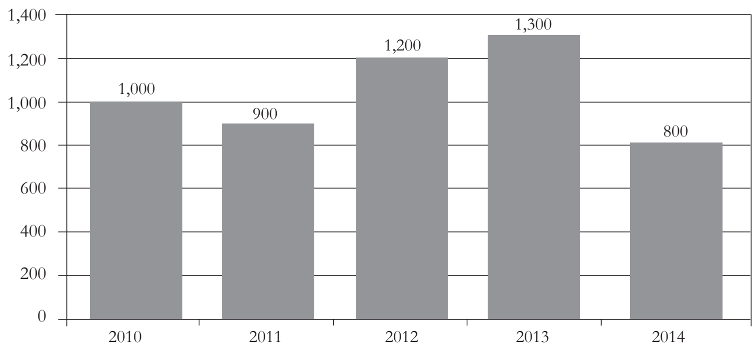
As a quasi-governmental organization, CCPIT can cooperate with the government on a day-to-day basis, while at the same time maintaining close contact with business enterprises. It has therefore become a bridge, not only between the Chinese government and Chinese enterprises, but also between Chinese and Latin American enterprises. It has established cooperative projects with its counterparts in Latin America and good relations with Latin American countries' economic and commercial counselor's offices in China.

The CCPIT supports China-Latin America economic cooperation by providing information, organizing business events and exhibitions, and providing legal assistance. It is also responsible for organizing the Chinese entrepreneurs who have, with increasing frequency, been joining the delegations of Chinese leaders during overseas visits. When foreign leaders visit China, they also usually bring with them a large delegation of entrepreneurs and hold bilateral forums and other business events; CCPIT is also responsible for organizing the Chinese contribution to these activities. For example, it organized the China-Argentina Economic and Trade Cooperation Forum during the visit of Argentine President Cristina Fernández de Kirchner on 4 February 2015, attended by nearly 1,000 entrepreneurs and company representatives from the two countries as well as the Argentine president (MOFCOM 2015). Companies such as the China International Exhibition Center Group Corporation, China International Economic and Technical Cooperation Consultants, and the China Global Business International Travel Service, which are affiliated with CCPIT, helped to organize this business event.

The CCPIT also carries out its bridging role through an annual summit, a council, and two permanent offices in Latin America. The China-LAC (Latin American and the Caribbean) Business Summit has been held annually since 2007, with national and regional exhibitions, round-table meetings, and one-on-one business match-making talks. China takes turns with Latin American countries to host the summit. Chile, Colombia, Costa Rica, and Peru have already done so; the ninth summit is scheduled to be held in Mexico in 2015 (The 8th China-LAC Business Summit 2014). When the summit takes place in China, it is hosted by a different city each time. Varying the event site allows visiting business representatives to get to know their partner countries better and provides more business opportunities for local enterprises. Figure 4 shows the numbers of participating entrepreneurs from the two sides for the last five summits.

The China-Latin America Business Council, which was initiated by CCPIT, is a non-profit organization aiming to promote cooperation between chambers of commerce and businesses in China and Latin American countries to strengthen economic, trade, and investment ties and promote technology transfer (China-Latin America Business Council n.d.).

Figure 4 **Number of entrepreneurs participating in the China-LAC Business Summit**



Sources: The 8th China-LAC Business Summit 2014.

While the Summit and the Council focus on overall economic relations between China and Latin America, the CCPIT also promotes economic links with sub-regions and individual countries through organizations such as the China-Mexico Business Conference, China-Cuba Business Council, and China-Caribbean Business Conference (CCPIT n.d.).

It has also established two representative offices, in Mexico and Costa Rica, and is now preparing to establish a third office in Brazil. This helps the CCPIT to collect local business information more efficiently and to serve Chinese investors in the destination countries more directly.

The role of the CCPIT will probably need to be improved in the future, but its identity, organizational framework, and effectiveness in building cooperation during the last 60 years are evidence of the unique position it holds with regard to promoting China's foreign trade with and investment in other countries.

Conclusion

The Chinese government, quasi-governmental organizations, and enterprises each have important and complementary roles in economic relations between China and Latin America:

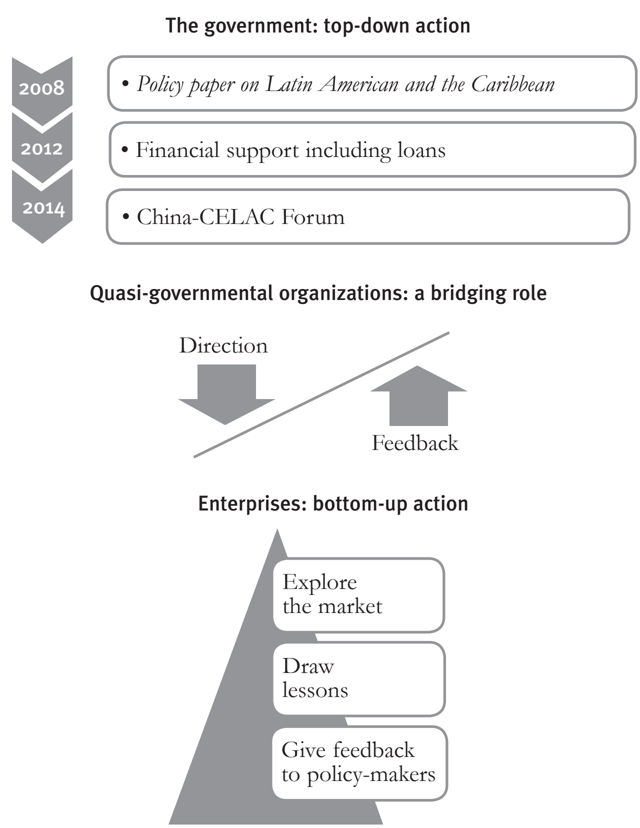
- The government makes policy and establishes mechanisms to support and guide Chinese investors.

- Quasi-governmental organizations provide more specific direction for enterprises by offering information, serving as a bridge (between enterprises and government, and between China and other countries), and accumulating feedback from enterprises and conveying it to policy-makers through the proper channels.
- Enterprises play a role not only as implementers of existing policies and strategies but also as pioneers by exploring the Latin American market with the help of the government and the quasi-governmental organizations.

These roles are summarized in Figure 5.

As a result of the increasingly close economic cooperation between China and Latin America, the Chinese government is now paying more

FIGURE 5 KEY CHINESE ACTORS IN CHINA-LATIN AMERICA ECONOMIC COOPERATION



attention to its top-down role in bilateral economic relations. A clear and comprehensive strategy is being implemented, comprising policy papers, measures, and plans, in order to guide the development of bilateral economic relations; favorable policies are also being promoted, including preferential loans. This top-down strategy has provided a stimulating environment for the further development of Chinese commercial enterprises in Latin America (Sun and Liang 2014).

Chinese enterprises, both state-owned and private, are implementers of government policies, which allows them to benefit from government assistance, and they are also able accumulate experience (both successes and failures) as pioneers in their respective fields, which the government can draw on to improve its policies. This reflects their bottom-up role.

In addition, it is necessary to have a bridge between the government and the enterprises in China as well as between China and Latin America. As a quasi-government organization, the CCPIT can play this intermediary role.

Small and medium-size enterprises generally experience difficulty in obtaining the same levels of support that large enterprises obtain from the government; the costs associated with obtaining information from the CCPIT and becoming involved in its activities are also much higher for them.

The roles of the three kinds of actors—the government, quasi-governmental organizations, and Chinese enterprises—are not only complementary but have also been constantly improving as a result of China's economic engagement in Latin America.

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Chinese Investment in Latin American Infrastructure: Strategies, Actors, and Risks

Bettina Gransow

Infrastructure investments have become an increasingly important element of China's economic cooperation with Latin America and the Caribbean (LAC). Investment in infrastructure was the backbone of its own internal economic upsurge beginning in the 1990s, and it seems that China is now transferring this experience to the outside world, including LAC countries. Within a very short time China has changed from a capital importer and recipient of foreign aid to a capital exporter and donor country. In China, infrastructure investments have contributed not only to high growth rates and accelerated regional economic development, but also to extensive environmental damage, involuntary resettlement of millions of people in both rural and urban areas, loss of cultural heritage, impoverishment of project-affected people, and broader processes of social polarization (Gransow 2007a, 2007b).

Along with this economic growth and the externalization of social and environmental costs since the 1990s, a competing paradigm of sustainable development has been evolving in China.[1] It calls for environmental protection and social fairness to be included as two additional pillars in a comprehensive understanding of sustainable development. As part of this emerging sustainability paradigm, ever more sectors (including construction, water resources, and transport) have started to design their own social and environmental guidelines for investment, and an environmental impact assessment (EIA) law came into effect in 2003. But there has yet to be an analogous social impact assessment law in China, and a great many difficulties are associated with putting the EIA law and related guidelines into practice. Nevertheless, more and increasingly progressive social and environmental policies related to investment projects are being developed in China.

1. On the study of paradigm shifts, policy changes, and policy networks, see Zhu 2013 and Hall 1993.

This chapter links China's pattern of infrastructure lending in LAC with China's own development experience, and questions whether Chinese investment in LAC can promote sustainable development. It is organized as follows. The next section outlines China's donor-supported domestic infrastructure construction, which has contributed considerably to the country's rapid development but has also created social and environmental risk. This is followed by a review of China's infrastructure investment in LAC, including the strategic interests on both sides, the types of investment, the volume and distribution of loans, and the conditions of repayment. Next, key actors are identified—including the Chinese government, Chinese policy banks[2], and state-owned companies—along with their different ways of financing infrastructure projects. The following section focuses on existing policy guidelines for managing the social and environmental risks of infrastructure projects. The chapter concludes that the Chinese government has established policy and regulatory frameworks to help ensure that investment promotes socially and environmentally sustainable development and South-South cooperation, and that regional forums such as the newly established China-CELAC (Community of Latin American and Caribbean States) Forum should work to strengthen enforcement of these policies.

Infrastructure Development as a Core Reform Strategy in China

From the second half of the 19th century to today, the Chinese development goal of making the country wealthy and strong (*fuqiang*) has changed very little. The associated policies, strategies, and practices, however, have undergone considerable change. The comprehensive process that started with Deng Xiaoping's modernization program to reform and "open up" Chinese society comprises a number of different transformations, in particular from an agrarian to an industrialized, urbanized, and service-oriented information society; from a planned to a market economy; from a policy of national autarchy to one of openness to the world; and from a top-down one-party political system to a one-party governance model of deliberative authoritarianism. These transformations are interrelated and mutually influential. They have proceeded at different paces in different regions of the country and at different times during the reform process, which can be divided into the 1980s, the 1990s, and the first decade of the 21st century. In each of these stages, China had a clear development agenda including a road map for using foreign aid. In contrast to the beginning of the reform

2. Different from commercial banks policy banks are development financial institutions lending on government orders and enjoying favorable treatment.

period, when foreign aid helped to establish the economic infrastructure or "hardware" for development, since the 1990s more investment has gone into environmental protection and other sectors that could be termed "soft."

The first reform period (1980s) was characterized by economic liberalization. Its strategies included (1) institutionalizing the Household Responsibility System[3] in the countryside, which had a tremendous impact on poverty reduction, and later introducing price reforms in urban areas; (2) encouraging Town and Village Enterprises, resulting in peasants leaving agriculture but not the countryside; and (3) allowing different regional development patterns marked by industrialization, urbanization, and migration. During this period, development in China was constrained by a lack of foreign exchange. Foreign aid was dominated by preferential loans used primarily for transport, communication, energy, and raw materials. Foreign donors contributed to the development of the country's economic infrastructure by providing capital and modern technologies.

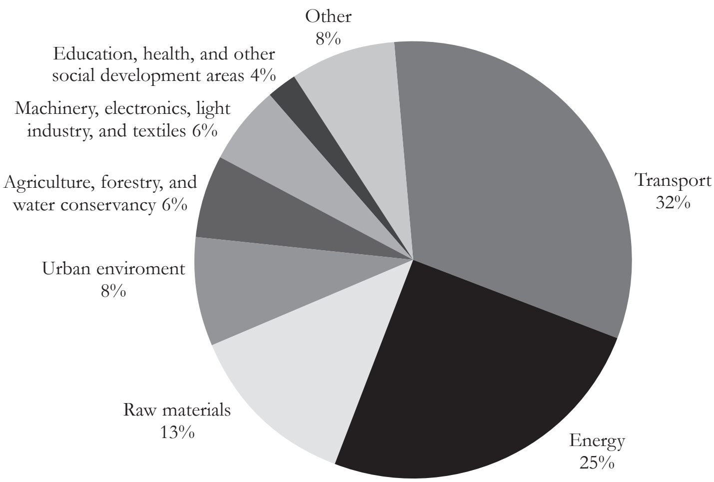
The second period (1990s) was marked by economic growth and by externalizing the social and environmental costs of development. China focused its use of foreign capital on developing infrastructure, which mainly benefited the urban areas and generated a rising income gap. Strategies included (1) setting up special economic zones and attracting foreign direct investment (FDI) and (2) investing in infrastructure. Foreign loans continued to concentrate on transport, energy, and raw materials, yet at the same time more investment went into agriculture, forestry, water conservancy, and poverty reduction, and also started to flow into environmental protection and social development.

The third period (2000s) featured continued economic growth with an emerging agenda of internalization of social and environmental costs caused by rapid growth. Strategies included (1) pursuing sustainable development with Chinese characteristics; (2) striving for a harmonious society inside and outside China; and (3) investing abroad. An emerging agenda of internalizing the social and environmental consequences of rapid growth meant that, as of 2000, more investment went into environmental protection, clean and renewable energy, resource conservation, health, culture and education, climate change, public goods, and high-level policy consultancy (NDRC 2009: 3).

3. The Household Responsibility System represents a policy of contracting collective land to families and replaced the collective farming of the Mao Era since 1978.

Over half of all bilateral and multilateral loans between 1979 and 2005 went into the transport and energy sectors; over two-thirds of lending from the Asian Development Bank and Japan was directed to these sectors (NDRC 2009: 3, 24, 29).

Figure 1 **Foreign loans to China by sector, 1979-2005**



Source: NDRC 2009: 3, 24, 29.

By far the largest bilateral donor to China has been Japan, and it was also one of the first. Japanese loans enabled China to complete a large number of urgently needed national infrastructure projects (Lu 2000: 5556). After normalizing its diplomatic relations with Japan in 1972 and signing a long-term trade agreement and a peace and friendship treaty in 1978, China formally started to request yen loans in 1979. In response, the Japanese government launched a diplomatic campaign to have OECD (Organisation for Economic Co-operation and Development) member states include China on the OECD/DAC (Development Assistance Committee) list of official development assistance (ODA) recipients. It argued that ODA loans would support China's open-door policy and promote stability, not only in Japan and China but throughout the Asian region and worldwide (Kitano 2004: 462). Yen loans made up the lion's share of Japan's ODA. China applied for these loans to finance infrastructure construction projects in energy and transportation. Another factor in Japanese assistance was that China relinquished its claim to war compensation from Japan. Providing ODA was thus an important sign of Japan's friendly diplomatic stance toward China.

The first batch of yen loans (1981-1985) focused on railways and transport of coal from inland regions, especially Shanxi province, to southern China and for export to Japan. A program was launched in 1981 to modernize China's state-run factories under the guidance of Japanese experts. The second batch of yen loans (1986-1990) still focused mainly on economic infrastructure, but also included social infrastructure projects such as urban water and gas supply and sewage treatment. Transport, power, telecommunications, and agriculture were the focus of the third batch (1991-1995). In addition to economic infrastructure in the coastal regions, the fourth batch (1996-2000) supported environmental, inland development, food supply, and poverty reduction projects; during this time, an increasing number of environmental protection projects were started. In 2008, Japanese ODA loans to China came to an end.

Japanese ODA addressed the critical issues of each stage of China's reform period. The major contributions of the yen loans can be summarized as follows (Kitano 2004: 480): Infrastructure bottlenecks were alleviated; regional development was supported; poverty was reduced; advanced technological facilities were established and modern technologies transferred; and institutional frameworks for infrastructure development were transferred, including feasibility studies, international competitive bidding, and ex-post evaluations. China reciprocated by supplying raw materials. Poverty reduction was not high on the agenda of Japanese assistance to China. Many of the Japanese infrastructure projects did not assess or mitigate the associated social risks, and therefore missed valuable opportunities to extend project benefits to local populations, particularly their most vulnerable groups.

The major characteristics of China's infrastructure development strategy can be summarized as follows: It was initially part of a development paradigm oriented solely to economic growth, or was viewed as a necessary first step on the road to prosperity and strength for the nation. As Deng Xiaoping put it, "Some people may prosper before others do" (Deng 1994:152). Environmental and social costs were externalized. In the early stages of the reform process in the 1980s and 1990s, support was needed in the form of foreign infrastructure loans within an international development aid framework to put this economic growth strategy into practice. The World Bank and the Asian Development Bank were involved on the multilateral side, and Japan on the bilateral side. There were also international loans under market conditions as well as domestic loans. Although this strategy generated the desired growth, its negative consequences became increasingly evident: environmental damage such as air and water pollution, large-scale land expropriation and resettlement with the accompanying risk of impoverishment, and considerable subsequent debt on the part of local governments. With the increasingly evident repercussions of this strategy and influenced by rising international discussion of sustainability in light of climate change, ever more significance was attached to a sustainability-oriented development paradigm in China as well. The current decelerating growth rates in China appear to be having conflicting effects: Sustainability rhetoric is increasing, yet the weakening economy is also strengthening adherents of a development strategy oriented solely toward growth.

Chinese Infrastructure Investment in Latin America and the Caribbean

The 2004 visit by then-president Hu Jintao to Argentina, Brazil, Chile, and Cuba marked the start of China's growing economic activity in the region. Over the following decade, China became a significant trading partner for many Latin American states and provided extensive loans in exchange for oil and other natural resources. In recent years, infrastructure construction has emerged as a highlight of China-LAC cooperation with the potential to drive it to higher levels (Wang 2014).

Chinese Overtures to LAC

In 2008 (at the time of the global financial crisis) the Chinese government released its first policy paper on LAC (China's Policy Paper 2008). Viewing these countries at a similar stage of development, the paper stated that China sought to build a comprehensive and cooperative partnership with LAC based on ideas of peaceful coexistence between countries, deepening cooperation and win-win results, intensified exchange, and the one-China principle. In addition to political, cultural, social, security, and judicial cooperation, the focus was on economic cooperation in the fields of trade, investment and finance, agriculture and industry, infrastructure, resources and energy, and economic and technical assistance. The most important aspects of China's support for infrastructure development in LAC are investment cooperation (supporting qualified Chinese companies in investing in LAC), financial cooperation (supporting Chinese financial institutions and commercial banks in their activities in LAC), infrastructure construction (strengthening practical cooperation with LAC in transport, information and communication, water conservancy, and hydroelectric power, and scaling up project contracting in the region), and resources and energy cooperation (expanding mutually beneficial projects). In 2008 China also joined the Inter-American Development

Bank (IDB) and committed US$350 million to public- and private-sector projects (Dosch and Goodman 2012: 12).

A subsequent milestone in the intensification of China-LAC economic relations was the visit by Chinese President Xi Jinping to Argentina, Brazil, Cuba, and Venezuela in the summer of 2014. This visit saw China and Brazil sign 56 cooperation agreements, mostly in infrastructure construction, including railway transportation and electricity transmission. Infrastructure deals were also signed with Argentina and Venezuela. Brazil, China, and Peru issued a joint statement on a railway to run from the Peruvian Pacific coast to the Brazilian Atlantic coast. During this visit, Xi Jinping suggested a "1+3+6" framework for promoting mutually beneficial cooperation between China and LAC: one plan (the 2015-2019 China-LAC cooperation plan), three engines (trade, investment, and financial cooperation), and six fields (energy and resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, and information technology). The establishment of the BRICS (Brazil, Russia, India, China, and South Africa) New Development Bank is expected to further support China-LAC infrastructure cooperation (Wang 2014).

In January 2015 China hosted the first China-CELAC Forum. CELAC, the Community of Latin American and Caribbean States, was formed in 2011 and comprises 33 countries in the Americas, not including Canada or the United States. The Forum created a regional platform for China-LAC cooperation, comparable to the Forum on China-Africa Cooperation and the China ASEAN (Association of Southeast Asian Nations) Summit. Alongside a host of cooperation agreements, China pledged to increase trade with Latin America to $500 billion and to invest upwards of $250 billion over the next decade. China also pledged $20 billion in loans for infrastructure projects and created a $5 billion China-CELAC Cooperation Fund (Gallagher 2015).

This development needs to be seen within the broader context of globalization and China's "going out" (*zou chuqu*) policy. The Chinese government has been using this slogan since the start of the 21st century to encourage Chinese companies to invest in foreign countries, a call followed mainly by Chinese state companies.[4] While the "going out" strategy refers primarily to FDI by Chinese companies, at the same time China has been seeking to heighten its profile as a provider of foreign

4. This does not mean, however, that China no longer wishes to remain an attractive object of foreign investment itself.

aid. Under the heading of South-South cooperation, it is highlighting mutual benefits ("win-win" situations) and refraining from intervening in the internal affairs of the recipient countries. Many different focal regions have crystallized within the overarching "going out" strategy: neighboring Asian countries, Central Asia, Africa, Latin America, the Near East, Europe, the United States, Canada, Australia, and Oceania; hardly any part of the world is excluded. The strategy focuses on economic interests, securing the natural resources that China needs, and acquiring new markets, and Latin America is no exception in this regard.

Why LAC is Interested in Chinese Infrastructure Investment

During the second half of the 1980s and the 1990s, Latin American governments drastically reduced their investment in infrastructure. Structural reforms imposed by the International Monetary Fund, plus the combination of austerity programs and the transfer of responsibilities in this area to the private sector, led to large and often abrupt fiscal adjustments, resulting in the deterioration of infrastructure. In the 1990s, the private sector responded only reluctantly to the opening up of infrastructure projects to private participation. Public investment by the six biggest economies in the region sank from 3.1 percent of GDP during the first half of the 1980s to 0.8 percent of GDP between 1996 and 2001 (Toro Hardy 2013: 212).

Regarding classical infrastructure sectors in Latin America, only telecommunications has a relatively good position. According to Toro Hardy, shortages are particularly evident with regard to bridges, airports, ports, and other traditional infrastructures. Water infrastructure is also reported as insufficient, even if the hydroelectric subsector is well developed in some countries, including Argentina, Brazil, and Venezuela. Most Latin American countries are in need of major investment in energy development. Infrastructure limitations have become an obstacle to economic growth, competitiveness, and poverty reduction (ibid.: 211). Brazil is a good example of the problems that inadequate infrastructure can pose to a booming economy (for example, when transportation adds an excessive amount to the cost of goods in their end markets because of insufficient roads and highways). Experts consider 4 percent of GDP to be the right amount of investment in infrastructure, but this might be difficult to achieve in the near future. Chinese investment in the region may help to overcome these bottlenecks (ibid.: 213). Because of Latin American countries' considerable need for infrastructure investment and lack of the necessary capital and expertise, they are interested in infrastructure investments from the Chinese.

Forms of Chinese Infrastructure Investment and Financing in LAC

This section starts with a brief introduction into the different forms of Chinese infrastructure investment and financing in LAC including (1) FDI in infrastructure, (2) engineering and construction contracts, and (3) loans provided to LAC. Out of these three forms, loan financing is the most significant form. Therefore, the remaining part of this section discusses Chinese loans to LAC more in detail including the size and sectoral and regional distribution of loans, as well as the conditions of repayment.

Chinese infrastructure investment in LAC takes three forms (Chen and Ludeña 2013: 15):

1. *FDI in infrastructure*. This consists of Chinese companies acquiring existing assets, and is the quickest way to enlarge a market share. Until 2012, only the State Grid Corporation had followed this route in Latin America, by acquiring electricity transmission assets in Brazil for US$1.7 billion in 2010 and additional assets in 2012, both from Spanish companies (Chen and Ludena 2013: 15). Exact figures on Chinese FDI in LAC infrastructure are not easily available, but it should account for only a very small fraction of total Chinese infrastructure investment and financing in LAC. Total Chinese FDI in LAC was US$13.7 billion in 2010, US$9.3 billion in 2011 (Chen and Ludena 2013: 11), and US$9.2 billion (or 5.3 percent of total FDI in LAC) in 2012 (Ray and Gallagher 2013: 12). According to the Chinese Ministry of Commerce, FDI was somewhat lower in 2010 at US$10.5 billion, and most of that sum was going to tax havens: US$3.5 billion to the Cayman Islands and US$6.1 billion to the Virgin Islands (MOFCOM 2011: 85 86, 92)[5]. In general, the level of total Chinese FDI to LAC is small (Dussel Peters 2012: 2).
2. *Engineering and construction contracts*. Chinese companies, especially those with higher technological capacities (such as Huawei and ZTE, which manufacture and install telecommunications equipment), commonly acquire private engineering and construction contracts (Chen and Ludena 2013: 15). Even less information than on FDI in infrastructure is available on Chinese companies' engineering and construction contracts. Chinese companies working under construction contracts in the region are usually linked to financing agreements with state-owned Chinese banks

5. For more detailed characteristics of Chinese FDI to Latin America, see Dussel Peters 2013.

and are not officially counted as FDI. So far, only a few Chinese construction companies have been awarded large public works contracts in the region (CELAC 2015: 36).

3. *Loans at more-or-less concessional terms.* This consists of Chinese state-owned banks providing loans to Latin American government entities to construct specific elements of infrastructure on the condition that the work is carried out by Chinese companies. Examples include power plants constructed by Sinohydro for Ecuador and Venezuela (Chen and Ludena 2013: 15). As Chinese loans for infrastructure projects in LAC are not only provided as commercial loans but also at more-or-less concessional terms, sometimes it might be difficult to differentiate between commercial transactions and Chinese foreign aid which is partly provided in form of preferential loans for infrastructure investments. In particular, this could be the case in China's cooperation with the Caribbean countries - where China, by the end of 2012, under the framework of the Third China-Caribbean Economic and Trade Cooperation Forum, had provided concessional loans totaling 3 billion yuan renminbi (RMB) for infrastructure construction. As part of China's total foreign aid, aid to "social and public infrastructure" increased from just 3.2 percent in 2011 to 27.6 percent in 2014 (Information Office 2011, 2014). But overall, Chinese foreign aid plays only a subsidiary role in China-LAC relations. China's second white paper on foreign aid, published in 2014 (Information Office 2014), reduced aid for LAC to 8.4 percent[6], down from 12.7 percent in 2011(Information Office 2011). This drop in aid confirms China's regional foreign-aid priorities (in comparison, aid to Africa increased from 45.7 percent in 2011 to 51.8 percent in 2014, and aid to Asia decreased slightly from 32.8 percent to 30.5 percent) This regional ranking was emphasized in the 2014 white paper, which called for (1) promotion of a new China-Africa Strategic Partnership, (2) promotion of practical cooperation with ASEAN, and (3) support for the economic and social development of other regions, including practical cooperation with the Caribbean countries (Information Office 2011, 2014).

The comparison of these three forms of Chinese infrastructure investment and financing clearly shows that loans for infrastructure projects are increasingly coming to the forefront in China-LAC economic relations.

6. Only 8.4 percent of the total of US$14.4 billion Chinese foreign aid for 2010-2012, or approximately US$1.2 billion, was provided to LAC (Information Office 2014).

Infrastructure Loans: Size, Distribution, and Repayment Modalities

According to the China-Latin America Finance Database (Gallagher and Myers 2014), China provided nearly US$119 billion in loan commitments to Latin American countries and companies from 2005 to 2014

Table 1 **Chinese loan commitments to LAC countries and companies**

	Amount (US$, billions)
2005	0.2
2006	4.8
2007	n. a.
2008	6.3
2009	13.6
2010	37.0
2011	17.8
2012	3.8
2013	12.9
2014	22.1

Source: Gallagher and Myers 2014; n.a.= not available.

Chinese lending to LAC started in 2004 and reached its highest point thus far in 2010. Following a substantial decline in 2012 (which might be attributable to technical difficulties in absorbing the loans in the recipient countries), loan commitments increased again considerably in 2013 and even more so in 2014. This was a welcome sign, especially for those Latin American countries such as Venezuela that were hit particularly hard by the drop in oil prices in 2014.

Infrastructure loans make up a considerable share of Chinese loans to LAC. As can be seen in Table 2, a good 40 percent of all Chinese loan commitments from 2005 to 2014 were for infrastructure (Gallagher and Myers 2014). The actual share of infrastructure loans is probably higher, because some energy-related projects, such as dams, are also classic infrastructure projects. Venezuela and Argentina received by far the largest share of these loans. In general, however, only a fraction of loan commitments become loan disbursements. In Argentina, for instance, several deals on construction projects have failed (Ellis 2014: 67-69).

From 2005 to 2011 alone, the total volume of large-scale loans (of US$1 billion and more) provided by Chinese banks to LAC recipients, US$68.9 billion, was much higher than that from traditional multilateral

Table 2 — Chinese loan commitments by country and sector, 2005-2014 (US$, billions)

Country	Total loan commitments	Infrastructure		Energy		Mining		Other	
		Total	Rank	Total	Rank	Total	Rank	Total	Rank
Venezuela	56.3	28.4	1	6.0	3	2.4	1	19.5	1
Brazil	22.0	0.8	6	12.2	1	1.4	3	7.5	2
Argentina	19.0	14.0	2	4.9	4	n.a.		<0.1	8
Ecuador	10.8	0.4	7	8.4	2	n.a.		2.0	3
Bahamas	2.9	2.9	3	n.a.		n.a.		n.a.	
Mexico	2.4	1.4	4	1.0	5	n.a.		n.a.	
Peru	2.3	0.1	11	n.a.		2.0	2	0.2	7
Jamaica	1.4	1.2	5	n.a.		n.a.		0.2	6
Bolivia	0.6	0.3	8	<0.1	7	n.a.		0.3	5
Costa Rica	0.4	n.a.		n.a.		n.a.		0.4	4
Honduras	0.3	n.a.		0.3	6	n.a.		n.a.	
Chile	0.2	0.2	9	n.a.		n.a.		n.a.	
Guyana	0.1	0.1	10	n.a.		n.a.		n.a.	
Colombia	0.1	<0.1	12	n.a.		n.a.		n.a.	
Uruguay	<0.1	n.a.		n.a.		n.a.		<0.1	9
All countries	118.7	49.9		32.9		5.8		30.1	

Source: Gallagher and Myers 2014; n.a.= not available.

and regional donors, the World Bank and the IDB, which together provided only US$17.8 billion in the same period of time (Gallagher et al. 2012: 9, table 3). This is not only a quantitative difference, but also a qualitative one: Chinese banks channel most of their loans to LAC into the infrastructure, energy, transportation, mining, and housing sectors, whereas these sectors account for only 29 percent of IDB loans and 34 percent of World Bank loans. The IDB and World Bank direct more than a third of their loans to the health, social, and environmental sectors, which were not a target for Chinese loans to LAC (Gallagher et al. 2012: 17).

Gallagher, Irwin, and Koleski (2012:17) presented different arguments from the literature for why Chinese loans concentrate on certain sectors such as infrastructure. There are at least four explanations. One is that China has a different development model than international financial institutions, one that favors infrastructure and industrialization over health and social services (ibid.). A second explanation holds that Chinese loan strategies support Chinese interests in the region by gaining access to key natural resources and markets. A close association between infrastructure investments and natural resource projects is also suggested by the fact that infrastructure projects predominated in the first half of the 2001-2011 period and thereby paved the way for follow-up natural resource development in the second half of that period (Wolf et al. 2013: 23). This argument, however, receives only scant confirmation from more recent loan commitments. A third explanation is given by Chinese banks themselves, which say they seek to support economic growth directly instead of social welfare. The Export-Import (EXIM) Bank of China views this as a way for projects to generate foreign exchange revenue and create jobs in the borrowing countries; loans should therefore focus on supporting infrastructure such as energy, transportation, and telecommunication projects in the borrowing countries, as well as high-efficiency sectors such as manufacturing, processing, and agriculture. A fourth explanation holds that Chinese banks are copying Japan's earlier model of resource-backed concessional loans, first tried with India in the late 1950s and then with China in the late 1970s (Brautigam 2009: 4648; Gallagher et al. 2012: 18). As discussed above, the exchange of Chinese natural resources for Japanese technology and expertise was seen as a strategic win by both sides. Neither side was too concerned about environmental or social impact. These four explanations are not mutually exclusive, but instead reveal different facets of Chinese interests and strategies in infrastructure lending.

Of strategic importance are not only the specific countries and sectors that receive the loans, but also the repayment terms and conditions. In one common loan arrangement China extends credit lines for infrastructure in resource-rich developing countries. While seeking markets for its construction companies and materials, China aims to obtain long-term supply contracts for oil and other natural resources.

Before the global financial crisis, Chinese oil-backed loans were mainly confined to African countries, and were rare in South America with the exception of Venezuela. When the situation changed, the China Development Bank took the lead in the region and extended an estimated US$45.6 billion in loans between 2008 and 2011 to Brazil and other LAC countries. Although one might assume that resource-backed loans have to be repaid in kind (that is, in oil or other products), this is not the case. Oil-backed loans are guaranteed by the proceeds of oil sales, which have to be deposited into the borrower's account to guarantee repayment. What distinguishes Chinese oil-backed loans, aside from the fact that they sometimes offer lower interest rates and longer repayment periods, is that repayment is guaranteed by the sale of a certain amount of oil (usually set in barrels per day) to one of China's national oil companies during the loan repayment period. The oil company is then required to deposit the payment in the borrower's account at the Chinese lending institution; it is then used to service the loan (Alves 2013: 101).

The following section examines the different actors involved in Chinese infrastructure loans, particularly infrastructure-for-resources loans. As Alves (2013: 102) has argued, this loan arrangement is not so much the result of a cohesive master plan by the Chinese government, but can be understood better in terms of converging interests. Various institutional features of the recipient countries can affect the success of this loan instrument in different ways.

Key Actors in China-LAC Infrastructure Cooperation

China's 2008 policy paper on strengthening relations with LAC distinguishes between different types of relationships such as government to government, business to business, and people to people (China's Policy Paper 2008). This corresponds to the rhetoric of equal rank and equal rights of the respective partners. In practice, however, a complex and dynamic matrix of different Chinese and Latin American actors and interactions has arisen, which has thus far not been the object of sufficient research (see Armony and Strauss 2012: 15). This section attempts to clarify this context with reference to Chinese infrastructure projects in LAC.

While Chinese companies were essentially invisible in physical terms in LAC until around 2009, a large and growing number of public, private, and semi-private actors are now involved in China-LAC relations. On the Chinese side there are large state-owned enterprises that are well connected to the Chinese Communist Party (CCP) and to Chinese banks and other Chinese institutions on a national level. There are also quasi-independent commercial entities, often backed by provincial officials. As the interests of Chinese and LAC actors become intertwined at both state and private levels, it may be difficult to precisely differentiate between Chinese, Latin American, and Caribbean interests. The governments of some countries, including Ecuador and Venezuela, have become increasingly dependent on Chinese capital and thus promote and defend Chinese investors in their countries. In Guyana, the political leadership itself has business interests in Chinese companies or projects. The governments of Colombia, Mexico, and Peru want to attract Chinese capital but are caught between competing domestic interests that will either benefit or lose from such investments (Ellis 2014: 9).

Ellis (2014: 4885) distinguished between three types of Chinese construction projects in LAC, with three corresponding financing arrangements.

These are projects associated with gifts from China to local governments, projects paid for by Chinese investors, and projects paid for by Latin American governments. Infrastructure-for-resources loans should be added as a fourth category. Each of these financing arrangements is associated with specific actor constellations.

1. *Infrastructure gifts:* The earliest form of Chinese infrastructure projects in LAC, in the late 1990s and early 2000s, were gifts such as sport stadiums, roads, and government buildings, undertaken primarily to convince LAC governments that recognized Taiwan (Republic of China) to change their position and acknowledge the One-China Policy[7]. Examples of such gifts included an international convention center for the government of Guyana and venues for the 2007 Cricket World Cup in the Caribbean. These projects were paid for by the government of the People's Republic of China and carried out by Chinese companies and laborers. Under these circumstances, the recipients had little leeway to demand that local contractors or laborers be employed on the project. These infrastructure gifts helped to facilitate other, larger projects paid for by some LAC governments with loans from Chinese banks. In 2008, after the election of Ma Ying-jeou as president of Taiwan, Taiwan ended the "checkbook diplomacy" competition with the People's Republic of China (Ellis 2014: 4852).
2. *Construction projects paid for by Chinese investors:* This new trend, occurring primarily in the Caribbean, involves construction projects funded by Chinese investors in cooperation with local counterparts. The funds come from Chinese banks or other sources of capital available through Chinese partners. These projects represent a new form of partnership between business people and government officials from the two regions. They have been carried out nearly exclusively by Chinese companies and with Chinese workers. They are often hotel and resort complexes, with infrastructure projects the exception rather than the rule. One such exception was a north-south road in Jamaica, built by China Harbour Engineering Company (with a contract for US$600 million in 2012), for which the investor is expected to recoup its investment through a 50-year concession to operate the highway as a toll road (Ellis 2014: 52-56).

7. The One-China Policy means that there is only one state called "China". Countries seeking diplomatic relations with the People's Republic of China have to cut official relations with Taiwan and the other way round.

3. *Projects paid for by Latin American governments:* The most rapidly growing group of Chinese infrastructure projects in the region consists of projects paid for by Latin American governments and financed by loans from Chinese banks. Thus far, loan-financed projects have focused on roads, bridges, port infrastructure, and hydroelectric and thermoelectric facilities. Governments of countries including Argentina, Bolivia, Ecuador, and Venezuela, which lack access to capital because of investor concerns and capital flight, are in urgent need of financing for infrastructure. Even if they have found the capital, they have been challenged by burdensome procedures for obtaining the loans. On the Chinese side major construction firms are well connected with both banking partners in China and with the Chinese government. For all of them "foreign project work is particularly attractive because it is typically paid for by an entity other than the Chinese state, while providing opportunities for Chinese workers and companies to diversify their skills and experiences by working in new contexts with new partners" (Ellis 2014: 58).
4. *Infrastructure-for-resources loans:* These loan arrangements bring together the Chinese government, national oil corporations, and state policy banks, especially the China Development Bank (CDB) and the China EXIM Bank. Both banks support China's policies at home and abroad. They offer loans to fund infrastructure, energy, and mining projects. Despite their close cooperation in using oil-backed loans abroad, the Chinese state, the national oil companies, and the state banks may have different agendas, and their profit concerns may not always go hand-in-hand with national interests. With oil prices controlled by the state in China, the oil companies might possibly have been concerned about lower profit margins in shipping the oil back to China (this may change with lower oil prices on the world market). In addition, different interests may be held by different government entities, such as the Ministries of Commerce, Foreign Affairs, and Finance, and there may also be friction between ministries and banking institutions (Alves 2013: 102).

Two crucial actors in Chinese infrastructure lending to LAC are the CDB and the EXIM Bank. More recently the International Commerce Bank of China (ICBC) has also provided infrastructure loans to LAC countries (Ellis 2014: 122). Despite their similarities as policy banks, they appear to play different roles. The EXIM Bank seeks to help Chinese companies obtain investment opportunities abroad. Its main tools are the provision of export credits to Chinese companies, loans for overseas construction and investment projects, and concessional loans to foreign governments (Gallagher 2013: 2). Only the EXIM Bank has a mandate to provide concessional loans with low interest rates (Alves 2013: 101). As to whether concessional loans constitute Chinese foreign aid, the new white paper has clarified that the "principals of concessional loans are raised by the China EXIM Bank on the financial market" and "the difference between the concessional interest rates and the benchmark interest rates of the People's Bank of China is subsidized by the government's budget" (Information Office 2014). This means that only the differences in interest are covered by the Chinese government and therefore count as foreign aid (Sun 2014). This could be seen as equivalent to ODA, but most of the Chinese EXIM Bank's oil-backed loans are provided on a commercial basis. CDB supports China's macro-policies as outlined in the five-year plans, and focuses on sectors such as electric power, roads and railways, petroleum and petrochemicals, coal, ports, telecommunications, and agriculture. The CDB's credit lines offer exclusively market-based interest rates (Alves 2013: 101). It should therefore come as no surprise that the CDB is much more strongly represented in LAC than the EXIM Bank.

With most expansion occurring in the form of projects financed by loans, Chinese banks have found an effective business model allowing them to expand rapidly in the region, particularly with governments that have isolated themselves from traditional capital markets, such as Argentina, and smaller governments in the Caribbean that lack access to capital for other reasons (Ellis 2014: 8485).

At the same time, the new Chinese presence in the region has triggered sociopolitical dynamics that include worker unrest; negative reactions to Chinese projects on the part of competitors, local communities, environmental activists, and other groups; and crimes and violence against Chinese employees. Nor does the position of the established Chinese diaspora in LAC remain untouched by these developments. It is seen as a part of China, and depending on how the image of China turns out, the Chinese state may be faced with the dilemma of if and how to respond within the context of the official discourse of "noninterference in the internal affairs" of other countries (Ellis 2014: 10).

If one compares China's current infrastructure projects in LAC with Japanese infrastructure investments in China in the 1980s and 1990s, a clear parallel emerges in the interplay of the need for raw materials, the need for capital, and the investment in infrastructure, and a reasonable assumption would be that China has learned from its own experiences in this regard and is now transferring those lessons to its relations with other countries, thus far primarily developing and newly developed countries. There are, however, considerable differences, especially in the respective constellations of actors and development agendas. Japanese infrastructure loans to China were a purely bilateral arrangement, whereas China is dealing with different countries and different political regimes in LAC which only came together a few years ago (2011) in the CELAC. In addition, Japan saw itself as embedded in the OECD-DAC's ODA system, whereas China sees its provision of infrastructure loans as a mutually beneficial South-South interaction. Thus, the following questions arise: Is China defining a mutually beneficial relationship with other developing countries and emerging markets in terms of the economic growth paradigm (thus repeating Japan's loan-providing strategy to China), or in terms of the sustainable development paradigm (resulting from a more recent learning process)? Given that both elements are present —which actors involved in Chinese infrastructure lending to LAC are advocating which development paradigm?

Managing Environmental and Social Risks

The risks that accompany infrastructure projects are perceived and defined differently by different groups of actors. Whereas investors, entrepreneurs, banks, and borrowers focus predominately on the financial and economic risks, and whereas engineers look mainly at the technical risks, the environmental and social risks are articulated primarily by environmental agencies, international and domestic NGOs, and affected local communities. The broad spectrum of possible definitions of "social risk" (and associated consequences) can be seen in works such as the *Interim Measures on the Evaluation of Social Stability Risks in Major Investment Projects* (NDRC 2012), which were published by the National Development and Reform Commission under the Chinese State Council in November 2012, around the time of Xi Jinping's ascension to office, but did not receive much public attention. These guidelines categorize major investment projects largely by the probability of associated mass social protest. Thus, social risks are seen as risks that could threaten the projects, not risks that the projects themselves could pose to local populations. While these two approaches can overlap, their perspectives and aims in evaluating social risks are completely different. The former approach takes a top-down perspective, "seeing like a state" in the sense of Scott (1999); the latter approach is that of a social impact assessment that follows an inclusive path and attempts to minimize the negative effects of projects and to extend their benefits particularly to vulnerable groups. The two approaches require different types of expertise, different training for practitioners, and different policy instruments and networks, and thus ultimately also yield very different results (see Gransow 2015).

In response to the rise in Chinese loans for environmentally and socially sensitive infrastructure projects such as dams, roads, and railways in LAC, three main concerns have been raised (Gallagher et al. 2013: 3-5):

1. *Chinese companies' lax adherence to domestic environmental regulations might be transferred abroad.* This concern is legitimate to the extent that Chinese companies have shown themselves to be inventive in circumventing practical application of China's environmental laws. It remains to be seen to what extent the *Guidelines of the Ministry of Commerce and the Ministry of Environmental Protection of the PRC for Environmental Protection in Foreign Investment and Cooperation* (MOFCOM 2013) can counter this unfortunate state of affairs. These guidelines call on Chinese companies to prevent risks to the environment and to pursue an agenda of sustainable development in the host countries (Article 1). Among other things, this means that companies "should respect the religious beliefs, cultural traditions and national customs of community residents of the host country, safeguard legitimate rights and interests of laborers, [and] offer training, employment and reemployment opportunities to residents in the surrounding areas" (Article 3). In addition, they are expected to "develop a low-carbon and green economy and implement sustainable development strategies, so as to attain a 'win-win' situation of corporate self-interest and environmental protection" (Article 4). Prior to construction, companies should do environmental monitoring and evaluation for the proposed site, monitor the main pollutants (Article 11), establish a management plan for hazardous waste (Article 13) and contingency plans for potential environmental accidents (Article 14), and "establish a way of communication and dialogue mechanisms for enterprises' environmental social responsibilities" (Article 20). In addition to these guidelines designed specifically for foreign investment and cooperation, reference is also made to the entry into force as of January 2015 of China's revised and more rigorous Environmental Protection Law, which now addresses environmental information disclosure and public participation and establishes stricter penalties for irresponsible treatment of the environment.
2. *Projects may be funded that were already rejected by international financial institutions because of their strong potential for adverse environmental and social effects on local communities.* Even if projects have not been

previously rejected by international financial institutions, any large infrastructure project in an environmentally and socially sensitive setting may be cause for concern. Recently, two mega-projects with Chinese financing have made headlines in the international press: the construction of a channel through Nicaragua to connect the Pacific and Caribbean coasts, which has already led to protests, and the planned Atlantic-to-Pacific railway through Brazil and Peru. The latter project was named a strategic area of China-LAC cooperation at the first China-CELAC Forum in Beijing in January 2015, and a trilateral memorandum of understanding has been signed by Peru's Ministry of Transport and Communications, Brazil's Ministry of Transport, and the Chinese National Development and Reform Commission. But critics are concerned that the project would bring large-scale deforestation and disruption to indigenous communities living in voluntary isolation in this area (Ortiz 2014).

3. *Compliance with domestic and international environmental regulations may be eroded.* Environmental activists are concerned that LAC governments might be so interested in large-scale loans from China that they would be willing to compromise their countries' environmental legislation. It is therefore important in precisely these countries that Chinese banks have creditor guidelines that are in keeping with international standards for protecting environment and social standards, and adhere to them—in order to prevent harm to local communities (Gallagher et al. 2013: 4, 5), or even better, to achieve positive effects for them.

As can be seen from these concerns, in addition to LAC countries' national and provincial environmental, social, and cultural policies, of paramount importance are the environmental and social protection guidelines of Chinese banks, including how these guidelines are communicated and adhered to on the ground. As discussed above, the two Chinese banks most heavily involved in LAC loans are the CDB and the EXIM Bank. Both support Chinese government policy objectives through their lending in China and abroad, but they take different approaches toward environmental and social safeguards. Of the broadly accepted environmental and social guidelines reviewed by Gallagher, Koleski, and Irwin (2012), key highlights are presented in Table 3.

Unlike other banks reviewed in Table 3, the CDB's guidelines do not require public consultation with communities affected by the project or grievance and independent monitoring and review mechanisms (the latter two also lacking in the IDB and China EXIM Bank guidelines). These are areas of special importance for addressing public concerns

Table 3 **Common environmental and social banking guidelines**

	World Bank	Inter-American Development Bank	China Development Bank	China EXIM Bank
Ex-ante EIA	X	X	X	X
Project review of EIA	X	X	X	X
Industry-specific social and environmental standards	X			
Compliance with host country environmental laws and regulations	X	X	X*	X*
Compliance with international environmental laws and regulations	X			
Public consultation with communities affected by the project	X	X		X
Grievance mechanism	X			
Independent monitoring and review	X			
Establishment of covenants linked to compliance	X	X		X
Ex-post EIA			X	X

* Companies are also required to meet Chinese or international standards if the host country's environmental standards are inadequate.
Source: Compiled from Gallagher, Koleski, and Irwin 2012: 2425.

and ensuring transparency throughout the project cycle. The environmental and social guidelines of the China EXIM Bank compare somewhat more favorably, because they specify both "public consultation with communities affected by the project" and "establishing covenants linked to compliance." Gallagher et al. (2012: 12) highlighted CDB's requirement of an ex-post EIA as an improvement over international financial institutions' guidelines because it would allow future corrective action. But ex-post evaluation has also been criticized as being no more than "an after-the-fact exercise" (Cernea 2015: 44). One key difference among the banking guidelines is not addressed by Gallagher et al., however—namely, that some of the guidelines refer solely to environmental safeguards, while others also refer explicitly to social safeguards. The CDB guidelines refer only to environmental preservation, whereas the China EXIM Bank has combined guidelines on environmental and social impact assessment. Together with the EXIM Bank's processes for public consultation and for establishing covenants linked to compliance (lacking at the CDB), it is clear that extensive differences in practice can arise from these guidelines (assuming they are adhered to).

The legal framework conditions for environmental and social safeguards in the banking sector were fundamentally strengthened by the Green Credit Guidelines (CBRC 2012) issued by the China Banking Regulatory Commission in February 2012. These require Chinese banks to ensure that their overseas projects follow international norms, support a low-carbon and recycling economy, protect against environmental and social risks (related to energy consumption, pollution, land, health, safety, human resettlement, ecological protection, and climate change), and improve their own environmental and social performance—as well as to establish environmental and social risk management systems (Articles 35). Article 21 of the Green Credit Guidelines states:

Banking institutions shall strengthen the environmental and social risk management for overseas projects to which credit will be granted and make sure project sponsors abide by applicable laws and regulations on environmental protection, land, health, safety etc. of the country or jurisdiction where the project is located. The banking institutions shall promise in public that appropriate international practices or international norms will be followed as far as such overseas projects are concerned, so as to ensure alignment with good international practices. (CBRC 2012)

With their inclusion of an environmental and social risk management system, the Green Credit Guidelines seem quite progressive, but it is no easy task to ensure compliance. Regardless of whether the borrower is a Chinese company or a Latin American government, there will always be the question of how to deal with local regulations and authorities, and of whether there are policy instruments and policy networks or whether these need to be created or strengthened, with sufficient motivating power to turn the Green Credit Guidelines into effective instruments (see Chan 2014). In contrast to the routines followed by international financial institutions, Chinese banks still lack transparency in the application of environmental and social standards to overseas infrastructure projects. Not only is it necessary to inform and consult early on with people potentially affected by projects, but it would also be necessary to inform the Chinese public at home about the ecological and social footprints of their country's "going out" policy.

The chances of these various and promising guidelines being put into practice in the context of China-LAC infrastructure cooperation depends partly on the extent to which environmental and social issues are addressed in the *China-Latin American and Caribbean Countries Cooperation Plan (2015-2019),* adopted at the First Ministerial Meeting of the China-CELAC

Forum, held in Beijing on 8 and 9 January 2015 (China-CELAC Plan 2015), and the extent to which infrastructure cooperation is understood in terms of an economic-growth or sustainable-development paradigm. The cooperation plan identifies infrastructure development as one of the areas for promoting cooperation in transportation, ports, roads, warehouse facilities, business logistics, information and communication technologies, broadband, radio and TV, agriculture, energy and power, and housing and urban development.

To foster infrastructure cooperation between China and LAC, the plan calls for good use of the China-LAC Special Loan for Infrastructure and for inaugurating a China-LAC Infrastructure Forum (Section III, on Trade, Investment and Finance, paragraph 8; Section IV on Infrastructure and Transportation, paragraph 1). On the international level, the cooperation plan seeks to strengthen joint efforts by China and LAC in UN organizations and to intensify joint work in drafting the Post-2015 Development Agenda. In this context it also seeks to "strengthen dialogue and consultation on sustainable development" (Section II on International Affairs, paragraph 3), albeit without specific reference to the key term "South-South" cooperation. This term does occur in the cooperation plan, but its only concrete reference is to cooperation on climate change (Section XII on Environmental Protection, Disaster Risk Management and Reduction, Poverty Eradication and Health, paragraph 1). Overall, the plan mentions a wide range of fields for cooperation, but does not display a clear overall vision of sustainable South-South cooperation, nor does it adequately address cooperation with civil society organizations. With regard to the above-discussed environmental and social safeguards, it would therefore be especially important for the planned China-LAC Infrastructure Forum and/or the LAC-China Infrastructure Funds (Section IV, paragraph 1) to stipulate technical cooperation projects with the aim of capacity building for environmental and social risk assessment and risk management, in order to operationalize and implement environmental and social guidelines more effectively in practice within the framework of China-LAC infrastructure cooperation.

Conclusion: An Emerging but Fragile Agenda for Sustainable Development

In light of the accumulating social and environmental costs (such as environmental damage, failed resettlement programs, and social and environmental protests) of a development paradigm that focuses solely on economic growth and whose core strategy consists of major infrastructure projects, there is an ever more pressing need for sustainable and inclusive infrastructure investment strategies inside China as well as abroad. But the shift from an economic-growth paradigm to a sustainable-development paradigm is still incomplete, with the two approaches existing side by side and sometimes combined in tangled ways. This also applies to changing conceptions of mutually beneficial South-South cooperation, which can be interpreted in terms of both development paradigms.

The actors and actor constellations identified in the context of China-LAC infrastructure cooperation and the corresponding financial arrangements can be assigned only tentatively to one development paradigm or the other. But the Chinese government is clearly promoting the sustainability paradigm with respect to the investment strategies of Chinese banks and companies abroad. The Green Credit Guidelines issued by the China Banking Regulatory Commission in 2012 are a good example of this approach. This confirms the findings by Maurin and Yeophantong (2013: 283) on China's activities in Africa and Southeast Asia that the Chinese government is seeking to promote the sustainability paradigm because it wishes to be perceived as a responsible actor on the global stage and also wishes to strengthen the competitiveness of Chinese banks and companies through their compliance with social and environmental standards. It has also become clear that the relative autonomy of Chinese financial and corporate actors vis-à-vis their government in making investment decisions hinders the government's ability to oversee the safeguard policies of Chinese banks and Corporate Social Responsibility measures of Chinese companies because these activities are based on voluntary commitments.

Enforcement mechanisms that effectively implement the social and environmental guidelines for Chinese infrastructure investments in LAC countries are not yet in place. Strong policy networks that advocate enforcement of such guidelines are needed in order to benefit the local communities affected by the infrastructure projects. Only limited support can be expected from LAC governments in this regard. It has been suggested that "China's rapid economic growth and global influence offer it an opportunity to become the new global leader in environmental and social performance" (Leung and Zhao 2013: 23). For this optimism to be anything more than wishful thinking, more effective measures are needed on both the lending and borrowing sides, including EIAs, social impact assessments, grievance mechanisms, and effective mechanisms for public participation. The new China-CELAC Forum could bring together different state and non-state actors (international and domestic) to push for the implementation of social and environmental guidelines and to design appropriate policy instruments that combine environmental protection with the extension of benefits to the poor and vulnerable people in project areas.

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II. Case Studies

Actors in the Argentina-China Soybean Trade and in Chinese Immigration to Argentina

Eduardo Daniel Oviedo

China became an economic great power in 1998 and eliminated the last vestige of colonialism in 1999 when it reclaimed its sovereignty over Macau (Oviedo 2005: 17). Since then it has expanded its influence not only in Asia but also in other regions such as Latin America and the Caribbean.

This expansion of China's ties has motivated numerous academic studies, mainly from a state-centered perspective. Recent studies on the relations between China and Latin America have focused on new actors—see, for example, Ellis (2014) on the "expanding physical presence by Chinese companies" in the region. However, as Nacht (2015: 36) observed, "In most of the research on Argentine-Chinese linkages, the researchers rarely discuss the actors involved, how they articulate their interests, or how they are supported and legitimized by consensual and coercive aspects." Only a few researchers—for example, Oviedo (2005), Bouzas (2009), and Laufer (2011)—have attempted to look beyond the state-centered focus. This chapter seeks to contribute to that vision of international relations.

When analyzing a specific issue in a particular state, a close relationship between state and non-state actors can be observed, as in the two cases that are examined in this chapter, the Argentina-China soybean trade and Chinese migration to Argentina. There are two basic types of actors: sovereign states and non-state actors. The state plays a political role, claiming the "monopoly of the legitimate use of physical force within a given territory" (Weber 1986: 10). Non-state actors do not play this kind of role; this is the functional difference between the two. Non-state actors include intergovernmental organizations such as the United Nations; international non-governmental organizations such as non-profit associations, international parties, international churches, and terrorist organizations; and transnational corporations. In addition, there are several domestic actors, such as non-governmental organizations and private enterprises that also have an impact on international issues. Chinese state-owned enterprises (SOEs) can be considered non-state actors, although in a strict sense they are part of the organizational structure of the Chinese state. However, ultimately, the state seems to have a significant constraining influence on non-state actors (Zhang 1990: 47).

This chapter looks at the actors involved in these two principal areas of Argentina-China relations and their interactions. By comparing these two very different cases, the soybean trade and migration, it aims to identify the specific roles played by individuals and groups in these two aspects of the Sino-Argentine relationship, the areas in which China exerts the greatest influence on Argentina. In both cases, the numbers and autonomy of non-state actors and their interactions have increased, but the state is still the main unit in bilateral relations and prevails over transnational and national non-state actors, which have only the function of lobbying or interest groups and cannot replace the crucial role played by the state.

This particular role of the state, in China as well as in Argentina, is clearly visible in the soybean trade. On the one hand, the Chinese state, as this chapter will show, has started to exert increasing influence on Argentina through China's SOEs. The Argentine government, on the other hand, also plays a dominant role in its well-established alliance with the big multinational export companies in the soybean trade, although this interaction may appear to take the form of non-state and private linkages. In fact, the soybean trade has been one of the main sources of revenue for the government in Argentina since 2002 and, to some extent, also ensures food security in China.

At the same time, Argentine state control over the Chinese immigration flow has been eroded by non-state actors, both legal and clandestine. As a result, non-state actors (Chinese private companies and SOEs, the Chinese community in Argentina, and criminal organizations engaged in human trafficking) have played a stronger role in bilateral relations in recent years. However, as in the case of the soybean trade, the state is still able to exert a significant restraining influence on these Chinese non-state actors.

This chapter is divided into two parts. The first describes the soybean trade in Argentina, the roles of the two states and their policies, and the roles played by non-state actors, such as transnational corporations and other international and national actors (including producers, collectors, and boards of trade). The second part reviews the current situation of Chinese migrants in Argentina, the role of the two states in the migration process, and the private sector's involvement in migration. The Argentine state monopolizes migration policy, but in contrast to the soybean trade, this monopoly has been eroded by non-governmental actors, such as the individuals and groups that carry out human trafficking.

The Soybean Trade

Soybeans are the main crop in Argentina. According to the United States Department of Agriculture, in the 2012/2013 marketing year, the harvested area was 19.4 million hectares and production reached 49.3 million tons (Table 1). This represented 55.4 percent of the total area harvested and about half of Argentina's total grain production. Argentina is ranked third in soybean production worldwide, after Brazil and the United States, producing 18 percent of the crop worldwide. Argentina is also the leading exporter of soy oil and soy meal, and the third largest exporter of unprocessed soybeans.

Table 1 Argentina's soybean production and exports, 2010-2014 (metric tons)

	2010-2011	2011-2012	2012-2013	2013-2014
Area harvested (hectares)	18,300,000	17,577,000	19,400,000	19,800,000
Soybeans				
Total production	49,000,000	40,100,000	49,300,000	54,000,000
Total exports from Argentina	9,205,000	7,368,000	7,738,000	8,500,000
Exports to China	8,324,653	5,987,142	6,570,262	
Exports to China as % of total production	*16.9*	*14.9*	*13.3*	
Exports to China as % of total exports	*90.4*	*81.2*	*84.9*	
Total Chinese imports	52,399,000	59,231,000	59,865,000	69,000,000
Processed soybeans				
Total production	37,614,000	35,886,000	33,611,000	37,225,000
Soy oil				
Total production	7,181,000	6,839,000	6,364,000	7,030,000
Total exports from Argentina	4,561,000	3,794,000	4,244,000	4,420,000
Exports to China	410,000	750,859	628,000	
Exports to China as % of total production	*5.7*	*10.9*	*9.9*	
Exports to China as % of total exports	*9.0*	*19.7*	*14.8*	
Total Chinese Imports	1,319,000	1,502,000	1,409,000	1,250,000
Soy meal				
Total production	29,312,000	27,945,000	26,089,000	28,825,000
Total exports from Argentina	27,615,000	26,043,000	23,667,000	27,000,000
Exports to China	0	0	0	n. a.
Total Chinese imports	294,000	113,000	16,000	20,000

Sources: USDA; INDEC. Marketing year 2013-2014 numbers are USDA estimates. Numbers for exports to China are from INDEC. For soybean, marketing year is from September 1 to August 31. For soybean oil and meal is from October 1 to September 30; n. a. = not available.

Sales of soybeans and soy products (including soy meal, biodiesel, and crude and refined soy oil) represented almost a quarter of Argentina's exports in 2012 (Table 2) and 2013.

Table 2 **Soybean exports from Argentina, 2012-2013 (US$, millions)**

Items	2012	Percent of total exports	2013	Percent of total exports
Soybeans, whole	3,157	3.9	4,242	5.2
Crude soy oil	4,203	5.2	4,207	5.1
Refined soy oil	96	0.1	150	0.2
Soy meal	10,548	13.0	11,393	13.9
Biodiesel	1,774	2.2	1,165	1.4
All soybean products	19,778	24.4	21,157	25.9

Source: INDEC 2013 and 2014.

Soybeans are also the main commodity in Argentine-Chinese trade relations. In 2013 the export of soybeans and soy oil represented 68.7 percent of Argentina's exports to China (Table 3). Also in 2012, China bought 84.9 percent of all unprocessed soybeans exported by Argentina, which represented only 13.3 percent of Argentina's soybean production. The remaining 86.7 percent was processed in Argentina and then exported world-wide. In 2013, Argentina exported soy oil to India, Iran, and China; soy meal and pellets to Indonesia, the Netherlands, Thailand, Vietnam, and other countries; and biodiesel to Peru, Spain, and the United States.

Table 3 **Argentina's soybean exports to China, 2012-2013**

	2012		2013	
	Amount (US$, millions)	Percentage of total exports	Amount (US$, millions)	Percentage of total exports
Soybeans, whole	2,722	52.7	3,360	58.3
Crude soy oil	851	16.5	599	10.4
Total soybean exports	3,573	69.2	3,959	68.7
Total exports to China	5,160	100.0	5,762	100.0

Source: INDEC 2013.

The Increasing Role of the State

To ensure food security and protect its soybean-processing industry, it is in the interests of the Chinese government to buy large quantities of unprocessed Argentine soybeans. However, after 2008, when Argentine exports to China exceeded US$6 billion, the sale of whole soybeans to China remains similar percentage and soy-oil percentage decreases, because the Argentine industry processed most of the soybean crop locally and other important Argentine products were not allowed access to the Chinese market.

This change was the main cause of Argentina's bilateral trade deficit (over US$24 billion for 2007-2014) (Table 4), which was directly connected with the industrialization policies of Argentina and China: While Argentine policy stimulated the soybean crushing industry by imposing export taxes on primary commodities (35 percent on soybeans and 32 percent on soy oil), the Chinese government only wanted to buy unprocessed soybeans to supply its own soy-processing industry. For that, China has a large capacity to produce soy meal and bought only 14.8 percent of the crude soy oil exported by Argentina in 2012.

Table 4 **Argentina's trade with China, 2007-2014 (US$, millions)**

	2007	2008	2009	2010	2011	2012	2013	2014	2007-2014
Exports	5,166	6,397	3,668	5,799	6,173	5,165	5,762	5,006	43,136
Imports	5,092	7,104	4,823	7,649	10,573	9,952	11,312	10,795	67,300
Total trade	10,258	13,501	8,491	13,448	16,746	15,117	17,074	15,801	110,436
Balance	+ 74	- 707	- 1,155	- 1,850	- 4,400	- 4,787	- 5,550	- 5,789	-24,164

Source: INDEC 2007-2014. Figures exclude Hong Kong, Macao, and Taiwan.

China is one of the main importers of Argentina's soybean products. However, in 2012, sales amounted to only about 13.3 percent of the total soybean production and 9.9 percent of the soy oil output. In the same year, India was the largest importer of Argentine soy oil, followed by China, Iran, Peru, and European countries. China is the world's fourth largest producer and the largest importer of unprocessed soybeans, but is a big player in soy-meal production and its production of soy oil is increasing. Other destinations such as the European Union, India, Indonesia, and Iran are also important markets for Argentina's soybean products. Although China is one of Argentina's main customers, it would be even more important if Argentina exported more soybeans, as Brazil and the United States do, but export taxes on unprocessed soybean have led multinational companies to add value by soybean crushing. According to the United States Department of Agriculture, in 2012 China imported

70 million tons of soybeans and Brazil exported 46.3 million tons, the United States 44.6 million tons, and Argentina only 7.8 million tons. The Argentine government has clearly played an important role in guiding the soybean trade by imposing taxes on exports of oilseeds and grains.

The two governments are now playing more important roles in the soybean trade because both determine trade policy. Up to now, Argentina's policy has been more static and China's more dynamic. In Argentina in 2002, the government of Eduardo Duhalde imposed high taxes on soybean exports; later, the Kirchner administration increased this amount twice. At present, unprocessed soybean exports are taxed at 35 percent, but soy oil, soy meal, and biodiesel are taxed at 32 percent. This policy directly harms soybean producers without affecting the big corporations that function as industrial intermediaries or exporters and have passed the taxes on to the producers. In this way, the large corporations have made an informal alliance with the government at the expense of soybean producers, who are naturally opposed to this policy. The policy has been maintained as the Chinese economy has grown and demand has grown in other emerging markets, which has led to global increases in soybean prices since the beginning of the 21st century.

In China, growing domestic demand and high prices forced the government to increase oilseed production and importation. Since the beginning of the century, Chinese policy has favored the purchase of genetically modified soybeans, and large investments have extended the domestic industrial capacity to crush soybeans. At the same time, although the Chinese position opposes the use of food crops to produce biofuel, China also has the capacity to process huge amounts of ethanol and biodiesel. China's trade policy is aimed at decreasing market pressure and limiting its dependence on soybean prices by increasing Chinese companies' influence and control on both levels.

Transnational Corporations

Since 2014, China's "going out" policy has encouraged the China National Cereals, Oils and Foodstuffs Corporation (COFCO), China's largest food commodity company, to play a more active role in the oilseed and grain trades. The Chinese government wants to reduce dependence on four large commodity traders, known as the ABCD companies (Archer Daniels Midland, Bunge, Cargill, and Louis Dreyfus), which control as much as 90 percent of the world grains trade (Murphy et al. 2012: 5). This shows that China's government is considering increasing imports of soybeans, corn, sorghum, and barley, and in particular importing oilseeds for domestic processing. In 2014, COFCO expanded its influence in the grain and oilseed trade when it bought 51 percent of Nidera, a Dutch company with interests in Argentina. COFCO also controls 51 percent of Noble Agriculture, a company belonging to the Noble Grain Group, in which COFCO wants to hold a major share. This represents the most significant change in transnational actors in the food supply chain in recent years. The big global agribusiness companies could now better be referred to as ABCCD.

COFCO's entry into the grain and oilseed markets will increase Chinese influence on grain supplies and prices. It will allow China to exert more control over costs, particularly in the context of China's increasing demand. COFCO's chairman, Ning Gaoning, has remarked that the corporation's recent acquisitions have expanded its management capacity and access to global grain supplies and that this, combined with COFCO's existing strengths in port operations, processing, and logistics, will significantly improve the supply of grain from around the world to Chinese consumers (Sina 2014).

All of these transnational companies except Archer Daniels Midland have direct interests in Argentina. Thus, bilateral trade is limited to BCCD. But another "A" could be provided by Aceitera General Deheza, Argentina's largest company. Molinos Río de la Plata and Vicentín are two other important companies. Additional important enterprises operating in China are Wilmar, a Singapore company, and Jiusan Group and Chinatex, both Chinese companies (Table 5).

COFCO is an SOE, but soybean processing and exporting companies in Argentina are private. The main difference in the trade interaction,

Table 5 The main soybean processing plants in Argentina and China

Argentina	China
Aceitera General Deheza	Bunge （邦吉公司）
Bunge	Cargill（嘉吉公司）
Buyatti	Chinatex （中国中纺集团公司）
Cargill	COFCO（中国粮油食品集团有限公司）
Louis Dreyfus	Jiusan Group （九三集团）
Molino Río de la Plata	Louis Dreyfus（路易达孚）
Nidera	Noble Grain（来宝集团）
Noble Grain	Sinograin （中国储备粮管理总公司）
Oleaginosa Moreno	Wilmar（益海嘉里集团）
Vicentín	

therefore, is that the Chinese companies depend on Chinese government policies. That is, while private companies, including those investing abroad, base their decisions on the company's interests, SOEs such as COFCO must consider not only the interests of the company but also the national interest and government policy. This implies greater stability in the first case and dependence on government decisions in the second. Conversely, if the state is strong, the company is probably strong; and if the state is weak, the company will have critical problems. In contrast, in the private sector, strong companies can appear within weak states. In fact, Chinese SOEs have more power than private companies because, as in the case of COFCO, they have official support through political and diplomatic channels.

China's 2010 ban on imports of Argentine crude soy oil is a good example of a rapid reaction in China's decision-making about foreign economic relations. Thereby, the Chinese government demonstrates greater autonomy in power relations, caused abrupt disruption or instability in Argentina's exports to China and, therefore, better Chinese control over bilateral trade interdependence (Oviedo 2012: 365). The Ministry of Commerce based its decision to ban crude soy oil imports from Argentina on national phytosanitary regulations, but the transnational companies in Argentina that produce crude soy oil do adhere to Codex Alimentarius requirements. The ban actually had several motivations, including retaliation against anti-dumping measures and nonautomatic import licensing procedures introduced by the government of Cristina Fernández for goods manufactured in China. However, the main motivation is the retaliation against the judicial order issued by an Argentine judge requesting an international warrant for the arrest of former President Jiang Zemin on charges related to the crimes of torture and genocide committed against Falun Gong practitioners in China. Whatever the causes, Beijing also wanted to strengthen the development of China's own soybean processing industry and to avoid foreign competition by importing more beans and fewer value-added products.

The ban and related dispute can also be seen as an example of how tensions emerge in relations with China when the Argentine government seeks the "de-primarization" of its economy by developing the soybean processing industry (Oviedo 2012: 337-376).

The increased influence of Chinese-funded companies in Argentina can be seen in its soybean production capacity. As Table 6 shows, the daily production capacity of Nidera and Noble Grain together amounts to 20,500 tons, which slightly exceeds the capacity of Louis Dreyfus. This is clear evidence that COFCO, which owns a controlling interest in the former two companies, has become a key actor in Argentina. However, although China has a share of grain and oilseed production in Argentina, it does not control it and probably never will, since the sector is highly fragmented and COFCO accounts for only 6.7 percent of Argentina's annual production.

Table 6 — **Vegetable oil companies in Argentina in order of crushing capacity (metric tons)**

Rank	Company	24h	1 year percentage
1	Aceitera General Deheza	31,000	10.2
2	Cargill	26,200	8.6
3	Bunge	24,200	8.0
4	Molinos Río de la Plata	21,500	7.1
5	Vicentín	20,500	6.8
6	Louis Dreyfus	20,000	6.6
7	Nidera	11,000	3.6
8	Noble Grain	9,500	3.1
9	Oleaginosa Moreno	5,750	1.9
10	Buyatti	4,800	1.6
	Others	11,950	3.9
	Total crushing capacity	186,400	61.5

Source: Rosario Board of Trade 2013.

Soybean Pricing

On the international market, the price of soybeans and soybean products is set by the Chicago Board of Trade. Brazil and Argentina are ranked second and third, respectively, as world producers, and the prices set by the BM&F Bovespa (Brazil) and Rosario Board of Trade (Argentina) are also reference prices for domestic and regional markets. The Dalian Commodity Exchange plays a similar role in China. Factors influencing the price of soybeans include variations in supply, demand, and international market prices; trade policies in producer and consumer countries; and the price of substitute or complementary products (for example palm oil to replace soy oil) (Dalian Commodity Exchange 2010: 4).

Several times, due to the volume of crop harvested, weather, and other factors in Argentina and Brazil, Chicago Board of Trade prices have not reflected South America's real prices; they are influenced by the US domestic market. Taking into consideration the fact that, in 2013, soybean production in the United States reached 89 million tons and Argentina and Brazil's total production exceeded 141 million tons, the reference prices should be set by the two South American boards of trade, but up to now Chicago's role has remained decisive. This has generated common interests between Brazil and Argentina in modifying the role played by South America in setting prices in the world soybean trade and developing an alternative to Chicago's hegemony. Since it is on the buying side in this scenario, the Dalian Commodity Exchange also plays an important role because it has to pay attention to South American pricing.

If the two South American boards of trade came to an agreement on strategic collaboration they would probably be in a position to take over or at least share the role currently played by the Chicago Board of Trade. However, the announcement in 2014 of the largest US crop in terms of total production, estimated at 108 million tons, works against this alternative.

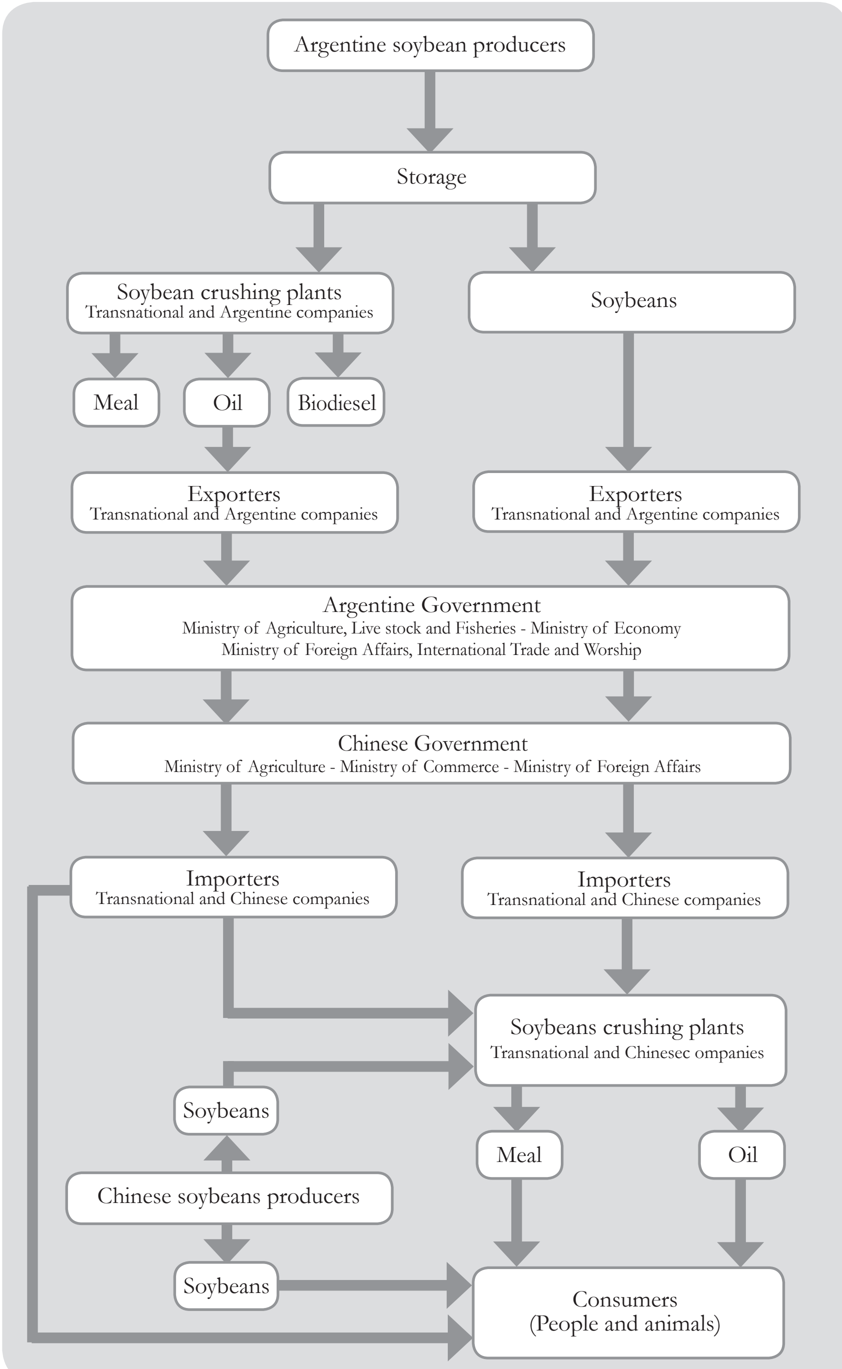
Other Actors in Soybean Production and Export Chains

Agricultural production and export chains start with farmers. Soybean farmers are often highly dependent on trading companies for seed, credit, and other inputs (World Wide Fund for Nature Switzerland Report 2002: iv). They also bear the brunt of the export tax on soybeans and soybean products. It can be seen that these actors are the weakest links in the soybean production chain. Nevertheless, due to the advantageous conditions of the crop areas in Argentina and the high technical standards of agricultural production, this sector has become the most dynamic in the Argentine economy.

After the harvest, the next step is to transport the crop to storage. Thus, farmers and storage plants are two actors in the first level of the production chain. Then, intermediaries connect the first level with the second level: exporters and processing plants. Exporters sell unprocessed soybeans directly to Chinese importers, and processing plants export soybean oil to China.

Several government departments are involved in the production and export of soybeans and soybean products from Argentina to China. The Ministry of Agriculture, Livestock and Fisheries in Argentina and the Ministry of Agriculture in China set the policies for this sector. Their technical agencies are the National Agrifood Health and Quality Service in Argentina and the General Administration of Quality Supervision, Inspection and Quarantine in China. China's Certification and Accreditation Administration authorizes Argentine industrial plants to export to China.

Figure 1 **Argentina's soybean production chain and exports to China**



The two countries' foreign ministries are also involved in this process. In time of crisis (for example, China's 2010 ban on imports of Argentine crude soy oil), high-ranking representatives from these ministries in both countries immediately set up meetings to discuss the problems. The Argentine deputy secretary of international relations, the Ministry of Agriculture, officials at the National Agrifood Health and Quality Service, the Argentine Embassy in China, the Argentine Agricultural Office in Beijing, and private-sector entities worked together to resolve the crisis.

Finally, there are other public and private institutions that bring together several soybean chain interests. In the private sector, the Soybean Chain Association has the main mission of improving the competitiveness of the sector, encouraging participation, and stimulating production, industry, and trade through the development of science and technology (ACSOJA 2015). Other important institutions include the Argentine Oil Industry Chamber, Prosoja Civil Association, Argentine Chamber of Agricultural Health and Fertilizers, Argentine Fats and Oils Association, and Chamber of Exporters of Argentina. In the public sector, the National Agricultural Technology Institute, National Institute of Seeds, and faculties of agronomy at the national universities are the most important.

Chinese Immigration to Argentina

According to Argentina's National Census (INDEC 2010), 11,804 Chinese immigrants were living in Argentina in 2010 (Table 7), of whom about three-quarters came from the People's Republic of China (hereafter China) and about one-quarter from the Republic of China (hereafter Taiwan). Together, they amounted to less than 1 percent of the foreign-born population living in Argentina.

Under the Migration Act of 2004, foreigners can spend time in Argentina as permanent, temporary, or transitory residents. The Act lists 15 types of

Table 7 **Chinese immigration to Argentina, 2010**

	Male	Female	Total	Percentage of Chinese immigrant population	Percentage foreign-born population of total
China	4,897	4,032	8,929	75.6	0.49
Taiwan	1,435	1,440	2,875	24.4	0.12
Total	6,332	5,472	11,804	100.0	0.61

Source: INDEC 2010.

temporary residents including migrant workers, pensioners, investors, scientists, asylum seekers, refugees, people in special situations, and people applying for humanitarian reasons. Major trends in Chinese immigrants' search for residency in Argentina are summarized in Table 8.

Table 8 **Chinese immigrants' residence applications, residence approvals, and expulsions, 2004-2013**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2013	
											Total	%
Applications	8,441	1,168	673	1,614	1,833	3,906	2,365	2,117	1,902	2,218	26,237	1.34
Temporary residence granted	20	9,174	280	419	497	338	420	812	653	475	13,088	1.45
Permanent residence granted	263	242	357	2,944	982	7,103	1,611	1,719	1,084	1,200	17,505	2.26
Expulsions based on Article 29(c)						4	8	3	1	3	229	2.78
Expulsions based on Article 61						23	60	43	62	22		

Source: National Directorate of Migration 2014.
Article 29(c) of the Migration Act of 2004 relates to criminal offenses that involve deprivation of liberty for three years or more. Article 61 relates to unauthorized residence in the country.

According to the Report of the Head of the Cabinet of Ministers to the Honorable Senate of the Nation, the irregular permanence of the Chinese immigrants was increased in percentage from 2011 and, between January and July of 2014, reached almost a half of the infractions committed by all immigrants (Table 9).

However, most of the crimes committed against Chinese people living in Argentina (many related to the "Chinese mafia") remain unsolved, to the point that the Argentine government has asked China's Ministry of Public Security to collaborate on investigating repeated cases of extortion and threats against Chinese supermarket owners. In December 2011, China's government sent the first police delegation to Argentina, which resulted in the disbanding of a Chinese gang (Xinhua 2013). Nonetheless, homicides involving members of the Chinese community continued after the police delegation returned to China (Vicat 2012). To solve these and other crimes (such as drug trafficking, human trafficking, and smuggling), the security ministries of both countries decided in 2014 to renew and extend a cooperation agreement signed in 1997 (Joint Action Plan 2014: Article 2.9.).

Table 9 **Percentage of the main nationalities detected with irregularities (2009 - July 2014)**

Country of origen	2009	2010	2011	2012	2013	2014*
Bolivia	33.8	28.5	27.2	33.9	29.2	17.0
China	**16.1**	**24.3**	**19.7**	**24.3**	**28.4**	**48.8**
Paraguay	16.5	22.6	27.2	17.3	16.7	10.6
Peru	19.0	14.9	19.4	16.0	11.8	17.0
Other countries	14.6	9.7	6.5	8.5	13.9	6.6

Source: Head of the Cabinet 2014. Figures for 2014 are for January to July only.

In contrast to official statistics, several nonofficial reports and newspaper articles have estimated the number of Chinese residents in Argentina at 120,000 (Najenson 2011; Sánchez 2013). This figure includes people from both mainland China and Taiwan. Even the Chinese cultural counselor in Argentina, Han Mengtang, took up this unofficial estimate, remarking that "in Argentina there are more than 120,000 Chinese who are participating in the social and economic development of this country" (Festejos 2015: 17). The total could also be estimated another way, based on the number of Chinese-owned supermarkets in Argentina, which in 2011 was pegged at 4,684 (FAECYS 2011: 17) and at more than 10,000 (Feng and Song 2011; Sainz 2011). This different quantity of supermarkets is difficult to be explained and one hypothesis seems come from the way in which the two associations have registered each business unit, considering that quantities –no matter which of the two– decreased from 2011 to present days by competition from Carrefour. Anyway, given that such businesses are usually family-run with at least three people of Chinese origin, the figures for this sector alone would already well exceed the figures provided by the National Census.

If these higher estimates are correct, one possible explanation is the large number of immigrants who entered Argentina illegally. In order to resolve this problem, in 2004 the Argentine government offered undocumented immigrants from non-Mercosur countries[1] an opportunity to regularize their status. In total, 12,062 immigrants, 75 percent of them from China, applied under Decree No. 1169, (Benencia 2012: 50) usually described as an amnesty (*dàshè*, 大赦) by the Chinese in Argentina.

1. Southern Common Market (Mercosur) is a sub-regional bloc comprising Argentina, Bolivia, Brazil, Paraguay, Uruguay and Venezuela.

Migration figures are important because they can help to identify the existence of an irregular migration flow. Studying illegal immigration is naturally far more difficult than studying the soybean trade. The problem is the lack of reliable data on the irregular status of a significant proportion of the Chinese residents in Argentina. In order to obtain comprehensive data, a complete study of the Chinese migration flow to Argentina has to include all migration channels, both regular and irregular, although it is impossible to determine the number of irregular immigrants. In addition, irregular channels are controlled by non-state actors, who take over the role and actions of the state, and make their living by human trafficking in collusion with public officials. The following sections analyze the roles played by the government and private sector in Chinese migration to Argentina.

The Government's Role

In principle, the governments of both countries control and regulate migration through laws and bureaucratic decisions. In Argentina, migratory policy is determined in accordance with the 1853 Constitution, in particular the preamble and Article 25, which remained in force even after the last constitutional reform in 1994. When the Constitution was first adopted, European immigration, especially from the United Kingdom, was promoted (Alberdi 2010: 77). By the beginning of the 20th century, immigrants to Argentina came mainly from southern Europe, especially from Italy and Spain. Since the restoration of democracy in 1983, the largest numbers of immigrants have come from neighboring countries (Bolivia, Paraguay, and Peru) and from East Asia (Korea, China, and Taiwan).

Since 1853, the Argentine Congress has passed several acts related to migration, the most recent in January 2004. It is a modern law, focused on the protection of the human rights of immigrants and implemented by the National Directorate of Migration. The Ministry of Foreign Affairs (through the Directorate General of Consular Affairs, the consular section of the Argentine embassy in China, and the consulates in Shanghai and Guangzhou) is the other state agency involved in Chinese immigration. The consulate in Guangzhou opened in 2009 and has jurisdiction over southern China, including Fujian province, the place of origin of most Chinese immigrants in Argentina. The consulate general in Hong Kong and the trade and cultural office in Taiwan are also involved in Chinese immigration to Argentina, although they have a different status in the Argentine diplomatic hierarchy. The federal tribunals issue letters of citizenship.

Although constitutional norm does not restrict the numbers of Chinese immigrants, the number of entry permits issued annually by the National Directorate of Migration is limited, although it has been constantly increasing, especially since the new Migration Act was passed. According to unofficial statistics, since 2010, Chinese immigrants make up the fourth largest foreign community in Argentina, after the Bolivian, Paraguayan, and Peruvian communities (Sánchez 2010). Chinese immigrants form one of the main minority groups in Argentina. One explanation for this situation is that some members of other communities who have been living in Argentina for a long time have re-migrated to other countries or have returned to their countries of origin—for example, the Japanese, Korean, and Taiwanese communities. After the 2001 crisis, when widespread looting occurred in supermarkets under Chinese ownership, this trend was also observed in the Chinese community.

While Argentina is an immigrant-receiving country, China is a high-emigration country. The Annual Report on Chinese International Migration (2014: 7) estimated that around 50 million people of Chinese origin live outside China. This figure represents only 3.7 percent of China's population. Compared with other countries, this percentage is low, but the number is not small in absolute terms: It represents 25 percent more than the total population of Argentina. In this respect, emigration is both an advantage and a problem for the Chinese government. The advantage lies in the greater influence that China can wield in other countries; the problem is that issues related to emigration require China's government to negotiate with other countries. Due to the large number of Chinese immigrants, the Argentine government is concerned about the regulation of this migration flow. The Chinese government emphasizes immigrants' forming an important interest group that increases China's influence in Argentina, while protecting Chinese citizens and their interests in that country.

The Chinese authorities started to put the protection of the rights of Chinese citizens on the bilateral agenda after the 2001 crisis. This issue did not seem relevant to the Chinese government before the crisis, but new emphasis on protecting Chinese nationals overseas is related to the rise of China's power and its new global role (Duchâtel et al 2014: 40-56). The Chinese government also put this issue in the bilateral agenda and negotiates this topic in front of the irregular flow of Chinese immigration to Argentina.

During President Xi Jinping's visit to Argentina in 2014, Argentina and China agreed to "promote mutual assistance in order to fight illicit immigrant trafficking and prevent irregular migration as well as to protect the security and rights of the citizens of one Party in the territory of the other." (Joint Action Plan 2014: Article 2.7). This was the first specific reference to immigration in a bilateral agreement between Argentina and China. The first part of this clause was clearly an Argentine proposal; the second part, linked to the protection of the safety and rights of immigrants, reflected the Chinese government's concerns about violence perpetrated against the Chinese community in Argentina.

The most important characteristic of the roles played by the two states in their bilateral relations is that both states emphasize controlling and planning the migration flow. In the early years of modernization, the Chinese community abroad was considered a bridge between other countries and China. The Chinese community in Argentina can be seen as part of that bridge and as supporting the modernization and opening of China.

While Argentina seeks to control the number of Chinese immigrants who are allowed to enter the country annually, there is of course no such limit in the irregular immigration channel. Meanwhile, there is high interdependence between the regular and irregular channels. When entry permits or visas are restricted in the regular channel, the demand in the irregular channel increases immediately, but the two channels continue to work simultaneously. For example, after the Migration Act of 2004 was passed in Argentina, many existing Chinese immigrants were able to regularize their status, but at the same time, a large number of new Chinese immigrants arrived through the irregular channel. Irregular migration increases not only when macroeconomic and political conditions are favorable, as was the case in the 1990s, but also during times of political weakness or transition, which criminal organizations exploit to conceal the arrival of new immigrants.

The irregular entry of Chinese immigrants to Argentina has resulted in the strict enforcement of regulations, which causes delays in the issuing of visas and obstructs commercial and cultural exchanges. This has been fiercely criticized by Argentine entrepreneurs and academics, who are obliged to fulfill numerous requirements in order to be able to issue invitations to Chinese delegations. For example, letters of invitation have to be signed by the highest authority in an institution or company in the presence of a notary public. Chinese individuals who want to enter Argentina legally face similarly rigorous requirements.

The Private Sector's Role

Private-sector participation in migration includes the migrants themselves, the Chinese community in Argentina, and the "snakeheads" *(shétóu)* who make their living by human trafficking.

In the last decade, immigrants from China to Argentina have often been motivated by the prospect of family reunification and improving their economic position. Recently, they have also emigrated to avoid the problems arising from unfavorable environmental conditions and the lack of food security in China. Political motives for migration were important drivers after the Tiananmen Square protests in 1989, when hundreds tried to emigrate from China to Argentina as business people or entrepreneurs.

With the increase in trade and financial interactions, the number of temporary residents and people with other forms of provisional residence has grown in recent years, particularly in the case of those who work for Chinese companies in Argentina (such as Industrial and Commercial Bank of China Ltd., China Petroleum & Chemical Corporation, China National Offshore Oil Corporation). In contracts for projects in Argentina, for example for the Belgrano Cargas railway, the Chinese government usually includes a clause stating that a number of Chinese technicians will live in Argentina for the duration of the contract. This kind of clause has aroused wide criticism in Argentina, especially since the signing of several agreements during the visit of President Fernández de Kirchner to China in February 2015. In recent years, education—studying the Spanish language or other fields of knowledge—has emerged as a new reason for Chinese temporal residences in Argentina.

The term *shétóu* (蛇头) is generally used to refer to people who manage illegal immigration, and their organizations are called *rénshé jítuán* (人蛇集团). For the purpose of academic research, they are invisible, because they work illegally; apart from rumors, no information is available about them. Their clandestine actions affect the role played by the state mainly through the venality of public officials. A recent article written by a Chinese citizen for an online social network asked why the Embassy of the People's Republic of China in Argentina does not employ Argentine lawyers or does not create a legal office to advise Chinese immigrants and thus eliminate the inhumane channel controlled by gangs (Feng 2010)—in other words, suggesting that the government should take action to nationalize the private "service" provided by the traffickers. The reason that this does not happen is clear: Human trafficking produces huge amounts of money, widespread government corruption, and a network of interests supported by criminal organizations worldwide. Criminal involvement in immigration is not limited to gangs: Since the 1980s, the Argentine press has published several reports on the sale of visas to Chinese citizens by Argentine diplomats (Diario Perfil 2009; Dinatale 2015; Wurgaft 2008).

In the last decade, the influence of the Chinese community in Argentina has expanded quickly through the creation of immigrant organizations and the opening of offices by Chinese companies. More than 50 Chinese community organizations have been established in Argentina—including chambers of commerce, churches, media outlets, foundation, province associations, travel agencies, and educational institutions (for example, Confucius Institutes and the Buenos Aires city bilingual school), as well as Chinese corporations recently arrived in Argentina, which provide support for several Argentine journals and scholars. In this way, the Chinese government has been able to form a block of overseas Chinese with a pro-Beijing position, although opposition groups (such as human rights organizations and Falun Gong activists) continue to show strong resistance to the Chinese regime. This was visible, for instance, in the streets of Buenos Aires during the presidential visits of Hu Jintao in 2004 and Xi Jinping in 2014. Despite these sporadic clashes, the "diplomatic truce (外交休兵）in the Taiwan Strait has ensured the peaceful coexistence of the members of the Taiwanese and mainland Chinese communities in Argentina since 2008.

Chinese organizations in Argentina play an important role by facilitating transnational networks. As the *World Migration Report* maintained:

The emergence of organized migrant communities in destination countries constitutes a social and cultural "pull factor." A network of family members abroad can further promote migration as it facilitates the migration process for others, and such movements account for the bulk of the legal migration flows in many industrialized countries. (IOM 2013: 34)

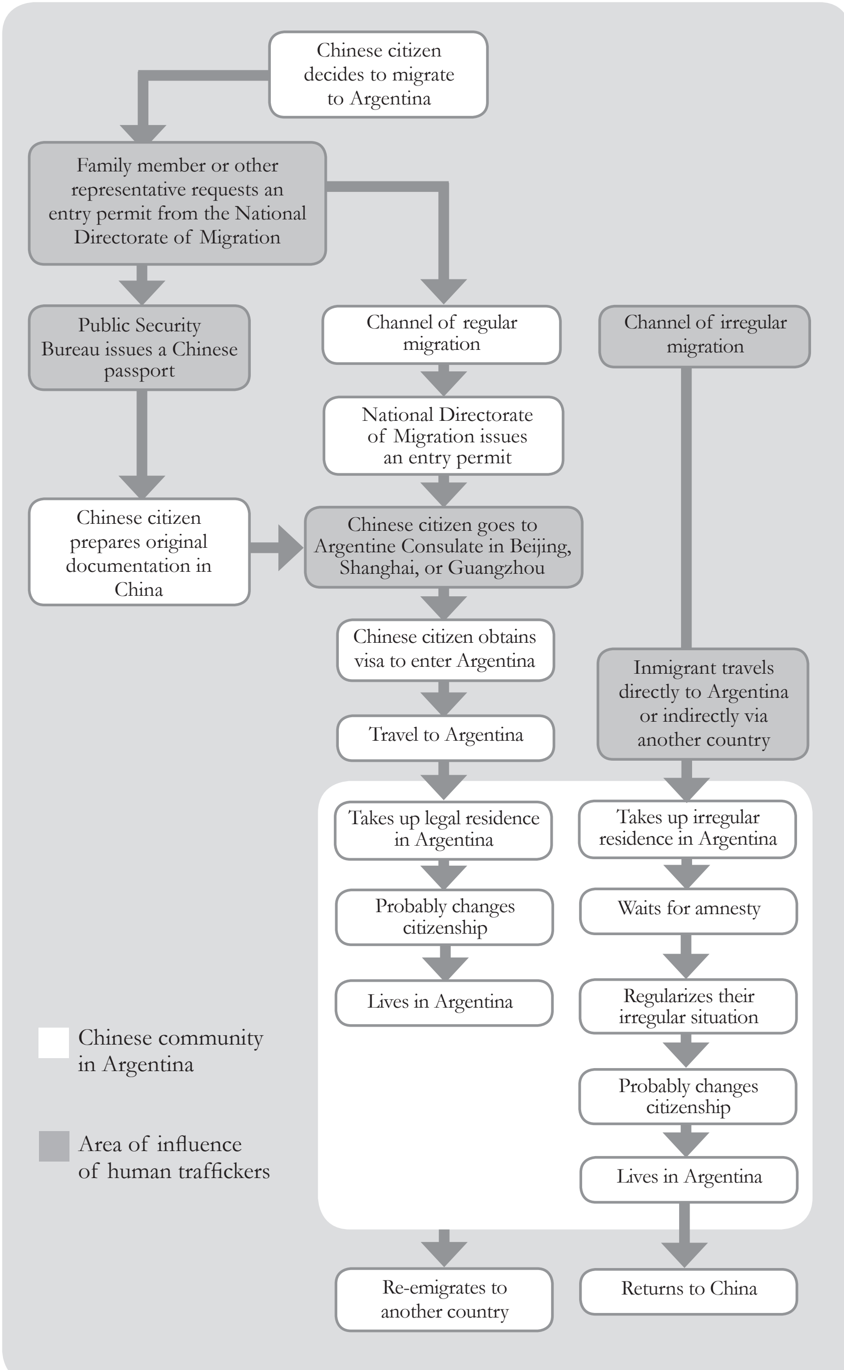
The *rénshé jítuán* (trafficking organization) is also a transnational network that promotes migration from China to Argentina, albeit in this case illegally, especially from Fujian province. For this and other reasons, in 2009 the Argentine government opened a consulate in Guangzhou, close to Fujian province (Oviedo 2010: 484), in order to better observe the situation in the region and the irregular immigration channel.

An unexpected player in the Chinese community in Argentina has been Carrefour, a leading French supermarket company. The 1990s golden age of Chinese supermarkets in Argentina, when 20 or 30 supermarkets opened each month, seems to be over. The French company has changed its focus from large supermarkets to small branches (Carrefour Express and Carrefour Market), strategically located close to small Chinese-owned supermarkets. As a result, most of the Chinese supermarkets have had to close their doors, have been sold to compatriots at a low price or converted into Chinese Takeaway by Weight (称斤外卖店), or have moved to other places where they do not have to compete with Carrefour. In addition, the fall in consumer demand among Argentine citizens due to recent economic crises has also weakened the sales of Chinese-owned supermarkets in Argentina. As a result of these economic difficulties, many Chinese in Argentina are considering re-migrating to other countries or returning to China.

Complaints from customers, employees, suppliers, and neighbors about the lack of hygiene and other irregularities in Chinese-owned supermarkets and restaurants are widely documented. Shops in several cities have been closed by local health authorities. Another suspicion that has emerged about the Chinese in Argentina is that some private investments in Chinese supermarkets were a form of money laundering. (A memorandum of understanding on preventing money laundering and the financing of terrorism was signed by the People's Bank of China and the Central Bank of Argentina in May 2014.) Several supermarkets and restaurants have also been accused of violating local laws and hiring and exploiting undocumented immigrants from China and from other countries including Bolivia and Peru. Chinese entrepreneurs in Argentina are not enthusiastic about employing local workers, arguing that they need to avoid labor lawsuits or claiming that Argentine employees are lazy. Employing someone from Argentina in a Chinese-owned supermarket would, in their eyes, mean having a person with power in the shop who would denounce any irregularities directly to the authorities. Of course, these irregularities are not reflected in the studies of Chinese scholars, which also avoid mentioning attempts to monopolize the supermarket sector and increase control over the food supply chains (Tang 2011).

The private sector of Chinese migration in Argentina plays roles that are usually assigned to the state. In fact, the Chinese community seems to form two subnational powers within Argentina. One involves Chinese criminal organizations engaged in human trafficking, smuggling, and extortion. The other came into existence when Chinese entrepreneurs in Argentina organized their own security force of about 100 people to

Figure 2 **Chinese Migration to Argentina**



protect Chinese-owned supermarkets from potential looting (Sohu News 2014). Such developments show that the Chinese community in Argentina now enjoys much more autonomy than in previous decades.

Conclusion

While the two issues reviewed in this chapter are very different, they both highlight an increase in interactions and in the numbers of individual actors and actor groups, as well as their greater political presence in Argentina. Non-state actors, such as Chinese companies and organizations in Argentina and groups that practice human trafficking, increase China's influence in these two main areas of Argentine-Chinese relations. Of course, they have not replaced the role played by the state, but significant changes are observed in both areas.

In the area of migration, clandestine groups have broken the Argentine state's monopolistic hold on immigration by operating an irregular migration channel; in contrast, the soybean trade is ruled effectively by means of established legal regulations. As a result, statistics on how many tons of unprocessed soybeans are exported to China are available, but no official figures are available on the number of Chinese immigrants living in Argentina. In the soybean trade, a new important actor, COFCO, has recently appeared in the production and export of Argentine soybeans to China, while in the migration flow, traditional actors have remained unchanged, albeit becoming more influential in Argentina, particularly Chinese residents' organizations.

Both the Argentine and Chinese governments guide and control the soybean trade, and their trade policies impose constraints on non-state actors. Among these actors, transnational companies play a principal role in both countries. They exert influence on governments, pricing, and non-state actors such as producers, but cannot control state trade policies. They are highly dependent on government trade policies. Therefore, the governments and transnational companies work in tandem in the soybean trade between Argentina and China.

In recent years, COFCO has strengthened its transnational position in order to obtain a greater share of the soybean market and to safeguard the supply channel to China. This is one of the most important changes in recent years and places COFCO squarely in the ranks of the big transnational agribusiness companies. In addition, the fact that COFCO is an SOE can be seen as a signal that the political factor is most important in the Argentine-Chinese soybean business. This can promote instability in trade relations, because the decisions made by the Chinese companies tend to be dependent on government decisions and are not always in the best interests of the companies themselves. Meanwhile, transnational companies in Argentina have formed an informal alliance with the Argentine government at the expense of the soybean producers. While the government collects revenue in the form of high taxes on exports of soybeans and other commodities, the transnational companies pass the tax burden on to the producers, who are the weakest actors in the soybean production chain in Argentina.

The Chicago Board of Trade plays a leading role in determining the price of soybeans on the world market. The Rosario Board of Trade (Argentina), Bolsa de Valores (Brazil), and Dalian Commodity Exchange (China) are secondary and regional actors. Given the role played by Argentina and Brazil in the production and export of soybeans worldwide, if the two countries established a strategic partnership, they would be able to play a greater role in the setting of prices and would perhaps be able to displace the Chicago Board of Trade from its central position.

The Chinese migration flow to Argentina differs in several aspects from the soybean trade. Data on Chinese immigrants in Argentina are essential for the development of a migration policy, but are not as accurate as those available for the soybean trade. State policies aimed at controlling the migration flow are not fully effective due to the existence of irregular immigration and human trafficking organizations as well as the venality of public officials. Instead of a single migration channel, there are two, regular and irregular, in which both legal and clandestine actors participate.

The state plays a monopoly role in the control of migration. However, this role has been eroded by non-state actors. Non-state actors include migrants, Chinese community in Argentina, and the human traffickers (*shétóu*) in the irregular migration channel. In comparison with earlier phases of Chinese immigration to Argentina, the Chinese community is now more integrated into the country and better organized, and has the ability to exert an influence on the Argentine government by adopting roles that are usually incumbent upon the state, for example, organizing a security force to defend Chinese-owned supermarkets. However, the "golden age" of Chinese-owned supermarkets is over, due to competition from other transnational and local companies, especially Carrefour. This has given rise to societal changes and a new flow of migration, with Chinese residents moving on to other countries or returning to China.

Transnational networks also play an important role. Chinese residents in Argentina form the most important such network, because family reunification is the main motivation for emigrating to Argentina. But because there are two migration channels, illegal migration organizations such as the *rénshé jítuán,* replaced the role of the two states as brokers between Chinese citizens and Chinese community abroad in the irregular immigration channel (and in the regular channel through corruption). Although the proposal to nationalize the private service provided by traffickers seems, in principle, to present a means of eliminating the illegal migration channel, any such plan is bound to be ineffective because human trafficking involves huge amounts of money as well as government corruption and is supported by criminal networks around the world.

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A Clash of Paradigms? Trust and Authority in Sino-Brazilian Agricultural Cooperation

Adrian H. Hearn

"京都排骨! (capital city pork chops!)" exclaimed Mr. Wang as he placed the large glass bowl in the center of the family table. For two months I had enjoyed pork, beef, and chicken almost every evening during my stay with Mr. Wang and his wife and daughter in the South Beijing suburb of Pu Huang Yu. I met the family while living nearby, shortly after Mr. Wang moved into the cramped high-rise apartment from a village in Hebei province. Even without the rent I was paying him, Mr. Wang's job as a clerk in the administration office of his apartment complex sustained a diet that a decade ago would have been unthinkable. This, he said, was the main reason he had willingly participated in the government relocation program that brought him and his family to the city.

Like Mr. Wang, 150 million additional Chinese citizens are being encouraged—and often required—by their government to leave behind rural agriculture for urban consumer culture. The National New-Type Urbanization Plan envisions 60 percent of China's projected population of 1.43 billion living in cities by 2020, up from up from 53.7 percent when the plan was unveiled in March 2014 (Xinhua 2014). The broader goal is to underpin future economic growth with domestic consumption rather than exports, and in the process diminish investment's share of GDP from around 45 to 25 percent. Augmenting the number of urban consumers is central to China's economic plan, and so therefore is the faith of Mr. Wang and millions like him that they will benefit from a suburban lifestyle. To maintain their trust, the government must overcome a problem: The food necessary to sustain China's expanding cities is in short supply.

With only 9 percent of the world's arable land and a diminishing base of agricultural labor, China is exploring new strategies for producing and importing high-protein urban staples like beef, pork, chicken, and oilseeds. Acquisition of foreign agriculture products, particularly soybeans for human and livestock consumption, is therefore important to the viability of the Chinese government's vision of national economic development.

Like their counterparts in the energy and mining industries, Chinese state-owned enterprises (SOEs) in the agriculture sector have "gone out" to invest overseas. The foreign activities of SOEs such as the China National Cereals, Oils and Foodstuffs Corporation; Heilongjian Beidahuang Nongken Group; Xinjiang Production and Construction Corps; and Chongqing Grain Corp aim to augment the food supply while stabilizing prices, which have proven no less volatile for food than for other commodities.

A problem facing Chinese SOEs as they seek access to foreign agriculture is the emergence of legal barriers to their investments, driven in part by popular protest against Chinese "land grabs." Growers' associations in Latin America, Africa, and Australia contend that control of food production and land ownership are matters of national sovereignty and should not be ceded to foreign enterprises, much less those owned by the Chinese government. They also complain that Chinese enterprises insist on purchasing only primary products, for instance raw soybeans rather than processed or crushed soy meal or soy oil. This, they say, has entrenched a classic pattern of dependency on highly mechanized primary exports that fail to add value or generate employment. China therefore stands accused of neocolonialism, relentlessly pursuing a "mercantilist approach" rather than "win-win cooperation" (Camus et al. 2013: vii; see also Malena 2011: 271-272). In the words of Mexican ecosystems researcher Yolanda Trápaga Delfín, "China's foreign agriculture activities are generating the deepest interrelation between nations, not only economically but also physically, that has been seen since the colonial era" (Trápaga Delfín 2013: 156).

Brazil has become an epicenter of these tensions, having seen bilateral trade with China grow to $83.3 billion in 2013, largely due to the export of 33 million metric tons of soybeans (worth $17.2 billion) to China that year. China is Brazil's largest trade partner, and in 2013 Brazil provided 45 percent of China's soybean imports, more than any other country. Not surprisingly, resulting debate in Brazilian policy circles revolves around the need to widen the scope of exports to China into higher value-added sectors (Jenkins 2009; Jenkins and de Freitas Barbosa 2012; Maciel and Nedal 2011). But Chinese investors have been slow to finance value-adding projects, raising doubts about their frequently expressed commitment to mutually beneficial South-South cooperation. Unless Brazilian negotiators can steer inbound investment into higher segments of the agriculture value chain, soybeans will face the same booms, busts, and instabilities experienced by the mining sector over the past decade.

The above debates raise questions about trust between Chinese and Brazilian actors, and between governments and citizens within both countries. How do foreign agriculture investments build the confidence of Chinese citizens that their government is committed to their food security? How can China formulate reliable South-South relationships that offer partner countries more equitable outcomes than previous colonial and postcolonial experiences? How does Brazilian distrust of Chinese SOEs reinforce perceptions of imperiled national sovereignty, and vice-versa? This chapter frames these questions in the context of the literature on trust, noting key differences in Chinese and Brazilian traditions of state-society interdependence. It then explores the above questions and concludes that China's expanding global reach is bringing these diverging traditions into closer contact, generating both tensions and pressure for compromise.

In Government We Trust

Among the prominent works to theorize the intensifying strains of globalization is Samuel Huntington's (1996) *Clash of Civilizations*, which did so with mixed results. To his credit, Huntington recognized that entrenched international conflicts over resources and territory have often been underpinned by opposing grand narratives of identity and progress. Less compelling were Huntington's scenarios of clash, which emphasized direct conflict between hegemons while paying less attention to proxy conflicts in third countries. China's global rise, particularly since the early 2000s, serves as a corrective not least because the contending influences of China, the United States, and Europe are most evident in middle-power nations such as Brazil and Australia. Both saw China become their main trading partner when the 2008-2011 global financial crisis weakened US demand for manufactured goods, directly affecting Brazilian exports and indirectly affecting Australia, which until then had relied mainly on US-oriented Japanese manufacturers to buy its raw materials.

Civilizations, as Huntington rightly showed, are more than economic. The dynamics of capital are encompassed by political philosophies, norms of interaction, and modes of trust, and in these respects China's influence has been slower to expand. As in Australia, Brazilian structures of governance, planning, and exchange have been inherited from Europe and the United States. China's rise will not supplant these structural foundations, much less as the Chinese government attempts to integrate itself into the World Trade Organization, the International Monetary Fund, the G20, and other bastions of global governance. Rather, these institutions are changing from within, hastened by the emergence of Chinese-led alternatives such as the BRICS (Brazil, Russia, India, China, and South Africa) New Development Bank (de Freitas Barbosa and Tepassê 2014). The New Development Bank (with $100 billion in initial capital), together with the Asian Infrastructure Investment Bank (with $50 billion) and Silk Road Fund (with $40 billion) are assertive responses to then US Deputy Secretary of State Robert Zoellick's invitation to China to become a "responsible stakeholder" in "the international system that has enabled its success" (Zoellick 2005). Whether or not policymakers in Washington, DC view China's response as too assertive will hinge largely on its impact in global South nations like Brazil. These are the practical frontiers in the battle of ideas.

Beijing's view of South-South cooperation has important epistemological differences from established Western practice. As David Shambaugh (2008) observed, "for the Chinese, cooperation derives from trust—whereas Americans tend to build trust through cooperation." This is evident in China's 2008 *Policy Paper on Latin America and the Caribbean*, which resembles similar documents on Europe and Africa in its expressed goal of a "harmonious world of durable peace and common prosperity." The paper pledges that "the Chinese Government will … provide economic and technical assistance to relevant Latin American and Caribbean countries without attaching any political conditions" (MFA-PRC 2008).

It does not, though, describe the mechanisms through which Chinese trade, aid, and investment might achieve this, nor how the management and regulation of these activities may support or conflict with European or North American approaches. Instead, it refers to the Five Principles of Peaceful Coexistence—unchanged since their establishment in 1954 to resolve a border dispute with India—to define the parameters of engagement and provide a general, hence adaptable, framework for international cooperation: mutual respect for territorial integrity and sovereignty, mutual nonaggression, noninterference in the internal affairs of other countries, equality and mutual benefit, and peaceful coexistence.

Chinese commentators have recently argued that the Five Principles reflect a Confucian perspective of nationhood and statecraft, particularly through their emphasis on consensual harmonious development, their pursuit of holistic outcomes, and their implicit advocacy of state authority in national and international affairs (Pan 2004; Wen 2004; Yang 2008). Although Confucius may have been coopted to legitimize contemporary policy, in practice the Five Principles demonstrate that filial piety premised on trust in the state remains a core tenet of Chinese politics.

Western political sociology also places a premium on trust, especially when it promotes cooperation between "those whom we don't know and who are different from us" (Uslaner 1999: 124-125; Yamagishi and Yamagishi 1994; Arrow 1974: 26). Nan Lin described trust as a public resource necessary for civic order: "Societies must have consensual rules and collective trust for them to function" (Lin 2001: 148). Similarly, Francis Fukuyama argued, "One of the most important lessons we can learn from an examination of economic life is that a nation's well-being, as well as its ability to compete, is conditioned by a single, pervasive cultural characteristic: the level of trust inherent in the society" (Fukuyama 1995: 7).

Chinese and Western scholars may agree that trust is a catalyst for prosperity and development, but their understanding of the state's impact on the formation of trust often diverge. Fukuyama, for instance, warned that "legal apparatus" is a "substitute for trust" (Fukuyama 1995: 27). Commentator George F. Will offered a similar zero-sum assessment of state intervention and trust: "as the state waxes, other institutions wane" (quoted in Skocpol 1996: 20; also see Schambra 1994). For conservatives, state monitoring and regulation incur cumbersome expenses and transaction costs while undermining the natural inclination of private actors to trust and cooperate with each other.

Not everybody agrees that trust is incompatible with state intervention. Kenneth Newton (2001: 207) and Michael Woolcock (1998), for instance, emphasized the positive-sum nature of independent (horizontal) and state-society (vertical) trust. Similarly, Theda Skocpol found that associational activity, entrepreneurial initiative, and the welfare state can reinforce each other in "close symbiosis" (Skocpol 1996: 20). However, despite their opposing views, liberal and conservative scholars agree that the state must earn public trust through transparent governance (Fedderke et al. 1999; Moravcsik 2014). Consensus on this position is evident in the post-Cold War "transparency revolution" that has shaped the good-governance charters of practically every significant multilateral institution (Abbot and Snidal 2002; Goldsmith and Posner 2002; Leftwich 1993).

The rise of transparency as a normative principle has generated tensions with the Chinese government, whose insistence on the supreme authority of the Communist Party does not lend itself to public demands for openness. In the opinion of Sun Hongbo, a prominent commentator on Latin American affairs at the Chinese Academy of Social Sciences, "Western think tanks always point out that our foreign projects lack transparency. According to their understanding of transparency, we need to explain our policies in their way. In fact, our foreign policies have been deeply rooted in our culture, which includes respecting the leadership of the state. This is not easy for them to understand" (interview, 21 April 2010). To demand transparency of the Chinese government is, it seems, to challenge an ancient tradition of filial piety. Western insistence on transparency is also built on a political tradition, though one that recalls the birth of European democracy. Unlike Confucius, Zeus embodied Greek philosophy not by professing filial piety but by rejecting the overbearing command of his father, Cronus, and then castrating him (as Cronus had done to his own father, Uranus).

Embedded in these contrasting philosophies are diverging notions of trust in authority. The Chinese approach, built upon centuries of imperial rule, enjoins citizens to surrender personal prerogative to the Communist Party on the condition that it guarantees the "three benefits" of socialism—as Deng Xiaoping said, "promotes the growth of the productive forces in a socialist society, increases the overall strength of the socialist state, and raises living standards" (Deng 1994). By contrast, early European political philosophy emphasized distrust of centralized power and the right of citizens to rebel against authoritarian rule. The legacy of this principle is present in 21st century notions of good governance, a concept the United Nations premises on state responsiveness, participation, and transparency (UNESCAP 2011: 3).

China's growing foreign influence has brought these distinct political philosophies into closer contact, engendering practical tensions that are becoming evident in global food production. As Alan and Josephine Smart wrote, agriculture is an "emotionally loaded" sector, infused with commitments to territorial sovereignty and cultural sensitivities "that are much more visceral, deeply held and more easily mobilized to justify restrictions than for other categories of commodities" (Smart and Smart forthcoming). The disjuncture between top-down and bottom-up political philosophies manifests itself in uncertainty about the strategic objectives, management practices, and identities of Chinese investors. Thus, regulators around the world want answers to a deceptively simple question: Who are the actors?

More transparent reporting by Chinese firms would help to alleviate the concerns of food producers. So too, though, would recognition among the latter that working with Chinese investors will require them to understand a new set of guiding principles and organizational structures. Becoming "China literate," as then Australian ambassador to China Geoff Raby (2011) put it, means learning not only about the legacies of imperialism, but also about episodes like the 1958-1961 Great Famine and its aftermath. The famine raised widespread doubts about the Communist Party's ability to manage national food production, but officially it has been defined as the Three Years of Natural Disasters and reinterpreted under the Mass Line Campaign to downplay the number of deaths and legitimize absolute government stewardship over food security (Garnaut 2014; Wemheuer 2014). Basic awareness of Chinese history illuminates the political sensitivity of food production, as well as the reasons behind otherwise perplexing business practices, such as the tendency of Chinese SOEs to strike deals with foreign governments while overlooking the opinions of local non-governmental actors. As community groups and civil rights associations around the world become more engaged with narratives of global governance, transparency, and responsiveness, such misunderstandings are becoming more common.

Before considering recent disputes in the Brazilian agriculture sector, let us first consider the Chinese government's efforts to build trust in its food security credentials at home.

Bringer of Harvests

For 500 years prior to the 1911 overthrow of the Qing dynasty, Beijing's Temple of Heaven hosted a ceremony of paramount importance. Twice each year the Son of Heaven, as the emperor was known, petitioned for the empire's prosperity in the Hall of Prayer for Good Harvests (祈年殿). The public message was clear: Entrust your food security to the supreme authority of the emperor. Divine intercession was backed up with earthly intervention, including sustained investment in flood protection and grain storage (Li 2007). Mencius, a disciple of Confucius, had argued that the emperor's authority to govern derived from his heavenly mandate, and that its loss would entitle citizens to rebel. Productive harvests demonstrated this mandate and were therefore fundamental to the economic and political stability of the empire.

Food security remains central to the authority of China's 21st-century leadership. To maintain economic growth at the rate necessary for current living standards and employment, the Chinese government is reorienting the economy to domestic urban consumption. To achieve this, Chinese Prime Minister Li Keqiang has projected the need to import some $10 trillion worth of commodities by 2018 and invest $500 billion overseas (Global Times 2013; WEF 2013). The prominent role of food in this calculus, and the state's assumption of responsibility for this process, is reflected in the China Development Bank's allocation of 200 billion RMB ($32 billion) to finance agricultural development (including foreign investment) between 2012 and 2017.

Food is not a monolithic category; increasing the supply of one product can diminish demand for another. China's expanding meat imports, for instance, may eventually reduce demand for soy products and fish meal for domestic cattle rearing. The challenge facing Chinese planners is to identify an optimal mix of foreign and domestic inputs, and to gradually build national capacity to augment production of the latter. This tactic is evident in the National Development and Reform Commission's plan for increasing national grain production capacity by 50 billion kilograms between 2009 and 2020. This plan envisions 95 percent coverage of China's grain demand through national production by 2020: "It is imperative to stick to the principle of basically achieving grain self-sufficiency domestically" (GAIN 2010: 2).

China already produces 500 million metric tons of grains per year, but demand is projected to reach 572 million metric tons by 2020 (GAIN 2010: 2). To address the shortfall, the National Development and Reform Commission has stressed the importance of technical upgrading. In a 2013 report it noted that projects "for spreading agricultural technology were carried out in nearly all towns and townships," enabling the conservation of the nation's 121.3 million hectares of arable land, the earmarking of 106.7 million hectares for grain cultivation in 2013, and the production of "18.5 million tons [16.8 metric tons] of policy-supported grain for the year" (NDRC 2013: 2-3). Technical efforts have focused on increasing yield through larger-scale irrigation, water conservation, upgraded pumping and drainage stations, and management of rivers to create new reservoirs and prevent floods (NDRC 2013: 14). An accompanying goal is "to carry out major transgenic species development projects and accelerate research on new transgenic grain species" that are high-yield, resistant to multiple diseases, and tolerant of drought (GAIN 2010: 23).

The National Development and Reform Commission's efforts have advanced Prime Minister Li's directive to build self-sufficiency in corn, rice, and wheat. Soybeans, though, remain an outlier. From ancient times until the Second World War, China (including Manchuria) produced more than 85 percent of the world's soybeans. But technological innovation in the United States and Latin America, and China's entry into the World Trade Organization, have led China to import ever-increasing quantities of this fundamental source of protein. Moreover, the crop's intensive use of land and water has led Chinese farmers to shift increasingly to producing corn, which earns $635 per hectare more than soybeans (Xinhua 2013).

Soybeans are a critical source of cooking oil and nutrition for China's increasingly urban population, both directly and indirectly as pig feed. However, reliance on imported soybeans raises challenges for Chinese planners, not least because of unstable pricing. The price of soybeans exhibited severe spikes in 2008 and 2011-2012, more than doubled from $217 per metric ton in 2006 to $534 in 2013, and dropped to $372 in 2014 (IMF 2014). These severe price fluctuations complicate Chinese importers' task of harmonizing budgets and storage capacity with fluctuations in domestic demand. To sustain public confidence in its vision of greater consumption and more numerous and populous cities (and tolerance of the resulting inequalities), the Chinese government is attempting to bring the supply and pricing of food under control. As it has since ancient times, the Chinese leadership projects itself as the sole guarantor of food security.

Investments in foreign soybean production advance the Chinese government's cause, and it must therefore build trust not only at home but also overseas. As China's main supplier of raw soybeans, Brazil looms large in this challenge. Within Brazil, though, debate is intensifying about the motivations for and potential disadvantages of Chinese investment. For instance, Brazilian ambitions to upgrade the agribusiness sector by attracting foreign capital into infrastructure, food processing, packaging, and other value-adding segments of the food chain have generally not coincided with the focus of Chinese investors on primary production. The apparent disjuncture of Brazilian and Chinese objectives reflects misunderstandings on both sides, and as the next section shows, has generated Brazilian suspicions that the Chinese state may be harboring neocolonial designs.

Seeds of Trust in Brazil

Public debates in Africa, the Americas, Australia, and Eastern Europe reflect concerns that Chinese investors do not act independently, but rather in the service of the Chinese state, and therefore cannot be trusted to respect the rules of market competition. Whether or not such concerns are justified is a matter of dispute among members of the general public, scholars, and politicians. Some argue that the Chinese state, coherent in structure and unified in purpose, is the commanding actor behind front-line Chinese investors. A report by the US-China Economic and Security Review Commission emphasized the resulting threat to US business:

> Investments made by Chinese state-owned or -controlled companies can also pose economic security threats. The Chinese government provides significant financial and logistical support. This puts US firms, which receive no such support, at a competitive disadvantage. When Chinese SOEs invest abroad, they do not necessarily seek profit and may instead pursue government goals such as resource acquisition or technology transfer. … gaps exist in the US government's ability to address the competitive challenges posed by SOEs (USCC 2013: 106).

In Brazil, the chairman of the China-Brazil Business Council, Sergio Amaral, has voiced similar preoccupations: "Sometimes you don't know whether the investments are looking for Brazil as a market or whether they correspond to strategic purposes of the Chinese government" (Pyne 2010).

Others contend that Chinese firms, including SOEs, are independent actors that pursue their own agendas. Researchers have found that some Chinese SOEs in the minerals sector have exercised a high degree of operational discretion—in some cases (such as the Shougang Hierro iron ore mine in Peru) coming into conflict with administrators in China (Gonzalez-Vicente 2012; Guo et al. 2012). Former European Commissioner for Competition Policy, Joaquín Almunia, has tried to lower the heat in the dispute over Chinese SOE independence by focusing on the implications for competition rather than the identities of actors:

> We look carefully at whether, through the State, companies in the same sector act as one or different entities. This is not because they are foreign or we have a prejudice against State control, but because it is a relevant aspect for assessing if competition will be significantly reduced or not. (Almunia 2011)

A 2013 deal struck by the Xinjiang Production and Construction Corps to buy 3 million hectares for grain and pork production in the Ukraine is often cited as evidence of the scale of investment that Chinese SOEs are willing and able to execute to advance their government's food security goals, often with little chance of turning a profit. The

China-Brazil Business Council perceived an emerging regulatory challenge in this increasingly global phenomenon:

> This issue is controversial in Brazil and other countries (Canada and Australia, particularly) and has led governments to take action. In this respect, it seems that a consensus is being formed: countries need strong legislation and institutions which can clearly distinguish and characterize opportunities and threats arising from the sale of land to foreign groups. (CBBC 2011: 26)

Uncertainty about the motivations and identities of the actors behind Chinese proposals to purchase or lease arable land have provoked some countries to impose legal barriers to investment by SOEs. In Argentina, a bid by Chinese firm Heilongjian Beidahuang Nongken Group Co. to acquire 320,000 hectares to grow soybeans in Río Negro province met with intense local protest. Argentina's Grupo de Reflexión Rural (Rural Reflection Group) argued that: "This project, if realized, would permit the formation of an enclave in Patagonian territory on a similar scale to those that China and many European countries are pursuing in the African continent, buying and appropriating immense territories emptied of inhabitants in order to use them as farms for the intensive production of foods and crops" (GRR 2010). Public opposition led the Argentine Congress to prohibit the deal and to set federal limits on foreign land ownership at 1,000 hectares of any single property (not exceeding 15 percent of land in a single province).

In July 2012, Tony Abbott, Australian Prime Minister (2013-2015) and then leader of the opposition Liberal-National Party, stated during a speech in Beijing, "It would rarely be in Australia's national interest to allow a foreign government or its agencies to control an Australian business" (Grigg 2012). His party simultaneously published a pre-election *Policy Paper on Foreign Investment in Australian Agricultural Land and Agribusiness*, which expressed concern that "the creeping cumulative acquisition of agricultural land … may be inconsistent with both the national interest and the interests of local communities." The Liberal-National Party promised that if elected, it would "investigate options to strengthen the rules governing the sale of agricultural land and agribusinesses to foreign entities," including through the introduction of a land registry system (LNP 2012: 3-4).

Similar concerns have emerged in Brazil, which in 2013 produced 79.8 million metric tons of soybeans, 29.9 million metric tons of which went to China. The massive scale of soybean exports has been accompanied by Chinese proposals to purchase, lease, or otherwise assume control of arable land in Brazil. Anxiety about this prospect is often expressed through websites, social media, and remarks like that of former Brazilian Minister of Finance Antônio Delfim Netto that "the Chinese have bought Africa and now they're trying to buy Brazil" (Powell 2011). Reported in mainstream media, Delfim's comment attracted broad support (e.g. Estadão 2010), prompting the federal government to formally revive a national land registry system and introduce a limit of 5,000 hectares (and 25 percent) on foreign land purchases. Brazilian researchers Rodrigo Maciel and Dani Nedal concluded that this legislation goes beyond the protection of national interests:

> Sinophobia has also played a part in recent legislation limiting land purchases by foreign companies and individuals. Chinese FDI is said to be qualitatively different from that of traditional sources because of the controlled and opaque nature of the Chinese economy, China's selectivity in allowing inbound FDI, and the close association between investing companies and the Chinese state. (Maciel and Nedal 2011: 250)

Chinese interest in acquiring arable land became a topic of national debate prior to Brazil's 2010 election. The China-Brazil Business Council's Sergio Amaral argued that restrictions on Chinese finance were justified because they resemble China's own limits on inbound investment: "The Chinese are selective with the capital they let in. They don't accept every kind of investment. After the election, we should consider if the same shouldn't happen here" (Wentzel 2010). Benjamin Steinbruch, vice president of the São Paulo State Federation of Industries, alleged that the Chinese government was attempting to control Brazilian assets and that this constituted a challenge to national security (Rehder and Friedlander 2010).

These perspectives contrast with the enthusiasm of Brazilian politicians and industry leaders for Chinese financing in 2004, during then Chinese President Hu Jintao's monumental Latin American tour, when international media reported his promise to invest $100 billion in the region by 2010 (Ratliff 2008). Although Chinese newspapers reported that the figure referred to trade and not investment (e.g. China Daily 2004), President Luiz Inácio Lula da Silva publicized the share of finance he had secured for Brazil, declaring, "The awaited $7 billion of Chinese investments in Brazil will help the country to regain its competiveness in strategic sectors such as infrastructure, energy, steel, and telecommunications" (Maciel and Nedal 2011: 249). Lula's vision rekindled the notion of Sino-Brazilian strategic association professed by both sides since China emerged from the Tiananmen crisis (Altemani de Oliveira

2013: 223). Between 2005 and 2013 Brazil received $31.4 billion of Chinese investment, making it the fourth largest destination for Chinese finance after Australia, Canada, and the United States, but a decade after Hu's visit, this investment remains overwhelmingly focused on energy and metals (Heritage Foundation 2015).

The significance of Lula's declaration was not its misreading of Chinese intentions, but the reflection it provoked about the differences between value-adding and resource-seeking finance. This is a critical distinction for Brazil as the mining boom slows and opportunities emerge for higher-value-added exports, including in food production. The growing importance of agriculture to the Brazilian economy does not in itself ensure this transition away from dependence on Chinese demand for raw materials, as it is characterized mainly by unprocessed soybean exports.

Notions of dependency have deep historical roots in Brazil, whose colonization by Portugal and later relations with the United States entrenched a disadvantageous pattern of cheap commodity exports in return for expensive manufactured imports. The need to escape from this value-eroding predicament was the thrust of Raúl Prebisch's (1950) dependency theory, which led Brazil and most of its neighbors to pursue import-substitution industrialization—with mixed results—during the 1970s.

Elements of dependency theory continue to influence Brazilian public debate. Selene Martínez Pacheco writes that, "One of the common claims amongst the group that opposes Chinese influence in Brazil is that China is treating Brazil as a colony, taking Brazil's development backwards" (Martínez Pacheco 2014: 118). The São Paulo State Federation of Industries is one of several prominent institutions that perceive a deepening risk of overreliance on commodities, which, between iron ore, oil, and soy, constitute 80 percent of Brazil's exports to China (Fellet 2011; Landim 2012a, 2012b; Schneider 2012). The economy is overexposed, critics say, not only to the volatility of commodity prices but also to de-industrialization, since high exchange rates fuelled by resource exports between 2010 and 2014 undermined the competitiveness of national manufacturers. The impact of this process, known to economists as "Dutch disease," was allegedly intensified by Chinese currency manipulation, which artificially suppressed the price of Chinese manufactured exports and put Brazilian manufacturers out of business as cheap alternatives inundated the market.

Conscious of these critiques, Chinese officials have recognized the need to build trust in Brazil. China, they say, is empathetic toward Latin America's colonial past and acutely sensitive to the importance of industrial upgrading. Jiang Shixue, for instance, has argued that China's relations with the region should be understood not as neocolonialism but as South-South cooperation because, unlike colonial predecessors, China has inflated rather than depressed commodity prices and reduced rather than increased the price of manufactured products and capital goods. Furthermore, he wrote, "while colonial powers sought to monopolize markets by discouraging the development of industries in their colonies, China invests actively in technology transfer programs, which have assisted the development of local industries across the continent" (Jiang 2011: 62-63).

The Chinese government is pursuing two strategies to convince Brazilians that its vision of South-South cooperation can be trusted. One is to demonstrate willingness to invest in locally beneficial initiatives. An example of this is a soybean processing complex near the town of Barreiras, Bahia, which Chongqing Grain Corp agreed to build in 2010. The proposed $300 million project was to be the first of six facilities (totaling $2 billion) that would crush soybeans to produce soy meal and soy oil, adding value in Brazil rather than in China. The plant would employ local workers, source soybeans from the immediate region around Barreiras, and reserve a proportion of the soy oil and meal it produced for the local market. By promising local benefits and added value, the project distinguished itself from previous colonial and postcolonial initiatives, and attempted to alleviate concerns about the negative implications of Chinese investment.

The mayor of Barreiras endorsed Chongqing's bid for 100,000 hectares of farmland and approved 100 hectares for the installation of the plant (CBBC 2011: 26; Powell 2011). But Brazil's powerful landless rural workers' movement criticized the scale of the acquisition, joining a coalition of civil and environmental advocates to describe it as a land grab. Chongqing's status as a Chinese government enterprise deepened suspicions of its motives, reviving concerns that it may not act according to market principles. As the newspaper *Estadão de São Paulo* put it at the time, Chinese SOEs "may act according to commercial interests, like other investors, but may follow the logic of a state—and not the Brazilian state" (Estadão 2010).

Brazilian anxiety, accompanied by federal limits on foreign land ownership, have bemused Chinese officials such as Zhang Dongxiang, chief executive officer of the Bank of China's Brazil branch: "Public opinion sometimes seems to be against foreign investment … as if it makes local industry less competitive … these are some antiquated ideas" (Winter and Stauffer 2013). The Barreiras project was effectively shelved, having received approximately 15 percent of the projected $2 billion by early 2015, most of this to pay for assessment and mapping activities.

Hostile reactions to agricultural investments by Chinese SOEs have generated a range of measures by the Chinese government to overcome suspicion, including investment in value-adding infrastructure and acquisition of existing foreign enterprises.

In July 2014 Chinese President Xi Jinping attempted to earn the trust of Brazilians by proposing to invest in locally beneficial infrastructure. A prominent feature of his $8.6 billion package is a railroad to transport soybeans and iron ore across Brazil and around northern Bolivia to Peru's Pacific coast. Charles Tang, chairman of the Brazil-China Chamber Commerce, described the project as mutually beneficial: "China has a strong interest in Brazilian commodities, so they want to invest in railroads in Brazil to reduce transport costs. This is a win-win situation, because the Brazilian government wants to attract investments in infrastructure" (Trevisani and Jelmayer 2014).

Despite the benefits that the Chinese railroad and soy processing plant might bring to Brazil, these projects cannot avoid being associated with the interests of a foreign government. Chinese strategists have recognized that this association will inevitably tarnish the image of their SOEs, whatever local benefits they pledge. This predicament has provoked an alternative Chinese strategy: Rather than building trust from scratch, buy existing stocks of it. Chinese enterprises are experimenting with this strategy in Latin America by scaling back their attempts to acquire land and focusing instead on mergers and acquisitions that yield controlling stakes in established agribusiness networks. As early as 2008, researchers such as Bai Yimin of the Chinese Academy of Social Sciences noted the exemplary performance of Japan's Mitsui Foods, which gained access to Brazilian soy production in 2007 by acquiring 25 percent of a Swedish company with a Brazilian subsidiary (Li 2008). Mitsui subsequently extended its coverage from production to logistics by purchasing shares in Brazilian farming companies that were already familiar to local residents.

China's largest agriculture SOE, the China National Cereals, Oils and Foodstuffs Corporation (COFCO), implemented this strategy in 2014 with a $1.2 billion deal to acquire 51 percent of Dutch conglomerate

Nidera, which has major agriculture holdings in Argentina, Brazil, and Eastern Europe. Four months later, COFCO committed $1.5 billion for 51 percent of the agribusiness unit of Noble Group, a Singapore-listed commodities trader that operates grain warehouses and loading stations in Argentina, Brazil, Paraguay, and Uruguay, and five processing plants in Asia. Buying into locally trusted enterprises reduces COFCO's visible presence and helps Chinese buyers circumvent the Big Four multinational grain brokers (Archer Daniels Midland, Bunge, Cargill, and Louis Dreyfus). By leaving Noble and Nidera's executive boards, administrative structures, and employment practices largely unchanged, COFCO has further diminished perceptions of Chinese economic aggression.

Such large-scale commitments demonstrate recognition by policymakers in Beijing and Chinese SOEs operating overseas that successful foreign engagement requires them both to build trust on the ground. In Brazil this task is complicated by the reluctance of citizens to trust their own government to guide economic development, let alone a foreign one. By contrast, the Chinese public expects its government to lead the way to national prosperity, international cooperation, and food security. These diverging appraisals of state leadership have inevitably clashed as the world's food exporters, in need of foreign investment to boost their productivity, entertain offers from Chinese investors. How, then, to progress from clash to compromise?

Conclusion: The Trust-Transparency Nexus

From Asia to the Americas, and from Africa to Eastern Europe, Chinese SOEs are purchasing basic foods and investing in agriculture like never before. Increasing the food supply is fundamental to the Chinese government's vision of consumer-led national development. This vision aims to establish a new basis for both Chinese economic growth and (as Gordon Brown, then British Prime Minister, argued at the 2009 G20 summit in London) international recovery from the global financial crisis. China's urbanization program is creating unprecedented opportunities for agriculture producers around the world, but their cooperation with Chinese customers and investors has been impeded by mutual ignorance of priorities and values.

The SOEs driving China's foreign engagement have been accused of everything from land grabs to poor ethical standards and disregard of community interests (Corrales et al. 2009; Eisenman 2006; Hanson 2008; Lam 2004; Santoli et al. 2004). Their projects are seen to lack checks and balances because "there are no incentives for Chinese leaders to take a stand on social and environmental responsibility" (Cynthia Sanborne, quoted in Kotschwar et al. 2011). The Chinese state's preference for negotiating directly with foreign governments has also attracted accusations that it is enabling undemocratic regimes to avoid public disclosure of harmful environmental impacts and labor conditions (Caspary 2008; Ellis 2009; King 2009). China, it has been argued, is spreading the message that "discipline, not democracy, is the key to development and prosperity" (CLATF 2006: 21). In sum, China's difficulties establishing trust overseas result in large measure from inadequate transparency.

The disputes described above suggest the need for strategies that integrate Chinese business practices into multilateral regimes of disclosure and governance, and that simultaneously adapt these regimes to the changing geopolitical landscape. A report released by the US Congressional Research Service acknowledged the resulting need for compromise, urging policymakers to "work harder to ensure that US democratization and human rights values are not seen by other countries as encumbrances and prohibitions placed in the way of, but instead as things that ultimately will improve, their economic progress" (CRS 2008: 15). Brazilian President Dilma Rousseff has also urged a softer public tone in relation to China, warning that "absurd xenophobia" will delay existing projects and impede new ones (Braga and Domingos 2013). Across the Pacific, Australian Prime Minister Tony Abbott adjusted his own earlier tone when he told a business convention in 2014, "We now appreciate that most Chinese state-owned enterprises have a highly commercial culture. ... They're not the nationalized industries that we used to have in Australia" (Kenny and Wen 2014).

The Chinese government is also becoming aware that it must adapt. In Brazil its SOEs have proposed value-adding investments in agricultural infrastructure that respond to local desires for skilled employment, new technologies, and economic diversification. These needs are becoming more pressing at a time when China's demand for primary products, together with an unrelenting influx of Chinese manufactured goods, have "kicked away the ladder" under the pursuit of upgraded industries and value-added exports (Gallagher and Porzecanski 2010). Investment in value-added agricultural production is critical to the formation of trustworthy South-South relations that depart from prior colonial and postcolonial experiences. Chinese SOEs have also tried to offset their trust deficit by buying into existing multinational enterprises such as Noble Group and Nidera, which already own strategic infrastructure and territorial assets.

Recent Chinese projects may reduce tensions on the ground through adaptation and compromise, but they have yet to demonstrate greater transparency. Foreign criticism has instead elicited negative counter-reactions, such as the suggestion offered by Li Ruogu, president of the Export-Import Bank of China, that "Western countries should set an example in making public the resources they have grabbed in Africa in the past 400 years. Only after that can we come to the issue of China's transparency" (Ruan and Wu 2010).

Allegations aside, Li's appeal for historical reflection is warranted. Indeed, the deepest compromise facing China, Brazil, and the world may be to adapt longstanding traditions of state-society interaction to the 21st century. The political heritage of Chinese SOEs does not dispose them to public scrutiny of their internal structures, deliberations, and priorities, but greater transparency is the surest way to diminish foreign concerns about their investments. The "Asian century" will also require the world's agriculture exporters to reformulate established modes of interaction with the state. Since Chinese investors generally seek to engage foreign politicians as a prelude to cooperation with private actors, host country farmers will need to cultivate more trusting relationships with their provincial and federal governments in order to openly discuss local interests and concerns.

Diverging traditions of state-society trust, built over centuries, cannot quickly be reconciled. At their core are different views of political hierarchy, in one case espousing the indisputable leadership of the state and in the other the right of citizens to rebel. As Chinese investors "go out" overseas, this disjuncture manifests in disputes over government accountability, theoretical debates about state intervention and trust, and fear that agricultural assets may come under the control of a neo-colonial foreign government.

Fortunately, traditions do not determine behavior. As Marshall Sahlins (1981), Clifford Geertz (1973), and others have shown, they exist only insofar as actors appropriate them to advance their worldviews and interests. Opposing traditions of filial piety and civic defiance may animate 21st century demands for state supremacy and transparency, but both are susceptible to adaptation. If filial piety and defiance fail to serve their core purpose of building trust between state and society, they will be reappropriated to support other agendas. Among these is the need for new forms of trust to accommodate China's rise, a process masterfully linked to historical tradition in Xi Jinping's articulation of the Chinese Dream (中国梦). Similarly, narratives of "deliberative" and "humble" democracy are gaining prominence both in China and among Western policy analysts to bridge past traditions of global hierarchy with more equitable visions of future integration. Acting behind the scenes in this unfolding drama are Confucius and Zeus. They are not natural allies, but they may yet share the stage.

Acknowledgments

The author would like to thank the Australian Research Council (ARC), the Worldwide Universities Network (WUN), and the Free University of Berlin for supporting this research.

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The Sino-Venezuelan Oil Cooperation Model: Actors and Relationships

Hongbo Sun

With its increasing dependence on foreign oil imports, China has adopted a strategy to diversify the sources of its oil imports as well as the countries with which it cooperates on energy. Latin America, with its abundant hydrocarbon resources, has naturally been an important focus of China's diversification strategy, both to strengthen energy security and to carry out the country's "going global" investment strategy.

No official Chinese documents are available on the details of China's energy policy toward Latin America, but reportedly, political leaders from China and Latin American oil-exporting countries always place energy cooperation on the top of the agenda in their bilateral economic relationships.

The dynamics of Chinese energy cooperation with Latin America can be explained by China's capacity for energy cooperation—including its energy security needs (due to current high consumption and potential future demand), its foreign direct investment capacity (with US$4 trillion in foreign reserves), and the "going global" strategy to expand foreign direct investment followed by Chinese national oil companies and financial institutions. In particular, the collaboration between Chinese financial institutions and national companies has increased China's commercial energy activities in Latin America.

Especially since the serious impact of the international financial crisis that began in 2008, the leaders of Latin American oil-exporting countries have realized China's strategic importance as a market and a source of investment. Therefore, they have strong political interest in and willingness to strengthen energy ties with China. At the same time, they seek to diversify their cooperation partners, in order to reduce dependence on the traditional international energy companies. They expect China to be a sustainable oil buyer and investor and hope for long-term development of the oil sector.

Since 2011, Venezuela has been one of China's top 10 sources of oil imports. However, Latin America as a whole has been a marginal supplier, providing only 10 percent of China's total oil imports in 2013. This chapter takes Venezuela as a case example of bilateral oil cooperation with China. It reviews the different actors, the interests they pursue, and how they influence relations between China and Venezuela, from three perspectives:

1. A focus on political actors reveals that the Chinese central government's diplomatic, commercial, and energy agencies aim to maximize energy security by optimizing China's sourcing of oil imports from Venezuela and other Latin American countries. Venezuela's government, on the other hand, is highly dependent on oil revenues and is collaborating with China to gain financial support for its domestic policy agenda.
2. A focus on commercial actors reveals that the Chinese national oil companies and financial institutions aim to maximize their profits through commercial activity. China's energy goals in Venezuela include acquiring oil and profiting from investments, and it works to realize these goals through the national oil companies.
3. A focus on interactions reveals that the rational actors in the Sino-Venezuelan model—including the governments, oil companies, and financial institutions—relate in complex ways guided by self-interest. In these relationships, the interests of the governments and the companies do not always converge. The extent of the difference in interests depends largely on the type of energy cooperation.

The biggest challenge in explaining these relationships is to show the political and financial linkages between governments and national oil companies. The complexity lies mostly in the clarity of the relationship between the government and the companies or financial institutions, on both the Chinese and Venezuelan side.

Political Actors

In July 2014, China and Venezuela celebrated the 40th anniversary of the establishment of diplomatic ties. Nobody had foreseen the rapid development of the bilateral relationship in the past decade, which has had significant political implications for the Western Hemisphere. Since China and Venezuela established diplomatic relations on 28 June 1974, the bilateral ties have gone through two broad stages. The first stage, from 1974 to 1999, was characterized by sporadic high-level visits and limited trade volume. During this period, China's influence in Venezuela was not great.

The second, leap-forward stage of the relationship began when President Hugo Chávez came to power in 1999. When he paid his first state visit to China the same year, the two governments signed a number of agreements, including a memorandum of understanding on the establishment of a joint committee to work on energy issues. In April 2001, Chinese President Jiang Zemin made a state visit to Venezuela, and the two countries announced the establishment of a strategic partnership for development.

During the last decade, both governments attached great importance to the bilateral relationship in the political, economic, and military fields. Venezuela has firmly supported China's position on issues concerning Taiwan and Tibet, support that has been greatly appreciated (Xinhua 2009b). The two countries have exchanged frequent high-level visits (Table 1), in which government, party, congressional, and ministry representatives from multiple levels participate, and have steadily expanded trade and economic cooperation. China spoke highly of Venezuela's role in supporting cooperation between China and Latin American countries and its positive stance on the formation of the Forum of China and the Community of Latin American and Caribbean States.

Of particular significance were the six state visits made by President Chávez to Beijing. Chinese President Hu Jintao was expected to pay a state visit to Venezuela in April 2010, but after the severe earthquake in Yu Shu in Gansu Province, he postponed visits to Venezuela and Chile and returned to Beijing ahead of schedule (Xinhua 2010). After President Chávez died in March 2013, Nicolás Maduro took office; he has continued Chávez's China policy and made frequent high-level visits. When President Xi Jinping visited Venezuela in July 2014, the two countries issued a joint declaration upgrading bilateral ties to a comprehensive strategic partnership. The declaration also emphasized the importance of observing the basic principles of international law, including respect for sovereignty and territorial integrity and noninterference in other countries' domestic affairs.

During all these high-level visits, energy cooperation has been a key topic on the agenda, reflecting that political intent and willingness were preconditions for the formation of the Sino-Venezuelan oil cooperation model.

Among Latin American countries, Venezuela is unique. Its relationship with China has progressed with unprecedented speed since the beginning

Table 1 High-level visits between China and Venezuela

	Venezuela to China	China to Venezuela
1974	President of the National Assembly	
1981	President Luis Herrera Campings	
1985		Premier Zhao Ziyang
1996	President of the National Assembly	Premier Li Peng
1998		Vice Premier Wu Bangguo
1999	President Hugo Chávez	
2000		President of CPPCC* Li Ruihuan
2001	President Hugo Chávez	President Jiang Zemin
2004	President Hugo Chávez	
2005		Vice President Zeng Qinghong
2006	President Hugo Chávez	
2007		Li Changchun, member, Standing Committee of the CPC
2008	President Hugo Chávez	Vice Premier Hui Liangyu
2009	President Hugo Chávez	Vice President Xi Jinping
2013	President Nicolás Maduro	
2014	President Nicolás Maduro	President Xi Jinping
2015	President Nicolás Maduro	

Source: Ministry of Foreign Affairs of the People's Republic of China (n.d.).
*National Committee of the Chinese People's Political Consultative Conference.

of the 21th century. Venezuelan oil has been attractive to Chinese policy-makers under pressure to safeguard national energy security. Without a doubt, oil has been a driving force in the strengthening of ties between China and Venezuela.

Sino-Venezuelan collaboration might be summarized as a fairly mature model operating at several levels, with the oil sector as the principle cooperation axis, which is extended to infrastructure, technology, agriculture, and other fields under the inter-governmental cooperation framework, financed with loans from Chinese financial institutions, which are repaid by Venezuelan crude oil exports to China.

The collaboration has three integrated parts: the China-Venezuela High-Level Mixed Joint Committee, the oil sector, and the China-Venezuela Joint Fund. The Committee, established in May 2001, provides an institutional framework for inter-governmental cooperation, functioning as its political decision-making center. It has participated in and witnessed the entire development of China-Venezuela relations. For more than 10 years, relevant departments of the two countries have designed, planned, and coordinated Chinese-Venezuelan cooperation through this mechanism.

The oil sector is the linchpin of this cooperation mechanism, but it is also open to participation by companies in other sectors.

The China-Venezuela Joint Fund has operated as the financing pool, with a large amount of credit provided by Chinese financial institutions. Chinese companies can be repaid through Venezuelan agencies using the Joint Fund's financial resources. Combined with Venezuelan interest, this kind of bilateral cooperation architecture is an extraordinary experiment, supported by China's financial capacity. When President Xi Jinping visited Caracas in 2014, he stressed that bilateral economic cooperation should be driven forward by multiple wheels, with finance and investment as the engine and energy cooperation as the axis (Ministry of Foreign Affairs n.d.).

Commercial Actors

Sino-Venezuelan cooperation was seen as a landmark achievement in China's foreign energy cooperation; it was characterized by the media as loans for oil. This cooperation mechanism originated from the special circumstances shared by China and Venezuela as emerging economies. Given China's growing economic strength and high dependence on external energy sources, and the reliance of Venezuela's economy on the oil sector, bilateral cooperation has been a natural development within current world economic dynamics.

The Chinese-Venezuelan cooperation mechanism includes three functional elements: the institutionalized governmental negotiation framework, the financial liquidity provided by Chinese financial institutions, and the Chinese loans repaid by Venezuelan crude oil exports. Based on Venezuelan oil exports and Chinese financial support, the two countries have enlarged the scope of their bilateral cooperation.

According to the Joint Fund agreement, there are four principle commercial actors involved: China's Development Bank as the lender, Venezuela's Economic and Social Development Bank as the borrower, the China National Oil Company as the purchaser, and Venezuela's national oil company, Petróleos de Venezuela S.A., as seller.

Three characteristics of the commercial actors can be identified: their instrumental function, their provision of stability for bilateral relations, and their openness to other industrial sectors.

First, the commercial actors have an instrumental function in the China-Venezuela model of cooperation, in which institutionalized mechanisms have been established for negotiation, coordination, and decision-making. In the cooperation, the two countries' governments, national companies, and financial institutions play multiple roles.

The governments coordinate and provide the collaboration guidelines and general strategies. The institutional arrangements reflect the participation by the two governments and state-owned enterprises in project implementation. The China-Venezuela High-Level Mixed Joint Committee, established in 2001, has developed into an institutionalized cooperative consultation, decision-making, and coordination mechanism. In July 2014, the Committee held its 13th meeting and signed a number of cooperation agreements in petroleum, electricity, telecommunications, and other fields.

In view of the economic nature of the cooperation, the formation of this model was driven mainly by market forces and commercial actors, originating from a high bilateral economic complementarity. However, it cannot be denied that the political actors from both governments also helped facilitate the cooperation process. Venezuela's government has used its political input to promote cooperation with China in order to diversify Venezuelan oil export destinations. The late President Chávez held the revolutionary ambition to achieve his national development goals in Venezuela, emphasizing the strategic significance of his political and economic interests in cooperation with the Chinese government.

Second, the commercial actors can ensure the sustainability of the cooperation contract because they act according to economic rather than political calculations. The China Development Bank (CDB), Chinese national oil companies, and their Venezuelan counterparts established the Joint Fund in 2007. The Fund has provided liquidity support for both oil and non-oil projects. CDB capital was put into the Joint Fund in the form of loans, not investment or equity, while Venezuela's capital input is in the form of investment; thus, the financial institutions face different risk structures.

As Sino-Venezuelan cooperation evolved, Chinese banks established two funds to channel loans to Venezuela, the Joint Fund and the Long-Term

Volume Fund. The Joint Fund was established in November 2007 with an initial size of US$6 billion, expanded to US$12 billion in 2008. The Long-Term Volume Fund was established in September 2009 with US$20 billion (Giordani 2012). In 2012, the two countries signed a second Joint Fund agreement, which set the fund size at US$12 billion to be implemented in two three-year stages of US$6 billion each, with the CDB contributing US$4 billion in the form of loans and Venezuela's National Development Fund contributing US$2 billion in the form of investment (Asamblea Nacional 2012: 3).

In 2013, China and Venezuela signed the third Joint Fund financing agreement, which expanded it to US$18 billion with three implementation stages. In October 2014, the Venezuelan National Congress passed the fourth financing agreement for the Joint Fund. Under the Joint Fund agreements, Venezuela would export at least 230,000 barrels per day of crude oil to China to repay the Chinese loan (Table 2). The payments by Chinese national oil companies to Venezuelan national oil companies would be directed to the joint account, managed by the CDB and the Venezuela Economic and Social Development Bank (Asamblea Nacional 2012: 2). However, both sides made some changes to the terms of Venezuela's oil payment for Chinese loans in the fourth Joint Fund agreement, due to the Venezuelan oil production capacity, the decline of international crude oil prices, and China's economic growth.

Table 2 Venezuela's oil exports to China under the loans-for-oil agreement

	Thousands of barrels per day						Contract fulfillment (%)
	2007	2008	2009	2010	2011	Average	
Joint Fund I	143	86	91	82	0	101	101
Joint Fund II	0	0	126	107	195	143	93
Long-Term Volume Fund I	0	0	0	211	0	211	106
Long-Term Volume Fund II	0	0	0	0	220	220	88
Total	143	86	217	400	415	675	96

Source: Data from PDVSA annual reports from 2008 to 2011.

The permanence of the Joint Fund depends heavily on the specific cooperation projects in the oil and non-oil sectors. The Fund offers a menu of financing options for individual projects with support for financial liquidity. China's contribution to the Fund combines government credit and commercial credit by adopting the debt financing rather than equity financing model, which provides acceptable benefit and risk sharing for both sides. Even so, the Venezuelan government still takes on the risk to its credibility and to normal, uninterrupted oil production.

Because Venezuela has faced severe capital shortages for long-term development and Chinese companies also face financial limits to the implementation of the "going global" strategy, the Joint Fund was able to break the capital budget constraint on bilateral cooperation. The Venezuelan government ensured that Chinese loans would be repaid by crude oil exports, as stipulated in the Joint Fund agreement. Therefore, it is evident that the risk to China in making the loans would depend on Venezuelan oil production and fluctuation in international crude oil prices.

Third, the bilateral cooperation is scalable and flexible. Based on energy cooperation with the Chinese Development Bank's loan support, the cooperation areas have been extended to agriculture, infrastructure, high technology, and other fields, based on the Venezuelan government's requirements.

Sino-Venezuelan cooperation originated in the energy sector. Oil was its primary focus, with other sectors playing a secondary role as needed to meet the Venezuelan government's economic goals. Participation by companies outside the oil sector in both countries demonstrates the multi-contractual nature of the cooperation, in which financial institutions serve as the hub.

According to incomplete statistics from Venezuela's government, China and Venezuela signed 437 documents between 1999 and 2012, including cooperation agreements, letters of intent to cooperate, and memoranda of cooperation. As of September 2012, the Chinese loan supported 241 projects in Venezuela, which included 10 projects in the oil and mining sector, 28 electricity projects, 25 transportation projects, 31 industrial projects, 62 agricultural projects, and 37 projects in the communication, housing, medical and other fields (Giordani 2012: 29-30).

The success of the Sino-Venezuelan cooperation model depends on China's loans and Venezuela's oil exports. Data from 2007 to 2013 show a correlation between the amount of Chinese loans, the Venezuelan trade surplus, and the turnover of China's engineering services in Venezuela (Table 3). Although Chinese investment is low in Venezuela, China has become Venezuela's second largest trading partner and oil importer, while Venezuela is China's fourth largest trading partner in Latin America. In 2013, China imported 15.74 million tons of crude oil from Venezuela, which made up 5.6% of China' total imports (Tian 2014). Venezuela has been among China's top 10 crude oil importing countries.

Tabla 3 — **China's trade, investment, and engineering services in Venezuela, 2007-2013 (US$, millions)**

	2007	2008	2009	2010	2011	2012	2013
Imports	3,022	6,503	4,382	6,713	11,738	14,543	13,120
Exports	2,788	3,349	2,812	3,649	6,522	9,304	6,064
Trade deficit	234	3,154	1,570	3,064	5,216	5,239	7,056
FDI	144	156	272	417	n.a.	n.a.	n.a.
Engineering services	672	777	929	3,480	3,582	5,153	5,967

n.a.= not available
Source: China's National Bureau of Statistics, <http://data.stats.gov.cn/>.

Financial Actors

The spillover of China's globalized economy into Latin America has gone far beyond trade ties to deepen financial cooperation, which has demonstrated the sophistication of the Chinese-Latin American economic relationship. Chinese financial institutions such as the CDB, China Import-Export Bank, and China Industrial and Commercial Bank, like Chinese national companies driven by the "going global" strategy, have expanded their financial activities in the Western Hemisphere. According to data released by the Inter-American Dialogue and the Global Economic Governance Initiative at Boston University, China's state-owned banks increased their investment in Latin America by 71 percent in 2014 to $22 billion and lending a total of $119 billion over the past 10 years (Inter-American Dialogue 2015).

Chinese financing, which is primarily concentrated in the extractive and infrastructure sectors, exceeds total loans from the World Bank and the Inter-American Development Bank. In view of the global business cycle, the drop in commodity prices, and Chinese structural reform, the increase in bilateral financial agreements has been regarded as the new engine of economic cooperation between Latin America and China. It is also mutually beneficial to take advantage of Chinese financing to make up for the deficit in capital accumulation in Latin America.

At the third China-Caribbean Economic and Trade Cooperation Forum in September 2011, China announced plans to provide US$1 billion in preferential loans and US$1 billion in special commercial loans through the CDB for infrastructure development and to donate US$1 million to the CARICOM (Caribbean Community and Common Market) Development Fund (Wang 2011). In June 2012, Chinese Premier Wen Jiabao proposed new financial policy initiatives in the Economic Commission for Latin America and the Caribbean, including a China-Latin America and Caribbean cooperation fund financed by Chinese financial institutions, an infrastructure development fund established by the CDB, and a special agricultural fund of US$50 million (Wen 2012). At the first ministerial meeting of the China-CELAC (Community of Latin American and Caribbean States) Forum on 8 January 2015, President Xi Jinping announced a number of cooperation initiatives, including a US$20 billion special loan for infrastructure projects, a US$10 billion preferential loan, a US$5 billion fund for China-Latin America and the Caribbean cooperation, and a US$50 million special agricultural fund (Xi 2015).

Chinese financing has now played an important supportive role by injecting liquidity for big resource and infrastructure projects in South America. These financial arrangements incorporate a variety of mechanisms, such as concessional and commercial loans, joint funds, industry and agriculture funds, currency swaps, and consortium financing. The China-Latin American network of financial services continues to grow at the bilateral, regional, and international levels, driven by the "going global" strategy of Chinese financial institutions.

The CDB, for example, established in 1994, is a policy bank under the State Council of the People's Republic of China. During the past two decades, the bank has evolved to become an important strategic instrument for China's development as China gradually transitioned from a planned economy to a market economy.

Since the beginning of the international financial crisis in 2008, the CDB has concluded a number of major credit agreements across the globe, particularly in the energy industry. The bank appears to have become the carrier of China's rising capital power. Based on its successful domestic practice over the years, the CDB has built a theoretical framework of "development finance," which is defined as a financial form and method designed to serve the country's development strategy, remove bottlenecks to economic and social development, safeguard the country's financial stability, and boost its economic competitiveness by making medium- and long-term investments and combining state credit with market operations (Research Academy of China Development Bank 2011: 71-76).

With China's economy growing, the CDB has become an effective instrument for China's economic diplomacy around the world. The CDB's international strategy can be summarized as "one process with two aspects," namely "internationalization of China's economy" and "Sinification of the global economy" (Chen 2012; People's Daily 2012).

The CDB's president, Chen Yuan, stressed that the bank should continue to serve "the national strategy in a market way" (Chen 2012).

In brief, the CDB's strategic aims are to serve the national development strategy, promote China's diplomatic status, and boost international business development. The CDB can connect China's economic reforms with the "going global" strategy. It has expanded its collaborations with foreign governments, enterprises, and financial institutions on the basis of equality and mutual benefits.

Since 2005, the CDB has played an active role as credit provider in Latin America, and has established innovative cooperative relationships with governments. It has signed financial cooperation agreements with Latin American countries, including Argentina, Brazil, Chile, Costa Rica, Cuba, Mexico, Peru, Uruguay, and Venezuela. It plays a key role in the Chinese-Venezuelan loans-for-oil agreement, and opened an office in Caracas in July 2014, further intensifying the cooperation between the two governments, financial institutions, and Venezuelan companies.

Although the CDB has the public nature of a national development bank, its financial deals in Latin America have extended beyond local government projects and the operations of state-owned companies. The CDB also helps private companies from both China and Latin America to explore business opportunities.

In addition, the CDB and China's Export-Import Bank have signed cooperation agreements with the Inter-American Development Bank and the Corporación Andina de Fomento (CAF). China's Export-Import Bank signed a memorandum of understanding for a China-Latin America and Caribbean Investment Fund with US$1 billion in April 2011 (Export-Import Bank 2011). CDB and the Inter-American Development Bank signed a memorandum of understanding in March 2009, aiming at financial support in fields like energy, transportation, urban infrastructure, and agriculture (Xinhua 2009a).

Chinese finance played an important role in facilitating China-Latin America economic ties by injecting liquidity during the recent international financial crisis. Such financing could be seen as a way to deepen China's bilateral economic cooperation with the region, propelled by China's huge foreign-exchange reserves. Chinese lending has promoted the development of resource-based industries and infrastructure in Brazil, Ecuador, Venezuela, and other countries, and has increased those countries' trade volume with China.

Although China's financial engagement in the region is a sophisticated process of political economy, Chinese financial institutions have extended their commercial activities based on the market principle and profitability, rather than their ideological preference. Obviously, strong political willingness and feasible projects are preconditions to a financial deal, which could generate economic benefit for both sides. Considering the commercial risks, Chinese banks have focused on the responsibility, sustainability, and effectiveness with which loans are used.

In comparison to transnational hot money, Chinese loans to Latin America have more the nature of development finance. Without a doubt, Chinese capital can benefit Latin American development, but the challenge is how to use it with more efficiency, effectiveness, and responsibility. In view of its growth potential, Latin America holds a strategic position in Chinese banks' "going global" initiative. China's future lending to Latin America depends on multiple factors, such as Chinese macroeconomic conditions, an economic structural adjustment policy, new financial regulations, and Chinese banks' business plans, as well as the financing needs of individual Latin American countries and their negotiations with China.

Change, Risk, and Opportunity: The Sino-Venezuelan Model Going Forward

The Venezuelan oil policy has been colored by ideology. President Chávez attached many symbolic political meanings to oil, such as sovereignty, nation, people, and revolution. Venezuela witnessed a radical transformation of the political system under Chávez. As a consequence, his policies resulted in a serious political and social opposition.

There has been much imbalance in Venezuelan economic sectors, which has made expansionary economic policies unsustainable. In order to alleviate its economic difficulties, the Venezuelan government needs to guarantee the security of oil exports, the availability of external financing, and the security of imports of important commodities. In addition to its Latin American leftist allies, the Maduro government hopes to consolidate political and economic ties with China, Russia, and other emerging powers.

In view of the complexity of politics in Venezuela, there are potential risks in the China-Venezuelan cooperation model. However, given the complementarity of the two economies, no matter how the political situation in Venezuela changes, Sino-Venezuelan cooperation will not change. China will continue to be an important destination for Venezuelan oil exports, while Chinese finance and capital goods are also attractive for Venezuelan policy-makers for long-term development.

The institutional framework of the bilateral cooperation model has involved a large number of political and commercial actors, such as government agencies in both countries and companies in different sectors, whose commercial activities and performance depend on the Joint Fund, covering oil exploration and development, crude oil trade, contracted projects, the export of complete sets of equipment, and debt settlement. The multiple contractual relationships among governments, oil companies, banks, and construction companies have added to the complexity of the cooperation structure.

Concerning political conditions in Venezuela and the risks they bear for the bilateral relationship, four key points can be identified. First, the political risk would be higher than the economic risk from the macro perspective. In general, although the international crude oil price does affect the Venezuelan economy, domestic political infighting, severe economic regulations, and governmental intervention have made the macro-economy more fragile. The micro-level operational risk faced by Chinese companies in Venezuela lies mainly in Venezuela's political rather than economic arena. As long as oil production is not affected by the political situation, Venezuela remains stable, and sufficient oil is exported to China in line with the signed agreement, the risks are negligible or at least under control.

Second, oil-related projects have less risk than other projects. The risk is greatest for non-oil trade and construction projects derived from the Joint Fund. The bilateral cooperation framework involves many national companies from both countries, as well as multiple contractual chains, such as the purchase and sale of crude oil, project contracting services, the export of complete sets of equipment, and debt settlement. They all contain risk factors closely linked to the Venezuelan political and economic situation.

Third, Chinese investments and citizens are highly vulnerable to potential social clashes, conflict, and violent crime in Venezuela. Although the Venezuelan social order is under government control, high rates of crime and violence in this country could become a security threat to Chinese workers.

Fourth, US influence is an important element in Sino-Venezuela ties. Without any doubt, the United States and China have a common interest in maintaining Venezuelan political stability in order to protect their economic interests. In view of China's rising presence in Latin America and the decline of US influence in this region, it seems that China's frustration with the Venezuelan relationship shows the weakness of China's ties with left-wing governments in Latin America.

The Sino-Venezuelan relationship cannot be regarded as a pure and simple issue of economic cooperation, which after all also touches US interests and strategic concerns. However, as long as Venezuela maintains political and social stability, it is in line with the United States' and China's energy and commercial interests in Venezuela. Moreover, political stability in Venezuela might be more consistent with US geopolitical interests in Latin America.

Conclusions

Given the speed of China's economic growth in the 1990s and its severe energy security issues, it was a natural decision for China to reach out to energy-rich Venezuela. The primary goals of Chinese and Latin American governments are to maximize oil import security and oil export security, respectively, through geopolitical diversification.

Hugo Chávez found it helpful, in both diplomacy and domestic politics, to point to ideology as a common ground between China and Venezuela. Relations between China and Venezuela are based on economic growth in a globalized economy. To understand them, we have to focus not on traditional geopolitics but on the global market. China and Venezuela both want to diversify oil cooperation.

The Sino-Venezuelan oil cooperation model is a special case in China's energy collaboration with Latin America. It has developed its own characteristics including a policy-making center, a focus on oil combined with openness to participation from other sectors, and a financing pool. Its innovative design lies in its multiple contractual arrangements between enterprises in the oil sector (its primary focus), non-oil sectors, and the financial system.

China-Venezuela cooperation originated in the complementarity of the two countries' economies, which is also a result of changes in the global economic landscape. This cooperation model meets the needs of both governments and national companies. Driving forces behind China's involvement in Venezuela include its need for energy security, its huge foreign exchange reserves, and Chinese companies' "going global" strategy. Venezuela has one of the highest oil reserves in the world, and its left-wing government has a strong political willingness to develop energy cooperation with China, because it regards China's rise as a development opportunity and China as a strategic partner in the diversification of Venezuela's external economic and diplomatic relationships.

Many people talk about loans for oil, but it could also be oil for development. The loans provide liquidity and thereby make transactions possible so that Venezuela can be part of the global economy. Traditionally, the understanding was that if China made an investment in a certain country it imported the oil from that country. Today, China has a new agenda based on market dynamics. China's energy security has to be safeguarded through a market approach.

China is a benign actor if it makes Latin America more stable economically, as its leaders well know. China will continue to provide opportunities for Latin America to achieve sustainable development.

The United States wants to export its oil and natural gas. What is the implication for an oil-export-dependent Latin American country like Venezuela? It will be pressured toward more diversification and therefore will need to find new partners.

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Chinese Investment in Brazil's Strategic Minerals: An Evolving Partnership

Julie Michelle Klinger

China-Brazil investment relations are dynamic. China's overseas activities during the first decade of the 21st century were characterized by state-directed and state-supported investments, but in recent years China's activities in Brazil's strategic minerals sector have shifted such that they are largely invisible from the national scale. While this would seem to be a critical new development, the three cases presented in this chapter show that the changing scales of China's investment in Brazil's mineral sector can be explained by 20th century historical antecedents that have not yet been fully considered in scholarship on these two emerging economies.

This chapter argues that changes in China-Brazil investment relations arise from broader shifts in the domestic development strategies and foreign policies of both countries. These shifts have, in turn, stimulated a rescaling of engagements in the mineral sector from state-directed to subnational and transnational processes; actors on both sides pursue trade and investment agreements in ways that only selectively work within broader state interests. This development challenges two prominent themes in policy and academic literature from the first decade of the 21st century. First, it calls into question the accuracy of the conventional understanding of Chinese capital as state directed and therefore distinct from other forms of private global capital. Second, the cases discussed herein challenge the putative lack of strategy on the part of Brazilian actors with respect to China—showing that private and subnational actors have independently initiated efforts to attract foreign direct investment (FDI) from China. Meanwhile, Chinese investors have begun purchasing minority stakes in established companies already operating in Brazil. This practice contrasts with China's overseas mineral acquisition strategies of the previous decade, which were distinguished by the preference for establishing Chinese owned and managed mining operations (Alden and Davies 2006; Taylor 2006).

A definition and a usage note are necessary. First, "strategic minerals" are those that are essential for national development. Several fall in this category, but this chapter examines two that bind the domestic development and foreign trade policies of both countries: iron and niobium. Brazil is the largest producer of niobium and the third largest producer of iron ore, while China is the largest consumer of both (Economist 2012; Papp 2014; Tuck 2014). Iron ore is essential to sustain China's industrial and urban development, but it cannot be processed into stainless steel or other alloys essential for military, transportation, and energy infrastructure without niobium, over which a single Brazilian company has a virtual monopoly (Branco 2014). Second, relations between the two countries tend to be described as "China-Brazil relations" in Anglophone and Sinophone literature, while "Brazil-China relations" appears most commonly in Lusophone literature. There are politics implicit in both arrangements. To avoid privileging one over the other, and because this chapter draws from multiple linguistic canons, the two terms are used interchangeably.

The next section reviews selected studies on the resource question in China-Brazil relations. This is followed by three case examples of developments shaping contemporary Brazil-China trade relations, in which subnational and private actors from both countries have negotiated deals in Brazil's mining sector. Finally, the chapter analyzes the implications of these cases for research on Brazil-China relations and proposes methodological changes in order to account for these developments.

China-Brazil Relations in Context

The majority of the literature on the mineral question in Brazil-China relations has focused on the way in which China's global economic integration has affected the economies (Gallagher and Porzecanski 2008, 2010; Jenkins et al 2008) and environments (de Queiroz 2009; Fearnside 2001; Kotschwar et al 2012; Nepstad et al 2006) of Latin American countries at the scales of international and regional economies, state institutions, and certain companies (Dussel Peters 2013). Moreira (2007) found that the annual loss of world market share by Latin American countries in the face of China's global export prowess has grown steadily since 1999. Barbosa and Klinger (2010) and others have found that Brazilian value-added products were displaced in international markets in a way that has been difficult to combat, leading to a "hollowing out" of Brazilian industry. Concurrently, Chinese demand for Brazilian soy and iron has driven one of the most dramatic contemporary land-use shifts in the world, in which immense regions of savanna and rainforest have been cleared for agriculture (Hecht 2005; Rudel et al 2009).

Jenkins and Barbosa (2012) proposed that these dynamics signal the growth of a new dependency between China and Latin America, fitting the center-periphery relations theorized by Prebisch (1949) and Singer (1949). The crux of dependency theory is that poorer countries exporting cheap primary commodities are further impoverished by declining terms of trade, while richer countries are further enriched by virtue of their position in the world system. Concern over whether Brazil's relations with China resembled a "new dependency" characterized much of the Brazilian policy and academic debate in the first decade after 2000 (Hauser et al 2007; Meirelles and Pereira 2008; Ocampo and Parra 2003). There was considerable discontent among policy-makers and observers in Brazil concerning the return to heavy emphasis on primary commodities in Brazil's exports (Hiratuka 2008; Malamud and Rodriguez 2013; Oreiro and Feijó 2010).

In the mid 2010s the interests of Brazilian industrial policy-makers shifted from reducing the proportion of primary commodities in the country's export portfolio to clearing regulatory obstacles to FDI in domestic extractive industries (Klinger 2010, 2014e). In fact, China's sustained appetite for primary commodities has kept certain commodity prices high, which has increased the economic value of natural resource exports overall even as they have come to dominate the foreign trade profiles of Latin American countries (Lima and Pellandra 2013). The value of this trend has been hotly contested by domestic and international conservationists, but it has also found broad support among the emerging middle class and policy elite who view the country's geological endowments as the key to both prosperity and geopolitical status. This perspective lends further weight to recent reinterpretations of the "resource curse" concept. Whether resource abundance actually leads to an economic curse depends on the place of resource extraction in long-term development plans, the role of civil society in negotiating for benefits capture, and the depth of state commitment to both (Brunnschwieler and Bulte 2008; Gonzalez-Vicente 2011). At best, a complementarity might be achieved in which high commodity prices offset the dependencies otherwise created by asymmetrical trade relations (Laufer 2014).

The idea that Brazil's domestic mineral wealth can be leveraged for geopolitical ends is an outcome of the recent global turn toward resource nationalism (Bremmer and Johnston 2009; Bridge 2014; Burgess and

Beilstein 2013; Rosales 2013; Veltmeyer 2013) experienced in the context of Partido dos Trabalhadores (Worker's Party) policies of the past decade. A core tenet of Luis Inácio Lula da Silva's (2003-2011) foreign policy was to democratize globalization (Cervo 2010) by shifting away from a neoliberal world order to one in which countries more democratically participate in international political economy, principally through their logistical capacities for facilitating trade. China's rise was thus viewed within the broader context of two key strategies in Brazil's foreign policy: deepening integration among South American countries, and building closer relations with African countries (Ramanzini and Ribeiro 2013). The strategy for the former, in light of the ongoing frustrations of economic and political integration attempts among South American countries, has been realized primarily through Brazilian grants of technical assistance, aid, and infrastructure construction, and heavily financed by national development banks in order to better leverage China's interests in South American commodities (Ellis 2013; Klinger 2009). The latter strategy looks remarkably like the approach taken by China in Africa, which includes technical and development assistance, academic and diplomatic exchanges, and large-scale extractive infrastructure projects (Cabral 2011; Vargem 2008). Both domestic and foreign policy continue to be characterized by use of multiple policy instruments promoting heavy investment in extractive infrastructure by state and non-state actors.

During the Rousseff administration (2011-present), this policy orientation has taken on a much heavier emphasis on extractive industry. This indicates a shift, which began in the private sector, toward mainstreaming the perception that Brazil's economic strengths rest in natural resource exploitation facilitated through large-scale development projects. This has resulted in the resurrection of national integration policies from the military dictatorship period (1964-1985), with the added twist that policy-oriented scholars in Brazil's leading development research centers are looking to China for guidance on how to achieve extraction-oriented national integration of an immense and varied territory (Klinger 2013a).

Of particular interest to Brazilian development professionals is the Open Up the West campaign in China, which was inaugurated in 2000 to transfer resources from the sparsely populated west to the industrialized and urbanized east of the country while deepening national integration through large-scale infrastructure projects. The railroad to Lhasa, a south-to-north water transfer project, and west-to-east oil and gas pipelines span thousands of kilometers each and required the extension of transportation and communication infrastructure to support construction. Along the way, the central government tightened its control and deepened national integration of China's ethnically diverse hinterlands. For Brazilian development professionals frustrated with the underutilization of the Amazon, and especially for those who view international conservation efforts as a conspiracy to undermine the sovereignty of Brazil, China's western development model stands as a successful example of national integration and development. In 2013, federal officials and university researchers began sending delegations to China to study the Open Up the West campaign for application to the Brazilian context (Klinger 2013a, 2013b, 2014b, 2014c, 2014d). Despite Brazilian interest in attracting FDI from multiple sources, China's overseas investments in strategic resources have received considerably more attention than other actors involved in comparable development and extraction initiatives.

A wide-ranging literature on China's overseas investments examines how China may change global development orthodoxies (Bräutigam 1998; McCormick 2008; Woods 2008) as well as whether China poses a threat to US and European interests in developing regions (Kurlantzick 2008; Pan 2012). The idea in much of the Western literature is that China's overseas mining investments are motivated by geostrategic rather than market priorities, which as Gonzalez-Vicente (2012) noted, carries the implicit assumption that markets are apolitical. Such a standpoint overlooks "the striking similarities between the ways in which Chinese and Western companies conduct their businesses within power structures in the developing world that have often been historically shaped through stages of colonialism, post-colonialism, and structural adjustment" (Gonzalez-Vicente 2012: 35).

These discourses tend to assign a national identity to capital based on its country of origin—as, for example, American or Chinese capital. This tendency reflects the preference for national-level inquiry when analyzing relations between China and another country. The idea, often unexamined, is that investments made by an American or Chinese company are linked to the national interests of that company's country. But the majority of extractive companies operating in the global South are privately held. Many are headquartered in tax havens, which places their capital beyond the reach of the state (Deloitte 2013; Sikka 2010) and therefore diminishes the credibility of claims to national identity. Furthermore, a growing body of empirical evidence suggests that there is little to distinguish the practices of Chinese and Western mining companies on the ground (Irwin and Gallagher 2013; Lee 2014). This suggests that assigning a national identity to a private investment actor is not necessarily the best predictor of investor behavior.

Yet it is tempting to differentiate Chinese investment in Brazil from other forms of global investment by virtue of the fact that the overwhelming majority continues to be carried out by state-owned enterprises (SOEs). These are corporate entities with an evolution distinct from that of their occidental counterparts. China's 123 SOEs are large corporations representing strategic sectors of China's economy, supervised by the State-Owned Assets Supervision and Administration Commission. The Commission has ministry status and is charged with investing China's national assets through SOEs. The conventional wisdom on SOEs describes them as owned by a variety of public institutions with access to cheap, subsidized long-term capital, which enables them to operate on longer time horizons and be less risk-averse than their Western counterparts (Kaplinsky and Messner 2008; Taylor 2006). SOEs accounted for 93 percent of all Chinese investment in Brazil in 2010 (Barros de Castro 2011).

But China is a market economy, and SOEs are market actors. Lee (2014) recently exposed the fiction of the state-owned characterization, arguing that mining SOEs operate like global corporations insofar as they are primarily driven by profit concerns and are responsible for balancing their own books. This liberalization has been under way for quite some time (Zhu 1995), but one distinction remains. In the mineral sector, the key difference between Chinese and Western companies comes down to how the actual mine output is valued. Western companies value minerals according to their exchange value, and appraise their profits from mineral sales on a quarterly basis. This approach means that Western companies are more vulnerable to global market fluctuations and more likely to abandon mineral assets during unfavorable market conditions (Stewart 2013). Chinese companies value minerals according to their use value, which means that although they are likewise affected by price changes, they are mining in order to supply industry—Chinese and international—with the materials necessary to sustain global production. Although global production may fluctuate on a quarterly basis, it is nevertheless characterized by a long-term growth trajectory. As Lee's (2014) comparative work in sub-Saharan Africa showed, the character and orientation of Chinese investment in extractive industries hinges on domestic policy in the host country. This is consistent with the conclusion that Chinese mining investment tends to focus on countries with more liberal FDI policies. Western mining capital demonstrates the same tendency: both Chinese and other global investors adjust their tactics in the face of political and legal obstacles to resource acquisition (Gonzalez-Vicente 2012; UNCTAD 2012).

This finding is manifest in Brazil's mining sector. A backlash against foreign land purchases inspired a series of federal policies that have complicated the operations of foreign actors seeking to set up extractive industries in Brazil (Hage et al 2012). Although land purchases by Chinese actors in Africa and Latin America have garnered significant international attention (Cotula 2012; Zoomers 2010), the prominence of financial institutions in brokering these deals obscures a great deal of the national origins and therefore eludes efforts to parse nationalist vs. capitalist motivations in the global land grab (Nakatani et al 2014). Nevertheless, the Brazilian legal and diplomatic sensitivity to land acquisitions by foreigners compelled Chinese investors to change their tactics. As discussed in the next section, instead of buying farms or mines, they opted to invest in processing facilities or already established companies.

Recent scholarship on China's investment in Brazil's mining sector has encountered two key difficulties. First, the search for Chinese companies operating in Brazil in the way that Chinese companies operate in sub-Saharan Africa, or other South American countries such as Peru or Chile, yields virtually no results (Gonzalez-Vicente 2012). But maps that account for partial mergers and acquisitions as well as minority share purchases present a different picture (Barros de Castro 2011). What this indicates is that studies of China's investments in Brazil's mining sector need a finer-grained approach that takes into consideration the particularities of Brazilian policy with respect to China's investments, the agency of Brazilian actors in recruiting and directing investment by Chinese actors, and the fragmentation of China's investment strategy. The next section introduces three developments that demonstrate the particular dynamics of Brazil-China investment relations in the strategic minerals sector.

Relations at Other-than-National Scales

Much of the literature on China-Brazil trade and investment relations focuses on international relations, broader development paradigms, or sectoral impacts. The three cases presented here show important additional aspects produced above and below the national scale. Although these three cases are important to understanding the history and trajectory of these emerging economies, they have fallen outside the temporal and epistemological bounds of most scholarship. The first two cases show the historical antecedents to contemporary dynamics, which are captured in the third case. All three demonstrate the cosmopolitan character of Chinese and Brazilian investment actors.

Julie Michelle Klinger

Private-Sector Diplomacy: The Brazilian Mining and Metallurgy Company

Literature on China-Brazil relations is characterized by an abiding concern with the future: What are the impacts? Does this signal a new multipolar world order? Does this challenge or strengthen the status quo? Because of this, few works give analytical consideration to Brazil-China relations prior to China's establishment of the "going out" policy in 1999. This may be because some events from that era sit awkwardly in relation to the familiar forward-looking narratives. This is one such account.

The Brazilian Mining and Metallurgy Company (Companhia Brasileira de Metalurgia e Mineração or CBMM) was established in 1955 following the discovery of niobium-bearing pyrochlore in Minas Gerais. Niobium is a soft, ductile metal used to make iron and steel superalloys, which are lighter and stronger and require less base metal than other alloys. When CBMM was founded, there were few manufacturing processes or markets for the metal, so the primary investors adopted a long-term, mission-like approach that involved developing applications for niobium, sharing technical expertise, and promoting its products to iron and steel industries worldwide. Notably, this company created the global demand for its products—of which it currently supplies 85 percent—through international diplomatic outreach and research partnerships initiated in the 1970s. CBMM technology is used in nearly every jet engine, automobile body, and superconductor produced in the last three decades. This virtual monopoly is the result of a particular corporate strategy aided by multiple policy instruments.

CBMM personnel are fond of saying that their company had an office in China for 20 years before ever making a worthwhile sale (Klinger 2014a). A group of executives attempted their first business mission to China in 1978, the same year Deng Xiaoping initiated the sweeping reforms dismantling Mao-era collective institutions and opening China to the global economy. But the business representatives were repeatedly denied entry until they decided to pose as buyers attending the Guangzhou Trade Fair. This fair coincided with one of the first diplomatic missions from Brazil to China since the right-wing military dictatorship severed relations with China's Communist Party in 1964. The particularly resource-heavy character of China-Brazil relations was evident in this first mission, which was headed up by Minister of Mines and Energy Shigeaki Ueki. Minister Ueki intended to reestablish bilateral relations by offering development assistance, assessing the potential for technological cooperation, and brokering resource trade agreements. This trip was represented as unrelated to the CBMM mission.

Because visas for the Guangzhou Trade Fair were not valid outside of Guangzhou, the chief executive officer of CBMM, José Alberto Camargo, resolved to insinuate himself into the diplomatic delegation in order to be able to visit steelmakers in Shanghai and meet with researchers and policy-makers in Beijing. While in Beijing, he acted as a technological emissary, reportedly sharing several boxes of original research materials with representatives of the Central Iron and Steel Research Institute. The objective of this trip was, if not to complete purchasing agreements, to lay the groundwork for developing a cadre of technicians familiar with niobium. Although a top Institute researcher reportedly told Camargo in 1981 that no one in China would ever buy the company's niobium-iron superalloys, that same year CBMM's office in the United States arranged for a group of Chinese researchers to train at the University of Pittsburgh with the leading micro-alloy expert of the time, Anthony DeArdo. In addition to this, the company extended its mission approach further into China by building schools in Shaanxi, Tibet, and Yunnan (Vannuchi 2007).

This heavy investment was driven by the prediction that China's economic growth would eventually require increased quality and output of iron and steel, which would require the use of niobium. As the world's largest steel producer, China is now also the largest consumer of niobium (Bethel and Ku 2010). CBMM's niobium products are used in some of the largest military, energy, and infrastructure projects in China. This includes a 7,000-kilometer pipeline, financed by the China National Petroleum Corporation, that brings natural gas from Turkmenistan across Xinjiang to central China (Lelyveld 2014; Morais 2013).

The case of CBMM shows that key corporate, scientific, and government actors in Brazil-China relations engage beyond the purview of the state, operate transnationally, and use a range of diplomatic and social ventures to achieve commercial ends. The significance of this example lies in its illustration that South-South engagements precede China's "going out" policy. Already in the early 1980s, the transnational element was central to building China-Brazil relations. Access to networks in the global north proved, in this case, to be a decisive part of CBMM's negotiations with Chinese counterparts. Finally, this case shows that China's companies do not hold a monopoly on longer-term time horizons, or on the use of multiple policy instruments to secure favorable market arrangements. The example of CBMM's long-term overtures to China, which leveraged diplomatic support and offered technological knowledge transfer, shows that expansive missions are not a peculiarity of Chinese capital investment.

Subnational Initiatives: Minas Gerais State

There is a rich literature exploring how subnational units interact with transnational capital with varying outcomes for national governments, but this is generally treated separately from unfolding China-Brazil relations. (An exception to this is literature concerned with the BRICS, as well as the works of Avelhan 2014, Bianco et al. 2012 and Resende et al. 2010, and Silva 2013.) Although the "devolution revolution" tends to be framed as a top-down change, in Brazil the decentralization of power and resources was driven by actors at the state rather than national level (Eaton 2010; MacKinnon and Phelps 2001; Malesky 2008; Rodriguez-Pose and Gill 2003). The state of Minas Gerais in particular has a history of promoting horizontal ties among state government agencies and local industries in order to attract FDI and achieve broader policy goals of industrial development and export promotion (Montero 2001).

In 1968, the state government established the Integrated Development Institute (Instituto de Desenvolvimento Integrado) in order to coordinate state economic policy organs, private businesses, and the Development Bank of Minas Gerais (Banco de Desenvolvimento de Minas Gerais). The Integrated Development Institute is distinct from the China-Brazil Chamber of Commerce and Industry in that the former is a state-level institution whose express purpose is to attract and channel high-level FDI, while the latter is a private association. The Chamber of Commerce coordinates trade shows and international exchanges and disseminates information provided by affiliates in both countries. The state of Minas Gerais also supports Chambers of Commerce in the state and in India, Mozambique, and Portugal (Moura e Castro 2012). The Integrated Development Institute and the Chambers work together to promote the state internationally as a destination for FDI, and to promote the state's expertise in agriculture, animal husbandry, and mining. A fuller analysis of the activities of the Chambers of Commerce is beyond the scope of this chapter; however, their establishment and transnational activity are consistent with trends of subnational economic globalization identified elsewhere (Bentley et al 2010; Coleman 2003; Grant 2002).

In recent years, the state government of Minas Gerais has independently sought FDI to stimulate what is understood as the China model of development. Although this means many things to many people (see for example Breslin 2011; Chan et al 2008; Ferchen 2013; Zhao 2010), in the context of Minas Gerais it means constructing railroads and expanding logistics networks in order to facilitate the export of primary commodities and attract value-added processing to the region. In March 2014, the Integrated Development Institute sent a delegation to Beijing, consisting of State Governor Antonio Anastasia and the leadership of the Development Bank of Minas Gerais. Meeting with Wang Yongsheng, head of the China Development Bank, the delegation sought Bank investment in several transportation and extractive infrastructure projects that could help meet China's mineral resource needs while raising Minas Gerais's international profile (Imprensa Oficial 2014).

Minas Gerais' internationalization strategy includes approaches to Africa and Europe as well as Asia. Despite the high profile of China-Brazil relations, it is important to see them in the context of both countries' broader transnational engagements (Armijo 2007; Forero 2010; Hirst 2012; Sauvant 2005). Significant here is the proactive manner in which subnational units of the Brazilian state collaborate with private-sector actors in pursuit of FDI for the sorts of extractive infrastructure projects that have stimulated critique in recent scholarship on China's overseas investments (Alden and Davies 2006; Carmody and Owusu 2007). This same approach, pursued by public-private alliances backed by state development banks, has also drawn considerable ire from Brazilian environmental interests precisely because it so strikingly resembles China's own rapacious growth trajectory.

When considering these complexities, it is important, as Oliveira (2013) argued, to examine the contradicting interests of Brazilian state entities in the changing geographies of extractive investment in Brazil. This case shows that China is not unilaterally structuring Brazil's global integration; rather, the bilateral relationship is collaboratively produced, and most importantly, practices specific to subnational actors are determining the form of China's impacts in Brazil. As Cervo (2010) noted, Brazil's global integration strategy is distinctive and diversified. It includes a mix of protectionism in service of domestic industry and policy initiatives to expand mineral production and exports in service of a broader national development strategy (UNCTAD 2012). The latter strategy is the *raison d'etre* of the institutions introduced in this case, while the effects of the former explain the dynamics discussed in the next case.

Minority Shareholding: Chinese Investors Adapt

Chinese mining companies have had a tumultuous experience in Latin America (Kotschwar et al 2012; Romero 2010). Although their records are comparable to those of North American and European mining companies, they have been subject to disproportionate scrutiny by the international community (Pan 2012; Sautman and Yan 2008). China needs Brazil's resources to sustain its rapid urbanization and industrialization but faces significant legal barriers to investment in mining in Brazil. Chinese actors have thus compromised by purchasing minority shares in established companies rather than setting up independent projects (Komnenic 2014). In recent years, Chinese investment in Brazil in the form of partial mergers and acquisitions has shown a three-to-one preference over joint ventures and a two-to-one preference over greenfields projects and full mergers and acquisitions (Barros de Castro 2011). This strategy eases the learning curve involved with setting up shop in new cultural and legal contexts, and spares Chinese partners from navigating the environmental and social regulatory processes (Kinch 2011; Ying 2009; Zhang 2014).

This strategy is exemplified by Sinopec's 2010 purchase of a 40 percent stake in the Spanish oil company Repsol. Sinopec's acquisition provided the necessary capital for Repsol to develop its Brazil assets (Dowsett and Chen 2010), and was the largest Chinese oil acquisition at that time (Perez et al 2010). Other major purchases include the 2011 purchase of a 15 percent stake in CBMM by a Chinese consortium led by Citic Group and including Taiyuan Iron & Steel, Baosteel Group, Anshan Iron & Steel Group, and Shougang (Tudor 2011). There have been several other such purchases in recent years (Bai et al 2010; Hook 2011). This reflects a strategy among Chinese companies to coordinate purchasing efforts in a difficult global market and to avoid the sensitive politics that have emerged in response to the establishment of Chinese mines in Africa and Latin America. Yet the consortium approach is hardly peculiar to China; it is standard practice among international mining investment actors (Cowell and Swarns 2001).

This case shows that Chinese capital behaves in much the same way as other international capital, principally by diversifying assets through partial mergers and acquisitions. In a departure from the first decade of the 21st century, these deals are now more likely to be realized through direct engagements with Brazilian and international companies without the mediation of the Chinese embassy or national ministries (Klinger 2011, 2014). This development can render investment relations invisible at the national scale. Such an approach, however, is common in the historically opaque world of transnational extractive industries (Haufler 2010; O'Higgins 2006; Slack 2012). This suggests that differentiating between Chinese and other international investors when considering the political economy of mining investment may obscure more than it clarifies.

The Need for New Research Perspectives

These three case examples illustrate the need to refocus research on Brazil-China relations away from the national level to look both more broadly, at the transnational interests and actors that constitute bilateral relations, and more narrowly, at the subnational public, private, and hybrid institutions that produce the contemporary political economy of China-Brazil trade relations. Key actors work above and below the national scale in ways that are both distinct and intertwined.

The first case described private-sector diplomacy initiated by the Brazilian company CBMM. This subnational actor carried out a sustained mission to develop clientele in early post-reform China as part of its transnationalization process. The company negotiated this challenging context by cultivating institutional and social capital above and below the national scale. CBMM "jumped scales" (Jones 1998) by leveraging its transnational research networks above and beyond the bilateral relations between the two countries, while also working locally though community projects in remote regions of China.

In the second case described above, subnational institutions worked to internationalize a state economy by attracting FDI in extractive infrastructure. China is not unilaterally structuring Brazil's global integration, nor is China the sole focus of Brazil's globalization strategies. Rather, the public-private coalition from Minas Gerais has been working for decades to globalize the land and labor within its jurisdiction by operating across three continents. This shows that Brazil's mining sector is transnationally produced, in no small part by locally organized efforts by identifiable actors and institutions.

The third case shows how the intersection of tumultuous domestic politics and critical international discourses stimulated Chinese overseas mining investment practices to shift from sole ownership to partial mergers and acquisitions. Although the causes of this shift arose from specific conditions surrounding the globalization of Chinese capital, the resulting changes generalized Chinese investment behavior to more closely resemble that of international capital. It can be seen here how domestic policy and global politics are crucial to structuring FDI and trade from China. But national-level analyses focused on tracking Chinese capital miss the critical roles played by a complex array of Brazilian actors in extending the strategic minerals trade between these two countries.

Brazilian state and non-state actors have been actively building broader trade, investment, and technological engagements with China since 1978 (Ellis 2013; Oliveira 2004; Samor and Millman 2004; Vannuchi 2007). As the three cases show, inquiry into contemporary Brazil-China relations in the strategic minerals sector requires careful attention to actual practices, a broad consideration of actors and interests, and direct engagement with concrete spatial processes. Such an approach unavoidably complicates narratives of China's impact on Latin America, which have tended to grant primary agency to China while assigning Brazil a reactive role. Although these approaches have generated important scholarship on relatively recent issues, many have decontextualized Brazil-China relations from broader transnational histories going back several decades. As a result, key developments such as the three presented in this chapter are comparatively under-examined in Anglophone scholarship on China-Brazil relations. This points to a gap between understandings of the development of Brazil's extractive sectors and actual practices, but can be addressed by rescaling inquiries into China-Brazil relations to account for processes happening in spatial and temporal scales other than those usually taken for granted.

Conclusion

To demonstrate the importance of subnational and transnational actors in Brazil-China investment relations in the strategic minerals sector, this chapter described: private-sector diplomacy initiated by a Brazilian company in 1978; the work of subnational institutions in the state of Minas Gerais to globalize the land and labor within its jurisdiction; and the way Chinese investment practices are increasingly difficult to distinguish from other global investors. These cases demonstrate that actors on both sides drive developments in contemporary Brazil-China relations, of which four key aspects merit further investigation.

1. There are important historical antecedents to the current character of bilateral relations, which have emphasized the primary commodity trade and collaborative transnational research since 1978.
2. Investment strategies characterized by longer temporal horizons, multiple diplomatic tools, social initiatives, and technical assistance programs are not peculiarly Chinese.

3. Brazil has been an active partner in constructing ongoing relations. Subnational actors, both private and governmental, have pursued FDI independent of national policy in ways that can complement or contradict broader national development goals, especially regarding land distribution and environmental conservation.
4. The legal constraints on the establishment of foreign extractive industries in Brazil have stimulated Chinese investors to purchase minority stakes in existing companies rather than seeking full ownership. This has further diminished the exceptionalism of Chinese investment.

While the complexities of the China-Brazil relationship in the early 21st century may have required an initial focus on national-scale dynamics, it is now clear that key actors in the strategic minerals sector organize their activities outside of ministry-level policy channels. Ways to effectively identify these key actors include reorienting inquiries to focus on concrete spatial processes that are constitutive of contemporary Brazil-China relations, taking a broader view in examining their historical antecedents before the turn of the 21st century, and assessing the roles of actors and networks which may not be readily identifiable as either Chinese or Brazilian but which are nevertheless crucial to the construction of bilateral relations.

Acknowledgements

The author is grateful to interviewees in Brazil and China for giving so generously of their time and insight, as well as to the organizers and participants of the October 2014 conference "China in Latin America—Who Are the Actors?" held at the Freie Universität Berlin. This research was supported by a National Science Foundation graduate research fellowship.

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Key Actors in Economic Relations between China and the Caribbean

Jingsheng Dong

Since the beginning of the 21st century, economic relations between China and the Caribbean have developed rapidly. The foundation of these relations is the complementary nature of the economy between them, as well as the rapid development of the Chinese economy. Different actors—in particular governments, companies, banks, and emigrants—have played very important roles in the development of relations. This chapter provides an overview of the economic relations between China and the Caribbean and then focuses on the different actors, their activities and achievements, and the difficulties they face. Finally, it reviews the challenges facing relations between China and the Caribbean.

Historical Background

Relations between China and the Caribbean began with the introduction of Chinese laborers to work on sugar plantations after the abolishment of slavery in the 19th century. In 1847, the first groups of Chinese laborers were brought to Cuba. Some 124,813 Chinese laborers were brought to Cuba between 1847 and 1874, not counting those who died during the trip. Most were employed on sugar plantations (Meagher 2008: 207-208). British, French, and Dutch colonies in the Caribbean also employed Chinese laborers on their plantations.

Most Chinese laborers left the plantations before the end of their contracts and opened small businesses, especially grocery stores and small factories. Other Chinese people went to the Caribbean in the late 19th and early 20th centuries, not as laborers but as business people. Many, through hard work and thrift, achieved great success. In some areas, they became competitors to local business people. In response, anti-Chinese movements arose in many Latin American and Caribbean countries, especially during times of economic depression. For example, in 1918, rioters targeted Chinese grocery stores in Jamaica; many stores were looted, and their managers were beaten (Johnson 1982).

Official relations began with the establishment of diplomatic relations between China and Cuba in 1912. The Dominican Republic established diplomatic relations with China in 1940. But after 1949, with the establishment of the People's Republic of China, Latin American and Caribbean countries recognized the Republic of China (hereafter Taiwan) instead of the People's Republic of China (hereafter China). Only in 1960 did Cuban leader Fidel Castro establish formal diplomatic relations with China in a special assembly of millions of people.

In 1971, China replaced Taiwan as a United Nations member state. Relations between China and the United States also improved. Since then, most Latin American and Caribbean countries have established formal diplomatic relations with China. However, 12 countries in the region still maintain diplomatic relations with Taiwan. Half of them are in the Caribbean: Belize, the Dominican Republic, Haiti, St. Kitts-Nevis, St. Lucia, and St. Vincent and the Grenadines. Some Caribbean countries have switched allegiances, sometimes more than once, between Taiwan and China. For example, from 1984 to 1996, St. Lucia recognized Taiwan, but switched allegiance in 1996 when the government changed. In 2007, it reversed its recognition in favor of Taiwan again (Bernal 2010).

Economic Relations between China and the Caribbean

After two decades of rapid growth, China has become the second largest economy in the world. Chinese economic strength and productivity has been growing. At the same time, the development of the Chinese economy has been limited by a shortage of resources and markets. So the "going out" strategy was adopted by Chinese companies, supported by the government. Latin America and the Caribbean, as a region with rich resources and relative political stability, became one of the most important economic partners of China. However, bilateral relations between China and the Caribbean region do not match the breadth and depth of the relations between China and South America. This is the result of several factors: The Caribbean's resources are not as rich as those of South America; the Caribbean market has a more limited capacity to absorb Chinese imports; and relations are influenced by the US factor and Taiwan factor. In spite of this, relations between China and the Caribbean have developed rapidly since the beginning of the 21st century.

Trade in particular has increased rapidly. Even during the global financial crisis, when trade between the Caribbean and the rest of the world declined, its trade with China thrived. In 2009, the region's exports to China increased by 5 percent, while exports to the United States and Europe each decreased by more than 25 percent. In 2013, China's exports to the Caribbean (all countries and overseas territories, including Cuba) totaled $4.21 billion, more than double its imports from the region that year ($1.88 billion) (Campbell et al. 2014: 3).

China's major imports from the Caribbean are inorganic compounds, iron, steel, and other metals, mineral fuels, and wood products (Montoute 2013). In recent years, Chinese imports of bauxite and alumina have increased greatly; part of these come from the Caribbean. According to Chinese customs data, in August 2012, China imports 204.38 million tons of bauxite, including 43,260 tons from Jamaica, at $64 per ton, to produce alumina.

Chinese exports to the Caribbean include cargo vessels, tankers, floating docks, shoes, tires, T-shirts, electronic products, and color televisions. Increases in exports are based on competitive prices and improving quality. Most Chinese imports do not compete with local production, but there are some significant areas in which they could displace local production. These include a range of processed foods, tilapia fillets, cement, apparel, furniture, and paper and plastic products. The region has come to depend heavily on imports from China for several consumer products, such as footwear, electronics, and T-shirts (Bernal 2010: 287). As of 2010, some products had not appeared in Caribbean markets, such as motor vehicles and medicines (Bernal 2010: 287). But according to a 2011 report, a cab company in Santo Domingo, Dominican Republic, was using Chinese cars, although this has not been confirmed (Fieser 2011).

China's foreign direct investment in the Caribbean totaled $62.1 billion in 2012. However, all but $282 million of this went to the tax havens of the British Virgin Islands and Cayman Islands, which likely were not the final destinations for most of these funds. In 2012, Chinese foreign direct investment flows to the Caribbean, excluding the British Virgin Islands and Cayman Islands, totaled $31 million (Campbell et al. 2014: 3). China signed bilateral investment treaties with Barbados, Belize, Cuba, and Jamaica in the 1990s, and with Bahamas, Guyana, and Trinidad and Tobago in the decade after 2000. High-level Chinese delegations and investment missions have visited the Caribbean to identify projects (Bernal 2013). China's investments in Caribbean are concentrated in the natural resource, agriculture, and infrastructure sectors.

Investments are related to assistance. China has increased its development assistance to Caribbean countries, focusing on infrastructure projects such as the construction of national stadiums, schools, and hospitals. Especially when a country switches its recognition from Taiwan to China, it usually receives assistance. For example, in 2004, when the government of Dominica broke diplomatic relations with Taiwan and established relations with China, China promised to undertake infrastructure development projects totaling over $100 million. Four projects were identified: a sports stadium; a new grammar school; rehabilitation of a major road connecting the capital, Roseau, to the second major town, Portsmouth; and rehabilitation of the island's major medical facility, the Princess Margaret Hospital (Sanders 2011). On the other hand, when Saint Lucia switched its allegiance back to Taiwan in 2007, China halted the construction of a hospital in that country.

Key Actors

The main actors in relations between China and the Caribbean are the governments, companies, banks, and Chinese emigrants.

Governments

Chinese and Caribbean governments played an important role in promoting good relations. Visits between leaders have been frequent in this century. The following Chinese leaders have visited the Caribbean:

- April 2001: President Jiang Zemin to Cuba
- November 2003: Premier Wen Jiabao to Cuba
- January-February 2004: Vice President Zeng Qinghong to Trinidad and Tobago
- November 2005: President Hu Jintao to Cuba
- February 2009: Vice President Xi Jinping to Jamaica
- June 2011: Vice President Xi Jinping to Cuba
- May-June 2013: President Xi Jinping to Trinidad and Tobago (visit included meetings with many Caribbean leaders)

The following Caribbean leaders have visited China:

- May 2000: Premier Owen Arthur of Barbados
- February 2003: President Fidel Castro of Cuba
- February 2004: President Runaldo Ronald Venetiaan of Suriname
- August 2004: Premier Perry Christie of Bahamas
- November 2004: Premier Baldwin Spencer of Antigua and Barbuda

- June 2005: Premier Percival Patterson of Jamaica
- July 2005: Premier Samuel Hinds of Guyana
- September 2005: Premier Roosevelt Skerrit of Dominica
- March 2006: President Nicholas Joseph Orville Liverpool of Dominica
- April 2007: Premier Roosevelt Skerrit of Dominica
- June 2007: Premier Owen Arthur of Barbados and Vice President Ramdien Sardjoe of Suriname
- June 2009: Premier Tillman Thomas of Grenada
- February 2010: Premier Bruce Golding of Jamaica
- October 2010: Premier Hubert Ingraham of Bahamas
- June 2011: Premier Freundel Stuart of Barbados
- December 2011: Premier Samuel Hinds of Guyana
- July 2012: Premier Raul Castro of Cuba
- August 2013: Premier Portia Simpson-Miller of Jamaica
- February 2014: Premier Kamla Persad-Bissessar of Trinidad and Tobago
- August 2014: Premier Gaston Browne of Antigua and Barbuda

The first ministerial meeting of the Forum of China and the Community of Latin American and Caribbean States was held in Beijing in January 2015. Bahamas Prime Minister Perry Christie attended the opening ceremony. In addition to the visits of high-level leaders, contacts between parties and congresses are also used to promote relations between China and the Caribbean.

The most important result of these relations is the China-Caribbean Economic and Trade Cooperation Forum, which was established in 2005 to facilitate trade and economic cooperation for common development. Three forums have been held—in Kingston, Jamaica, in February 2005; in Xiamen, China, in September 2007; and in Port of Spain, Trinidad and Tobago, in 2011—attended by government officials, entrepreneurs, and representatives of regional organizations.

Visits by high-level leaders and other officials have become one of the most important means of promoting cooperation between China and Caribbean countries. Their purposes include strengthening mutual political trust, expressing policies, signing treaties of cooperation, and carrying out public diplomacy.

However, as some critics have pointed out, official visits and forums are usually too formal and yield few practical results. Relations should be developed mainly by civil ways. Communications between ordinary people are still too limited, and this is not conductive to the development of relations. Chinese and Caribbean governments should recognize that and promote non-governmental communications.

Companies

Chinese companies, both state owned and private, have been active in the Caribbean, especially in mining, agriculture, and infrastructure projects.

In 2011, China National Development Corp. and Cuba's national oil company, CUPET (Unión CubaPetróleo), signed a framework agreement in Havana to expand oil cooperation. Under the agreement, the Chinese National Petroleum Corporation will draw on its expertise in oil and gas exploration and development, engineering services, and logistics to help Cuba lower operational costs and raise crude oil output and oil recovery (Simpson Miller 2013). On 22 July 2014, in Havana, in the presence of Chinese President Xi Jinping and Cuban President Raul Castro, the Chinese National Petroleum Corporation and CUPET signed a framework agreement on increasing crude output and production sharing, and a cooperation agreement on drilling services. According to the agreements, the Chinese National Petroleum Corporation will help CUPET to lower operational costs in some existing oilfields and enhance crude production and recovery, and meanwhile provide 9,000 m of drilling rigs and supporting services to facilitate the exploration and development of Cuba's offshore oilfields (Harris 2014).

Chinese state-owned enterprises have also established stakes in Trinidad and Tobago's offshore oil industry. China Investment Corporation acquired 10 percent of Train I of the Atlantic Facility in 2012. Chaoyang Petroleum (Trinidad) is owned 50/50 by the Chinese National Offshore Oil Corporation and Sinopec, and holds a 25.5 percent and 25 percent interest, respectively, in Blocks 3A and 2C, which are operated by BHP Billiton. Sinopec Overseas Oil and Gas Antilles (Trinidad), a subsidiary of Sinopec, has a 65 percent interest in East Brighton Sub Block A and a 45.5 percent interest in East Brighton Sub Block B (Daily Express 2013).

In December 2006, Chinese Bosai Minerals Group purchased a controlling 70 percent stake in Omai Bauxite Mining in Linden, Guyana; the government of Guyana retained 30 percent ownership. Bosai Mining, a privately owned company based in Chongqing, will link Guyanese operations to annual production of 400,000 tons of refractory bauxite, making Baosai the largest bauxite producer in the world (Bernal 2013: 4).

Agricultural investment is especially evident in Jamaica, where in 2011, the China National Complete Plant Import and Export Company (Complant) acquired three sugar factories and leased 30,000 hectares of cane field. In August 2011, Complant began investing a proposed $156 million over four years in improvements in fields and factories. The cooperation plans additional investment in a new refinery to process 200,000 tons of raw sugar per year. China Zhong Heng Tai Investment, a company in Shenzhen, has meanwhile claimed a stake in palm oil production in Suriname (Bernal 2013: 4).

Chinese companies also focus on infrastructure development in the Caribbean. For example, in 2001, Hutchison Whampoa, the Hong Kong-based conglomerate, established a fully operational $2.6 billion port facility in Freeport, Bahamas (Erikson 2009). In 2007, Shanghai Construction Company won the contract for the construction of the Trinidad and Tobago Prime Minister's official residence and the National Academy for the Performing Arts. In 2013, China Harbour Engineering Company is set to invest between US$1.2 billion and US$1.5 billion in the development of a transshipment port in Jamaica. It will consist of transshipment facilities, a logistics center, industrial plants, a cement plant, and perhaps a power plant. The project is to be implemented over five years and employ 2,000 people during construction (The Gleaner 2014).

Banks

Chinese banks, such as the Chinese Import-Export Bank and Chinese Developmental Bank, play an important role in economic relations between China and the Caribbean. Many infrastructure projects have been financed by Chinese loans. For example, in Jamaica, the $65.3 million Palisadoes Peninsula project is being financed by the Chinese Import-Export Bank. In Trinidad and Tobago, the National Academy of the Performing Arts was completed through a concessional loan from China (Montoute 2013). In 2010, the Chinese Import-Export Bank had put $2.4 billion toward the construction of a 3,800-room resort in the Bahamas that will boast the largest casino in the Caribbean (Fieser 2011). The Bank of China and the Foreign Trade Bank of China will provide $462 million in financing for the Punta Perla tourism complex in the Dominican Republic, a project spearheaded by Spanish investors (Bernal 2013). In 2011, the Chinese

Developmental Bank began to draw up a plan to support Chinese companies investing in tourism infrastructure in the Caribbean.

Individuals

With the development of economic relations between China and the Caribbean, more and more Chinese people have come to the Caribbean. Some concerns have been expressed about this.

> One of the distinct features of development cooperation in the area of infrastructural projects in the Caribbean is the dominance of Chinese labor. In the case of Trinidad and Tobago, between 2008 and 2011, out of 2,996 Chinese who obtained permits to work, approximately 2,731 were for the construction sector. It means that Chinese workers held jobs that almost 3,000 Trinidadians could have had in this period. (Montoute 2013: 116)

In parts of Suriname, concerns over whether Chinese laborers illegally stay past the end of their visas have led to debates over whether Chinese companies should be allowed to bring their own workers to the country, possibly depriving some Surinamese of jobs. But others noted positive results. A restaurant owner referred to Chinese food stores this way: "They offer an assortment of products, cheap prices, and stay open until late in the evening" (Tomero 2011). In Dominica, an increasing number of retail shops in Roseau are now operated by Chinese. However, while this competition may trouble local retailers, people in the street point to less expensive products sold by the Chinese. So far, the overall Chinese population has not been large enough to create an outcry (Sanders 2011).

Challenges

Although economic relations between China and the Caribbean have developed rapidly in the 21st century, there are still many challenges ahead.

Relationships are predominantly bilateral, which may be leading to competition among Caribbean states for assistance from China. So Caribbean countries should coordinate their policies regarding China. Although some Caribbean countries still maintain diplomatic relations with Taiwan, this will not become an obstacle to their economic relations with the mainland. The administration of Taiwan has stated that it will not oppose Caribbean countries that have diplomatic relations with it developing economic relations with China.

Another problem is the large and increasing trade deficit between Caribbean countries and China. China should help Caribbean countries to diversify their exports to China. For example, some Caribbean products, such as coffee and rum, are likely to be very popular in Chinese markets. In addition, China's growing middle class is increasingly participating in international tourism, and Caribbean countries should make an effort to attract Chinese tourists.

On 29 June 2015, Baha Mar Ltd., the majority stockholder of Baha Mar, applied for bankruptcy protection in Delaware, the United States, because China State Construction had stopped work (Whitefield 2015). But the latter argued that Baha Mar should be held responsible for the delay because it had not obtained enough financing and because of mismanagement of design and administration. As of this writing, in an effort to restart the project, negotiations are under way in Beijing between the government of the Bahamas, Baha Mar, China State Construction, and China's Export-Import Bank.

As for Chinese actors in the Caribbean, although they play an important role in the development of the local economy, there are still many problems in their business operations. For example, as mentioned earlier, with the support of China's Export-Import Bank, China State Construction began building the Baha Mar resort in the Bahamas in 2010. The resort was planned to open in December 2014, but construction has been delayed. The builder, China State Construction Engineering Corp., imported about 4,000 workers from China for the project. In a country where unemployment has hovered around 15 percent, this created resentment among local construction workers. In addition, many spending decisions are made in China rather than in the Bahamas, which has slowed construction.

Miscommunication between China State Construction and western subcontractors has also caused problems. For example, when construction fell behind schedule, the Chinese company postponed the removal of cranes it used in building high-rises without informing subcontractors tasked with building out the grounds. Dozens of workers and machines showed up to excavate pools and irrigation channels only to find their way blocked by the concrete pads the cranes rest on, and were forced to sit idle for months (Kaimin and Wriz n.d.).

Chinese investment in sugarcane production in Jamaica, although it has increased employment and contributed to Jamaica's economy, consists exclusively of raw sugar and molasses production, which are forms of primary production, with little value added. Some economists have argued that only value-added production, such as rum manufacturing, can make greater contributions to economic growth by diversifying the economy and moving Jamaica up the value chain in the production of more advanced sugar products (Ghebremusse 2104: 15-16).

Conclusion

Different actors have played different roles in the relations between China and the Caribbean. Because of the character of the Chinese political system, the function of the government, including high political officials, is of special importance. The attention paid by the government and by high officials will be a major factor in the healthy development of relations. On the other hand, political change in Caribbean countries has affected and will continue to affect their relations with China, especially after a change in ruling parties. The attitude of Caribbean governments to the United States, Taiwan, and other Caribbean countries will also have great influence on relations between China and the Caribbean. In addition, it is important both for China and for Caribbean countries to strengthen civil relations. Communication between common people, which is still very weak, should be strengthened.

More and more Chinese companies invest in the Caribbean, but this investment is concentrated in mines, agriculture, and infrastructure, with very little investment in production, tourism, and services. Chinese companies should broaden their investments, especially in high-value-added production that can increase local employment. Chinese companies should also get to know the local culture and social customs and coordinate their actions with local partners. Only when they are accepted by the local society and benefit local people will Chinese companies succeed economically.

Chinese banks have spent a large amount of money in the Caribbean, both as investments and as loans, which is beneficial to the development of relations between China and the Caribbean. But Chinese banks should also pay attention to the risks of investment, as the current situation in Venezuela has shown (see the analysis of Hongbo Sun in this book). Now many question whether Chinese banks can recover their loans from Venezuela.

With the rapid development of relations, more and more Chinese people have migrated to the Caribbean. In the past, Chinese people were not always welcomed and treated well in Caribbean, although they contributed to the economy and society. This resulted partly from the Chinese style of doing business. Chinese in the Caribbean should learn from historical experience and integrate more fully into local culture and society, which is fundamental to their success.

In order to overcome the challenges and promote the development of economic relations between China and the Caribbean, both sides should try to get to know each other better, and draw up suitable policies and laws to promote communication between common people, which will provide healthy conditions for cooperation.

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Se terminó de imprimir en el mes de octubre de 2015
en los Talleres Gráficos Nuevo Offset, Viel 1444, Ciudad Autónoma
de Buenos Aires. Tirada: 700 ejemplares.

No one would have predicted in the 1990s that China would emerge as a fundamental player in Latin America and the Caribbean (LAC) in the 21st century. The LAC-China relationship has recently advanced toward a second stage, as evidenced by the rapid expansion in the number of researchers and students working on various aspects of China-LAC relations, increasing cultural exchange, growing immigration from China to LAC, a boom in tourism, and the launching of new mechanisms for cross-regional dialogue. This book focuses on the actors in the relationship, both in LAC and in China. This analysis goes beyond established knowledge of the LAC-China relationship—particularly trade, in which LAC has become a major source of raw materials for China—to look at characteristics and features of the important actors in the bilateral relationship.

ISBN 978-987-95677-7-7