China and Latin America Relations: The Win-Win Rhetoric

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Abstract: The text analyzes the economic relations between China and Latin America in the context of the capitalist world system. It is argued that as a world power, China has developed a network of economic, trade and financial relations with other economies around the core, the semi-periphery and periphery of the system. The analysis explains the nature of the structure of economic relations between China and Latin America, which is part of China’s periphery. The structure of the relationship between China and Latin America is a function of China’s development and not of its periphery. In other words, the relationship serves Chinese interests through the unequal relationship in which China exports manufactured goods and high value-added products and imports basic products and commodities from Latin America. To justify this unequal relationship, Beijing argues that both partners are part of the developing world and that the trade structure between the two parties is of mutual benefit. It is what we call “win-win rhetoric”. The paper argues that this explanation serves China as a means to hide a bilateral relationship that has a distinct North-South structure and that serves China’s own interests. The text further argues that the relationship between the two parties serves China’s interests as a world power. Thus, China has a utilitarian relationship with Latin America.

Keywords: China, Latin America, International relations, Core-periphery, Economic development

Introduction

China is the emerging global power and the only one able to challenge the US world hegemony in the first half of the twenty-first century. Among the strategies of hegemonic construction and expansion of its economy, Beijing has developed a network of economic relations with both the industrial economies and those constituting the semi-periphery and periphery of the world system.

This article tries to explain the nature of the structure of China’s economic relations with the countries of Latin America, which are part of China’s economic development in which the discourse of international politics plays a significant role, and in which the win-win

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rhetoric plays a central role since it is the reasoning that justifies the development and preservation of an asymmetric economic relationship.

Through its foreign policy speech, the power identifies itself as a developing country which shares the same challenges, goals and interests as the Southern nations. This discourse tends to systematically praise the mutuality of interests based on common international principles, a similar notion of belonging to the developing world and the mutual benefits of economic relations. However, China’s argument hides a reality: the increasing dependence of Latin American countries on a structure of North-South relations, according to the capacity and power distribution characterized as core-periphery -as formulated by Prebisch, whose division element is the specialization of international work.

**Understanding China’s Rise to Hegemony**

From the perspective of world system (Wallerstein, 1975, 1984; Arrighi, 1985, 1998) based on the core-periphery morphology (Prebisch, 1949, 1951) and global change, China represents both change and continuity. Change because it represents a transition in the economic hegemony process (Li, 2014), and continuity as competition and rivalry occur in the context of the capitalist order.

Under the ideology of neoliberalism, after the end of the Cold War, capitalism came to represent the global order (Bernal-Meza, 1991; 1994). As a paradigm of the new international order, “globalization” became opposed to “bipolarity” (Bernal-Meza, 2000: 33-34). This transition to a new stage of expansion of historical capitalism –the stage of globalization\(^3\) has led to the overcoming of what Cervo termed as “difficulties in the construction of a global order, by the late twentieth century” (Cervo, 2001). Since then, in the same way that it has previously been under the order dominated by Europeans, the West have shown a remarkable ability to “accommodate” emerging powers (Ikenberry, 2008: 31) and the same will happen with China, following the argument of this author.

China has played an indispensable role in the global triumph of neoliberalism and, therefore, global capitalism has been strengthened in the current phase of globalization (Li

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\(^3\) This interpretation of globalization, according to Raúl Bernal-Meza (2014: 39-40), can be synthesized in the formula GLOBALIZATION=PROCESS+IDEOLOGY. Steen F. Christensen and Raúl Bernal-Meza, “Theorizing the Rise of the Second World and the Changing International System”, in Li Xing (Edited by), *The BRICS and Beyond. The International Political Economy of the Emergence of a New World Order*, Ashgate, Surrey, United Kingdom.
However, this is a variety of capitalism (VoC), which shares the logic of the market economy but not the political liberalism, so liberal economic elements are combined with statist elements (McNally, 2014).

It is important to understand that China’s choice in favour of capitalism -in a historical period in which the market economy would become the central feature of our time- was a strategic decision based on the potential of the country under a concentration of power in the hands of a single party, which limited the range of discussion on possible options for development, such as the continuity of the communist economic model.

From this point of view, the rise and decline of powers remain in the logic of the international system described by Paul Kennedy (1988). Rising powers want to translate their newly acquired power into greater authority in the global system (Ikenberry, 2008). Having opted for the capitalist mode of accumulation, China has followed the principle that all States that have dominated the international system -or aspire to do so- have struggled to increase their share of wealth and power, to become both rich and strong, or to stay in that position. The rise of China does not represent more than that and its global behaviour is in line with this principle.

While for Li Xing the most important event in the international system over the past 30 years has been the re-emergence of China as a major regional power and its rise to the rank of the world’s largest economy, for Ikenberry (2008 p. 23) this rise is undoubtedly “one of the great dramas of the century”. In the same vein, Li Xing (2010:149) points out that China’s sustained economic growth over the last three decades is the biggest challenge to the prevailing world order since the end of the Cold War. Even if China’s growth rate slows down from its current pace, no other country is bound to have a similar impact on the world economy in the next two decades, and China will replace the United States in 2030 as the world’s largest economy (World Bank, 2012: 6).

Yet the hegemonic rise of China also marks a transition in the international balance of the last two centuries. The old North-South axis, which used to portray the division between development and underdevelopment, is being replaced by an East-South axis (Pieterse, 2011). From Asia, China has moved from the periphery to the core (Li Xing, 2012; 2012a), generating challenges and constraints (Li Minqi, 2005). In this systemic configuration of rises and demises in economic hegemony, China is building its own core/semi-periphery/periphery
structure, particularly in Southeast Asia, Africa and Latin America. While ASEAN\(^4\) countries provide intermediate goods, Latin America and Africa provide raw materials. The systemic context of a capitalist world-economy, hegemonic competition and intra capitalist rivalry explains China’s expansion into Latin America and Africa. The discourse of public diplomacy\(^5\) and China’s foreign policy towards Latin America hide a reality: the increasing dependence of Latin American countries on a North-South relations structure. China plays the “developed country” card – for instance when wielding power in NATO and UN talks– and the “under-developed country” card – for instance when negotiating African agreements– when it suits her (Stewart and Li, 2013: 28).

**The Impact of China’s Rise**

What are the consequences of the dynamics of consolidation and expansion of a power? The experience left by policies historically applied by other powers, between the sixteenth century and the first half of the twentieth, which proved to be efficient for the purpose of accumulating power and wealth, was the colonial and imperialist practice; both the United States from the mid-nineteenth century, and Japan, in Southeast Asia, after the Russian-Japanese War.

China is increasingly comparable to the old role of the United States as an “indispensable nation” in the world (Li Xing, 2010) and simultaneously confronts Japan and the Western powers within the model of capitalist accumulation. Its rapid economic growth is an unprecedented fact in modern and contemporary history, having reached the number one position in the world economy in less than 40 years: 1979-2019. In this context, China’s international track record shows that it is a status quo power, a conservative power that has used the international post World War II order and the world capitalist system for its own rise.

Simultaneously to expanding its interests to peripheral and semi-peripheral countries, China started to play in world politics through cooperation with countries that have been called the “second world” (Christensen and Bernal-Meza, 2014) and alliances such as BRICS, aiming to find a place in international management under coalitions with countries that are not considered as their potential enemies by the West: India, Brazil and South Africa. Although its power is not currently represented in the structures of the Bretton Woods order, we must

\(^4\) Association of Southeast Asian Nations.
\(^5\) Cf. Rodríguez and Yang Shouguo (2013).
think about what will happen when China consolidates what today is an emerging power; when China equates, equals or exceeds the United States.

According to Oliveira (2013), Antonio Barros de Castro developed a concept of “post-China”, which expressed the idea that this power of the XXI century was in a process of reorganization, in an innovative form of society and state, which would spread globally as a restructuring power. One aspect of this reorganization has been the development of a sui generis model of capitalism (VoC).

As proposed, the discursive support for China’s foreign policy has been its belonging to the developing world. From that win-win rhetoric perspective, China misrepresents the reality of a relationship with Latin America that is clearly north-south, both from the perspective of the structure of trade, and from the military-strategic and global security point of view. This aspect is revealed clearly as China moves from economy to politics on its international agenda.

China is a key player in the global economy because its productive model stimulates the growth of all other economies of the world by the creation of a virtuous circle of investment, production and market, which has had an impact on a global scale. The bandwagon effect also strengthens the economic hegemony of the tractor and creates dependence on the core engine from the economies on the bandwagon (Oviedo, 2014:151). This feature should be deepened in the future, as China is currently the axis of world economic dynamism. By 2011, the power already accounted for 30% of the growth in global demand (Eichengreen et al., 2011: 8). As long as China keeps its strategy of production and export of manufactured goods, the demand for raw materials will not cease and that is the trend in the medium and long term.

**China in Latin America**

Fifteen years ago, China was an unknown economic player in Latin America, with the exception of Chile. Today, in 2015, China is the biggest trading partner of Chile, Brazil, Uruguay and Peru, and the second biggest trading partner of Argentina and Venezuela (Sevares, 2015; Cepal, 2015; Observatorio América Latina Asia Pacifico).

The structure of trade between China and its productive model integrated into the world capitalist economy stimulates the growth of other economies by creating a virtuous circle of investment, production and market. However, structurally, these commercial, financial and

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6 Brazilian economist of development thinking, who died in 2011.
7 Quoted by Uehara (2013).
investment networks involving Latin America are just “functions” of Chinese development; that is to say, the logic that determines and sustains their respective dynamics responds to China’s development model, not to a model of industrial development of its Latin American periphery.

China’s demand for raw materials fits in with the regional offer. This situation, though, has led to a primary-export specialization in Latin America. The process of trade primarization is a result of two mechanisms: the core-periphery bilateral matrix and the fact that China is replacing Latin American manufactured exports in third markets. Thus Latin American economies are being pulled by the dynamics of foreign trade, creating dependency on the driving core economies.

The countries that had already developed import substitution industrialization (ISI) policies and were exporting manufactured goods (Brazil, Argentina, Mexico) underwent a process of re-primarization of exports as a consequence of the replacement of their exports with Chinese products, whereas the rest of Latin American partners, already primary exporters (Venezuela, Perú, Uruguay, etc.), deepened their primary-export status of a few products. The only exception is Chile which, although deepening its primary specialization because of its copper exports, also increased both the volume and the number of exports.

As a result of this exchange, in the last two to five years, all Latin American countries have had a deficit in their trade with China. The exceptions are Brazil and Chile, the countries with bilateral trade surplus.

According to A. Ferrando, “China’s goal for 2024 is to reach a trade approaching US$ 500,000 million to Latin America” (Ferrando, 2015). As the author points out, it is an unequal exchange because more than 90% of regional exports are raw materials, while less than 10% of imports from China are commodities, and the rest are industrial products consisting of low, medium and high technology.

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The Political Policy

The rise of China in the global economic power structure has modified and influenced the international integration of Latin American countries. The general evolution of international economic relations in the region indicates that its member countries, since the beginning of the twenty-first century, started - to a greater or lesser extent - to refocus their economic relations towards China. This shift would also begin to influence their foreign policies, to the extent that regional countries endorsed in a pragmatic way the agenda of issues that mattered to China. Thus the power began to influence the foreign policies of the region (Ross, 2002a; Becard, 2008; Oviedo, 2010; Bernal-Meza, 2012) through the predominance of Chinese global political interests in the definition of the bilateral agenda.

At the same time, its Latin American partners adopted in their international agendas China’s foreign policy priority issues: its recognition as a “market economy”, the “One China” principle and the non-questioning of the Tibet issue, the Taiwan question, the acceptance of China as a “developing country”, the unquestioning silence in terms of violations of human rights, etc. Thus Chinese global political interests have been predominant in the definition of the Latin American bilateral and multilateral agenda, yet there has not been any move in the opposite direction as there could have been with the issues of development cooperation, controls on financial capital that the core economies divert to periphery via “tax havens”, protection of their natural environments and resources, access to the markets of developed countries for their manufactured goods, etc.; as well as some historical issues on the international economic order.

At the beginning of those 15 years, China was considered a great hope for the Latin American economic development. Today, it is increasingly seen as a big challenge and a big problem for development because China has replaced the role of the United States and the earlier role of Britain as a dominant economic power, which sets up the region as its subordinate periphery and increasingly becomes the main investment and capital exporter power. The diagnosis of this situation is quite common among Latin American analysts, academics and diplomats, including Chilean ones, because they too have started to have similar concerns.11 Chinese and Latin American interests in international politics do not match, nor are they likely to do so in the future.

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11 Latin American authors such as C. Ross, E. Oviedo, CJ Moneta, J. Sevares, R. Bernal-Meza, Altemani de Oliveira, D. Becard, D. Guelar, etc.
However, despite the existence of similar diagnoses, there is no common policy of Latin American countries to face the challenge of China, as it has been noted in recent research (Bernal-Meza, 2014). The trade complementarity produced by the harmony of interests between China and South American countries constitutes the backbone of the relationship between the two segments. However, this harmony is asymmetric (Oviedo, 2014: 144). Thus, the more dependent Latin America becomes on Chinese imports and exports of capital, the more compromised the region will be in the context of the overall interests of the emerging world power.

Among the relevant issues for our region, as developing countries in a process of modernization, China -and also other BRICS, such as India and Brazil- would then be introduced as a variety of capitalism (Becker, 2013). That is, a model of delayed development; a form of state-led development, alternative to the historical path represented by Anglo-American and Western European capitalism. This phenomenon would become part of China's image, which limited the huge historical and cultural differentiation between China and Latin American countries, since, as in many other late developing countries, owners of private capital in China have substantiated the Chinese party-state with the creation of an alliance of political and economic elites (McNally, 2013); types of alliances that were also forewarned and are now present in underdeveloped capitalism in our region, particularly through populist governments.

China has broken with the assumption that capitalist development should follow the Western tradition and has demonstrated that capitalism is not a monolithic, waterproof and ideologically coherent block - like the example of USA-EU-NATO would show- but rather a complex socio-economic system that adapts to different forms in different nations, cultures and times, in which the national “option” -unique and original – turns out to be part of the alternatives of development. In this scenario, Latin America - and particularly South America - is an increasingly long way from meeting American and Western European interests, thus the approaching China (and also Russia) emerges as options for the international integration of the region, which eventually will pose a challenge to American hemispheric dominance.

China will have increasing impact and influence on the international system and vis-à-vis Latin America, and this condition is not shared by any other Western or emerging world power. For Latin America countries, China’s rise will mean a redefinition of their frameworks of international relations as a result of the transition, and probably later, its consolidation as a hegemonic power.
China and Latin America in International Politics

For China, the basis of international cooperation with Latin America is in the common notion of belonging to the “developing world”. Historically, the discourse of China’s foreign policy has insisted on the country’s status as such. However, this is a difficult condition to accept for Latin American countries since, with the exception of per capita GDP, there are no other parameters to identify both as “similar” (Oviedo, 2012; Bernal-Meza, 2012). However, they share development challenges such as energy dependence (with the exception of Brazil, Venezuela and Ecuador), deterioration of the environment, depletion of non-renewable resources and environmental pollution.

Although there are political and diplomatic factors, economic interests have shaped the course of China’s relations with Latin America and Mercosur. According to Rodriguez (2013), these interests have a central place in the public diplomacy of China. Chinese objectives in the region are essentially economic, and secondarily political. However, the investment policy follows financial planning directed from the highest echelons of Chinese power and it is part of the strategy of reform and expansion of financing abroad and deployment of Chinese banks abroad (Sevares, 2014; Guelar, 2013). Although, as Oviedo (2014) points out, there is a harmony of interests, it becomes a negative factor for development because it deepens the primary export character of the economies of the region and keeps –and even aggravates – the increasing dependence of our countries on Chinese economic development and demand.

According to all visions and images found in the analysed literature, in large and medium-sized countries of Latin America –Brazil, Mexico, Argentina, Colombia, Chile (Bernal-Meza, 2014) – China projects three outlines: 1) a vision as a trading partner, of which there are different interpretations, though the perception of risk is prevailing; 2) a vision of a state model of development and economic and social modernization; and 3) a vision as a possible pillar in building a new world order, which is multipolar and not hegemonic.

Economic Relations

Trade relations between China and Latin America have gone through several stages. From a Chinese perspective, the first stage covers the period from the 1970s to 2005, a period in which the supply of agricultural commodities, and other inputs such as iron, copper or wood was China’s trade priority. This period was characterized by China’s high trade deficit with Latin America and started the new “virtuous cycle” of export trade in the region. This stage
allowed one to speak of a “harmony of interests”. According to Oviedo, China’s relationship with Argentina is a clear example of what Robert Keohane called “harmony”. It refers to “a situation in which actors’ policies (pursued in their own self-interests without regard to others) automatically facilitate the attainment of others’ objectives”.

Thus, China stimulates Argentina’s economy and contributes to achieving the objectives of both parties, allowing Argentina to increase sales, while ensuring supply to China of strategic goods for food and energy security and inputs to produce goods that China “factory” exports or consumes domestically (Schujovitzky, 2015).

This is the interpretation of a win-win relationship with fast growth of bilateral trade and growing trend in the volume of investments (Oviedo, 2012). It is the stage of the complementarities several authors talk about (Jian Shi Xue, 2011; Bernal-Meza, 2012). The second stage, starting in 2005 and extending to the present day, has been characterized by a geometric growth of trade volume, which in turn has been characterized by a selective and focused investment and mergers policy that has favoured extractive industries and energy and port infrastructure (Guelar, 2013:31; Sevares, 2015). South American growth became a function of China’s domestic demand (Castro, 2013).

By the early XXI century, China has become the most important trading partner for Latin America and the Caribbean. China came to replace the position occupied by Japan during the preceding decades, thus keeping and deepening Asia’s presence in the region. Sevares (2015: 95) notes that Asia’s attraction causes realignments in the regional economic and political relations and deepens the difficulties for any program of regional integration, because Latin American trade with other regions’ countries, particularly with China, is increasingly more important than intraregional trade.

Provided that the key element of the link between China and South America is the bilateral relationship between Brazil and the People’s Republic of China (Bernal-Meza, 2012; 2012ªa, Castro), the characteristics of Chinese investment in that country portray what is happening in other countries in the region: “90 % of Chinese investments in Brazil are concentrated in oil and mining” (Guelar, 2013: 140). This reality is even harder since Brazil has the largest and most diversified industrial structure in Latin America. The situation

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13 Ibid.
became more complex as developed countries gradually became unable to absorb most of the exports of China (and India), which gradually were redirected towards developing countries.

China has re-launched and deepened the structural heterogeneity of Latin America. From the point of view of production structures, countries that have an international economic integration with an industrial component (such as Brazil, Mexico and Argentina), as well as those which have abandoned any industrial option (Chile) and those which have never passed the primary-exporting stage (such as Bolivia, Ecuador and even Venezuela); all of these have been incorporated into the Chinese economic cycle as primary economies. Nonetheless, the argument of Chinese authors reveals the existence of a positive complementarity, which justifies the win-win-rhetoric and would also justify the existence of a “symmetrical harmony of interests”.

In 2011, Jiang Shi Xue said that there was a new trend in international economy, thanks to China’s role in the international economy which allowed one to expect that commodity prices would keep an upward trend and, at the same time, those periphery and semi-periphery countries would benefit from imports of Chinese manufactured goods at low prices. For those producing countries, that would mean very good scenarios for their economic future development, leading to a “harmony of interests” between China and countries specializing in the production of primary resources in South America (Bernal-Meza and Christensen, 2015).

This trend should deepen if Antonio Castro’s forecasts are right (Oliveira, 2013: 60): that the rise of East Asia, led by China, will invert the old pro-industrialized countries order, in which prices of raw materials always tended to fall while prices of manufactured goods rise. Experience shows – refuting Prebisch’s thesis about the “deteriorating terms of trade” – that developing countries have exported increasingly expensive raw materials and bought increasingly cheaper manufactured goods.

But Jiang Shi Xue’s thesis has proven wrong, because after the crisis of 2008, a permanent trend of volatility and falling prices for commodities has been predominant over stability of demand and -whether steady or increasing- rising prices.

The situation is even more critical if analysed from the point of view of the productive structures of specialization and their connection with employment and increase in demand and consumption. As demonstrated by the work of Bourdet, Gullstrand and Olofsdotter (2007), specialization in primary production does not demand employment according to rates of population growth and tends to generate low consumption value markets. According to the authors, it can be said that comparative advantages have remained fairly stable over time.
Low-income countries specialize in land-intensive goods; middle-income countries in labour-intensive products, and high-income countries are intensive in technology and capital. The rise in terms of economic development and income only occurs as long as countries are transformed into producers of human capital intensive goods, which expresses the intensive use of technology (Bernal-Meza, 2014a).

The share of intra-industry trade in total trade increases with income level. Since the economy of any country is more diversified as income rises, and there is a greater volume of trade between the richest countries, bilateral trade flows become more intensive in intra-industry trade while increasing similarity in per capita income (Bourdet, Gullstrand and Olofsdotter, 2007). In short, although developing countries have experienced a significant growth in their share of world exports in the 90s and the 2000s, it does not seem to have any effect on the global structure of specialization; a fact that is confirmed when evaluating the bilateral trade between China and Latin American countries since the early XXI century to the present.

Conclusions
There are three findings that support the conclusions. The first one points out that China is the great new rising power with capacity to replace the hegemony -for the moment, just in the world economy. The second is that, as hegemonic cycles suggest, the great powers develop and use a network of relationships that structure a relationship of domination – subordination, which allows them to -or ensures that they - achieve and keep power and wealth. The third is that this competition and rivalry between powers currently take place under the framework of capitalist order.

From the above findings, it can be argued that China has built a structure of international economic and financial relations through which, according to the model “core-periphery” of Prebisch, China has become the core and Latin America its periphery.

The construction of the network of “Latin American functions of Chinese development” has been based on a win-win-rhetoric speech. China bases its foreign policy towards the Third World in general and supports its public diplomacy. The structure of China’s economic relations with Latin America are “Latin American features of Chinese development”; i.e. that structure serves the Chinese economic development and not Latin America and that China justifies it by using the win-win rhetoric. This rhetoric (China as a developing country having
“South-South” relations with Latin America) base holds its foreign policy towards the Third World and supports its public diplomacy.

However, China has a purely utilitarian view on Latin America. Explaining China’s public diplomacy, Yun Tso Lee (2013: 83) notes that the reason for the Chinese perspective on Latin America “lies in obtaining resources and raw materials, especially oil, in order to continue feeding back its peaceful rise and regain his throne as the country of the centre of the world”. Obviously these are not the aims of the international agenda in Latin America which, since the 1970s, unanimously claimed from powers the creation of a New International Economic Order to make possible a true path of development. Changing economic hegemonies does not seem to lead to the achievement of that objective. In that sense, the idea of a win-win relationship is just “rhetoric”.

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