中国与国际关系学刊

JOURNAL OF CHINA AND INTERNATIONAL RELATIONS

Special Issue:
China-Latin America Relations in an Era of Changing World Order

Aalborg University 奥尔堡大学

University of International Relations, Beijing 国际关系学院

Aalborg University Press
ISBN: 978-87-7112-078-3
ISSN: 2245-8921

Special Issue
2016

© 2016 Journal of China and International Relations

Published by
Aalborg University Press, DIR & Department of Culture and Global Studies at Aalborg University
in collaboration with University of International Relations, Beijing

Distribution
Download as PDF on www.journals.aau.dk/index.php/jcir

Design and layout
Cirkeline Kappel

The Secretariat
Kroghstraede 1, room 2.023
Aalborg University
DK-9220 Aalborg East, Denmark
Tel. +45 9940 9150
E-mail: amos@cgs.aau.dk
Homepage: www.journals.aau.dk/index.php/jcir

Table of contents

China-Latin America Relations: Main Themes, Main Problems

Steen Fryba Christensen & Danielly Silva Ramos Becard[1]

Historically there has been very scarce interest from academics and politicians in the field of China-Latin America relations. This has recently changed as a consequence of China's impressive economic development trajectory after the introduction of economic reform policies of growing openness towards the international economy since the late 1970s. With China's growing economic weight in the global economy, the country has gained a more central role on the international political scene. This "rise" of China's global importance has made countries from all world regions increasingly interested in relations with China, and has raised the attention of academics in China and its global role as well as its relations with individual countries and different world regions across the board.

From a Chinese perspective, interests have mostly been focused on relations with dominant countries in the developed global North as well as on relations with its regional neighbors, while there has barely been any interest in Africa and Latin America (Armony, 2011: 23-24). However, with its growing internationalization and industrialization, China's economic interest in developing countries has grown. For example, China's interest in Africa and its economic presence on that continent has grown substantially during the last 15-20 years, gaining much interest from the academic community. In the same period, China has also gradually become important for Latin American countries raising the interest of academics and politicians in Latin America in China-Latin America relations. This interest took off particularly after China's entry into the World Trade Organization in 2001, although a country like Brazil already celebrated a strategic partnership with China in 1993 (Christensen, 2016).

However, it was not until the 2000s that bilateral economic relations between Latin American countries and China took off. Initially, academic interest centered on bilateral economic relations between China and individual Latin American countries, with a particular focus on the differential economic impact of China on Latin American countries. A typical distinction was between South American countries, which were generally considered to be

[1] Danielly Silva Ramos Becard, PhD, is Associate Professor and Deputy Director at the Institute of International Relations – University of Brasilia, Brazil. E-mail: daniellyr@yahoo.com. Steen Fryba Christensen, PhD, is Associate Professor at Department of Culture and Global Studies at Aalborg University, Denmark. E-mail: sfc@cgs.aau.dk

"winners" from the rising relationship with China due to China's huge appetite for commodity imports in terms of oil, metals and to some extent also agricultural products, on the one side, and Mexico, Central America and the Caribbean that were generally seen as "losers" from the relationship with China, since the main impact from China was produced from competition in the manufacturing sector in international markets (Dussel Peters, 2011). In reality, China's imports from South America mostly focused on a few countries, such as Brazil, Chile, Argentina and Peru, but the literature tended to see South America as a whole as a region of winners from relations due to the so-called "China effect" on commodity prices. Richard Jenkins (in Perrotti, 2015: 49-50) defined this effect in terms of considering how commodity prices would most likely have developed between 2002 and 2007 had it not been for China's growing commodity imports during that period. In reality, the situation of China's bilateral economic impact was more complicated than that. As some researchers pointed out, also South American manufacturing producers experienced the competitive challenge from growing Chinese manufacturing exports. In other words, China's impact differed across production sector. Also, if we fast forward the "film", the period 2013 to 2015 saw a drastic fall in commodity prices (World Bank, 2016). While the "boom" period between 2003 and 2008, with the outbreak of the international financial crisis in this last year, saw South American countries move from economic stagnation and into a period with an average annual growth of almost 7 percent (ECLAC, 2008: 13-18), the period between 2013 and 2016 has been less benign in terms of South American economic growth, particularly for countries such as Venezuela, Brazil and Ecuador that have recently experienced negative economic growth and development problems. This development has led to a discussion in the academic field of the risks of economic destabilization and de-industrialization. Some see China as a major culprit in this development and speak of a negative economic impact from China and warn of the dangers of growing economic dependency and the risk of a jump backwards in development terms, with Latin America becoming increasingly integrated in the global division of labor in a manner akin to its integration in the global economy in the 19th Century, as a raw material provider to international markets that is unable to successfully integrate in global production networks in the manufacturing sector (Sevares, 2015).

Without doubt the theme of bilateral economic relations between China and individual Latin American countries is undoubtedly the theme most studied in the field. However, other themes and dimensions of these relations have also gained interest. A main avenue of interest has focused on how China's growing significance for the region affects U.S.-Latin America relations (see, e.g. Paz and Roett, 2009). Should China be considered a threat to US regional and maybe even global hegemony (Khanna, 2008; Christensen and Bernal-Meza, 2014)? China's geopolitical role and significance has thus become of growing interest to academics and of growing concern to politicians in the US and elsewhere. In the case of Latin America, China's impressive economic growth figures and its growing role as a trade partner, investor and lender to Latin America since the early part of the 20th Century happened simultaneously with a turn towards the political left in many Latin American countries (Madrid, 2010-11). Some of these, such as Venezuela, Bolivia and Ecuador as well as Brazil, started seeing China as an ally on the global political scene (see e.g. García Agustín in this issue) with Brazil being a special case since it is part of the BRICS network or coalition (Christensen, 2016). Closer political relations and outright alliance with China on the part of individual Latin American countries were seen as a potential threat to US hegemony and, on the other side of the coin, as an opportunity for Latin American countries to gain more autonomy from US influence and maybe even to contribute to a new world order that would be more beneficial to Latin America as it would possibly free itself from dominant US influence. As with the issue of bilateral economic impact, this theme has seen recent changes in alliance patterns associated with economic decline and/or changes in governments in Latin American countries, such as Argentina and possibly Brazil. More countries may move closer to the United States in the near future as well, Venezuela being a case in point as it is experiencing a very complicated political and economic scenario that is likely to lead to a change of government. This connects to a new strand of enquiry within the field of China-Latin America relations, namely the domestic roots of foreign policy, exemplified in this special issue of *Journal of China and International Relations* by the article written by Daniel Jatobá & Fidel Pérez Flores. Recently, there has been a growing interest in domestic political variables and their significance for China-Latin America relations. To what extent and how are domestic political processes in Latin American countries reflected in the foreign policies of Latin American governments towards China? Similarly, there is a growing interest in how China-Latin America relations may affect the insertion of Latin American countries in the global economy and in the international division of labor, an issue that may be interlinked with the question of alliance patterns in global politics.

Culturally oriented studies have also gained more interest, largely focusing on the large distance culturally between China and the Latin American region. These studies have particularly focused on social interactions on the ground pertaining e.g. to the existing and/or growing presence of Chinese immigrants and diaspora in Latin American societies. Though this sub-field is of less interest to the *Journal of China and International Relations*, cultural aspects nevertheless often have political and/or economic implications.

Nicola Phillips (2011: 90) has pointed out that most studies in the field of China-Latin America relations have had a Latin American perspective, i.e. seen the relations in the light of Latin American interests and preoccupations and that the field ought to widen out and consider to a larger extent Chinese perspectives as well. This is a valid point for various reasons. For one, it is important to understand the Chinese side. What are China's aims when relating to Latin America? Is China mainly, or even exclusively, focused on how Latin America can contribute to Chinese economic development, or does China have more geopolitical intentions as suggested in this issue in the article written by Li Xing? Apart from this, studies from a Latin American perspective would gain from having an understanding of the Chinese side and perspective when analyzing relations between China and Latin America, as this would help understand the reaction of Latin American states and societies towards China.

This special issue of *Journal of China and International Relations* does intend to avoid the pitfalls pointed out by Phillips and thus provide a broad thematic focus and contribute to a more holistic understanding of China-Latin America relations as seen from various domestic perspectives as well as from a more global perspective related to the dynamics and transformations of the global system. Bringing together a talented and heterogeneous group of scholars and researchers, the special issue will contribute to a better understanding of the current conceptual, institutional and normative frameworks that allows us to think about the main themes and problems present in contemporary China – Latin America relations.

Li Xing's article opens this issue and provides a broad understanding about the transition of China's development strategies and its implications to Latin America. By applying both Neo-Gramscian IR theory and the world system theory, Li Xing affirms that Beijing's outward expansion represents a world system's new round of capital and production relocation, which will dialectically enlarge or reduce "room for maneuver" and increase or decrease "upward mobility" for developing regions, including Latin America. On the one hand, Beijing's proactive leadership is creating more opportunities and choices for Latin American countries to make their voices heard, to strengthen their bargaining position and to participate in decision-making processes on matters related to global governance. China's comparative strength in manufacturing can force Latin American producers to enhance their productivity and competitiveness. China's vast domestic market can generate significant export revenues for Latin America and, more recently, China's financial capital can be a critical source of investment capital for Latin America's infrastructure development. On the other hand, China is a strong "competitor" for Latin America. This is what the author points towards as representing the coexistence of upward and downward mobility. In this sense, the author recommends that Latin America's countries should seize the chance of China's external "promotion by invitation" to increase its upward mobility and to find the strategic convergence with China's global strategy.

Raúl Bernal-Meza takes the world system perspective and the core-periphery morphology to explain that the reasons for the Chinese perspective on Latin America lies more on obtaining resources, raw materials and markets in order to continue feeding its peaceful rise and regain its place in the center of the world, than on creating an International Economic Order that would favor the development of Latin American partners. In China – Latin America relations, the author affirms that the *win-win rhetoric* plays a central role, since it is the reasoning that justifies the development and preservation of an asymmetric economic relationship. Although China's discourse tends to systematically emphasize interests based on common international principles, similar belonging to the developing world and the mutual benefits of economic relations, it hides the increasing dependence of Latin American countries on China. 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. Bernal-Meza indicates that this aspect is revealed clearly as China moves from economy to politics on its international agenda. Structurally, China – Latin America commercial, financial and investment networks are a function of Chinese development, and not of an industrial development model where Latin American countries could escape its peripheral position.

Antonio C. Hsiang uses the Power Transition Theory to investigate how China competes with the US in Latin America. For him, the United States and China are locked in a long-term competition for economic primacy, where China is growing at a much faster rate than the more mature economy of the United States. The author also affirms that China is already challenging the existing international regimes and changing the international community as it tries to build a new world order. In Latin America, China is already structuring alliances with the use of Foreign Direct Investment (FDI), which helps to explain the US-China competition in that region. According to Hsiang, another element that helps to explain the nature of this competition is US lack of success in implementing its own policy towards Latin America. Treating the region as a "backyard" with interests identical to those of America was a big mistake. Thinking that Latin America would automatically see US interests as their own interests was another one. For Hsiang, Latin Americans wanted economic ties with the United States but felt slighted and uneasy about the US role in the world.

Steen Fryba Christensen's article compares Bolivia's and Venezuela's recent development path and China's impact on it. It takes a historical approach within the tradition of international political economy, making bridges with the school of Latin American historical structuralism and Immanuel Wallerstein's world system analysis perspective. In doing so, Christensen explains how changes in the global context and China's ascension match with Bolivia's and Venezuela's national political and economic development characteristics, producing different outcomes in their respective developments. The analysis shows that both systemic and domestic factors matter in explaining why China's significance to Venezuela was not the same to Bolivia since the beginning of the 2000s. Deeper internal economic conditions, bigger vulnerability towards the international financial system and lack of partners are some of the factors that Christensen presents to explain why Venezuela needed China's help much more than Bolivia to surmount its problems. Some of the conclusions point out that Venezuela was less well prepared than Bolivia for the worsening terms of trade provoked by the outbreak of an international financial crisis in 2008. Moreover, it seems that Bolivia was more successful in increasing and diversifying production in energy and mining than Venezuela in controlling oil production. In this context, China became an indispensable partner to Venezuela and a fundamental source of financing and technical and logistical support. For Bolivia, China's loans were much more modest, as Bolivia was more able to finance its own development. The situation in Bolivia has only started to change with the worsening in its terms of trade associated with falling commodity prices. Only in more recent time, China has started to gain a more significant role as a provider of financing and technical expertise to Bolivia than in the case of Venezuela.

Óscar García Agustín's article addresses how the Venezuelan economic and political potential to increase its regional influence is developed through its relation with China. The situation presented by the author is that while Venezuela becomes more dependent on China, it does so in order to become more independent from the US, in a context of interdependent hegemony. In order to explain this paradox, the author assesses how China is influencing

Venezuela politically and economically and whether or not the two countries are forging an equal and mutual partnership. The author shows how the Venezuelan government may be reinforcing its independency but also shaping new dependent relations. According to the author, the context of interdependent hegemony would be leading to a much more complicated world than that led by a sole hegemon or a world divided into two ideological blocs.

Daniel Jatobá and Fidel Pérez Flores' article has the purpose of identifying political reactions to the growing Chinese economic presence in Brazil, Venezuela and Nicaragua. Its analytical perspective considers China-related issues as part of the foreign policy agenda that can be observed like any other public policy issue. The authors found three different ways of interaction with existing political cleavages and coalitions, as well as contrasting levels of intensity of the politicization itself. In Nicaragua, the presence of China restructures the existing political cleavages and gives new dynamics to both parliamentary and extra-parliamentary forces. In Venezuela, the existing strong political cleavage between government and opposition incorporates China as one more issue of their political clashes. In Brazil, the presence of China is apparently diluted into specific sectorial effects. Their respective politicization movements, which are formed and conducted by the private sector along the axis defensive-offensive commercial interests, are deepening existing organizational structure. Traditionally strong business groups are conscious of the need to advance their interests not only by making business, but also through a permanent contact with government authorities and decision-makers.

In the same way, Chinese investments in extractive industries often create opposition from specific affected communities, even in countries with governments otherwise allied with China on the international political scene. This theme is touched upon in this Special Issue in the article written by Malayna Raftopoulos and Marieke Riethof that focuses on environmental problems. The authors highlight the fact that China's strong demand for natural resources and energy is threatening ecosystems and the sovereignty of local communities over their natural resources and land. These problems suggest that China is not really concerned with the promotion of an alternative model based on sustainable development. After analysing the environmental dimensions of Sino-Brazilian relations, the authors argue that the asymmetrical economic relationship between China and Brazil has reinforced the unsustainable nature of Brazil's natural resources boom. In the specific case involving the Chinese participation in the construction of hydro-electric dams in Brazil, there are many conflicts and controversies surrounding the respect of the local population's rights that urgently need a solution. As a result of dam projects, local communities have faced problems such as flooding, pollution, land invasions and the influx of large numbers of people attracted by the dams' employment prospects.

Clearly, as China has become increasingly significant to Latin America in different aspects this is being reflected in academic debates in the field. This special issue of *Journal of China and International Relations* seeks to contribute to the discussion of what is significant and what is particularly salient for the understanding of China-Latin America relations and their most relevant implications.

Bibliography

Armony, Ariel C. 2011. "The China-Latin America Relationship: Convergences and Divergences." In A. H. Hearn and J. Leon-Manriquez, eds. *China engages Latin America: Tracing the Trajectory*. Boulder, Colorado and London: Lynne Rienner.

Christensen, Steen Fryba. 2016. "How Prioritized Is the Strategic Partnership between Brazil and China." In Li Xing and Steen Fryba Christensen, eds. *Emerging Powers, Emerging Markets, Emerging Societies: Global Responses*. London: Palgrave MaCmillan.

Christensen, Steen Fryba and Bernal-Meza, Raúl. 2014. "Theorizing the Rise of the Second World and the Changing International System." In Li Xing, ed. *The BRICS and Beyond: The International Political Economy of the Emergence of a New World Order*. Farnham, UK: Ashgate Publisher.

Dussel Peters, Enrique. 2011. "China's Challenge to Latin American Development." In Adrian. H. Hearn and Jose L. Leon-Manriquez, eds. *China engages Latin America: Tracing the Trajectory*. London: Lynne Rienner.

ECLAC. 2008. *Economic Survey of Latin America and the Caribbean 2007-2008*. Santiago, Chile: Economic Commission for Latin America and the Caribbean.

Khanna, Parag. 2008. *The Second World: How Emerging Powers Are Redefining Global Competition in the Twenty-first Century*. New York: Random House.

Madrid, Raúl. 2010-11. "The Origins of the Two Lefts in Latin America." *Political Science Quarterly*. 125(4): 587-609.

Paz, Guadalupe and Roett, Riordan. 2009. *La presencia de China en el hemisferio occidental: Consecuencias para América Latina y Estados Unidos*. Buenos Aires: libros del Zorzal.

Phillips, Nicola. 2011. "Re-ordering the Region? China, Latin America and the Western Hemisphere." *European Review of Latin American and Caribbean Studies*, 90, April: 89-99.

Perrotti, Daniel E. 2015. "The People's Republic of China and Latin America: the impact of Chinese economic growth on Latin American exports." *CEPAL Review*. 116: 48-59.

Sevares, Julio. 2015. *China. Un socio imperial para Argentina y América Latina*. Buenos Aires: Edhasa.

World Bank. 2016. *Global Economic Prospects: Spillovers amid Weak Growth*. Washington DC: World Bank.

The Expansion of China's Global Hegemonic Strategy: Implications for Latin America

Li Xing[1]

Abstract: The paper aims to provide a historical context for understanding the transition of China's development strategies from the "keeping a low profile" approach (Chinese: *Tao Guang Yang Hui*) during the past three decades to the current "striving for achievement" approach (Chinese: *You Suo Zuo Wei*) in recent years. The former lays a foundation for China's peaceful environment and economic success, while the latter represents a shift toward a more proactive foreign policy. The paper examines the two strategies from historical, regional and global perspectives and analyses the motivation behind China's current strategic repositioning. The author proposes an analytical lens of combining both Neo-Gramscian IR theory and the world system theory in order to comprehend the nexus between the accumulation and consolidation of China's internal hegemony and its inevitable outward expansion. What are the implications of China's outward expansion of its global strategy? The author argues that Beijing's capital and hegemonic outward expansion represents a world system's new round of capital and production relocation, which will dialectically enlarge or reduce "room for maneuver" and increase or decrease "upward mobility" for developing regions including Latin America. The paper concludes that it is in the political and economic interest of Latin America to seize the chance of this external "promotion by invitation" and to increase its upward mobility by finding the strategic convergence with China's global strategy.

Keywords: China-Latin America, Capital expansion, Room for maneuver, Upward mobility.

China's "Tao Guang Yang Hui" Strategy: Accumulation and Strengthening

After Deng Xiaoping's political recovery following Mao Zedong's death, he was determined to lead China toward a grand development goal: developing the national economy, increasing production and productivity, raising the living standards of the population, as well as regaining the legitimacy of the CCP leadership. The strategy adopted during early periods of the economic reform in the 1980s and the mid-2000s was heuristically underlined by Deng Xiaoping's maxim, "watch cautiously, keep a low profile, bide your time, while also get something accomplished." The reform strategy in tune with the above maxim was idiomatically called "Tao Guang Yang Hui," a Chinese idiomatic expression, which literally means "to hide brightness, and to nourish obscurity." The notion reflects an implicit strategic choice, namely to wait for a time when China is ready to assert itself in the global sphere and ready to make a challenge. Meanwhile Beijing's explicit development objective projected to

[1] Li Xing is Professor, Department of Culture and Global Studies, Aalborg University, Denmark. E-mail: xing@cgs.aau.dk

the whole world was "peaceful ascent" (*heping jueqi*), or "peaceful development" (*heping fazhan*).

Joining the flying geese regional economic order

The first phase of the "Tao Guang Yang Hui" strategy in the early period of China's economic reform marked Beijing's willingness to accept the regional division of labor and to be part of the regional flying-geese economic order based on dynamic comparative advantage. The concept of the East Asian "flying-geese" pattern of regional economic integration was coined in the 1930s by a Japanese economist, Kaname Akamatsu (1935) who developed the theory of a multi-tier hierarchical "flying geese" model in which industrialization could be promoted and spread from developed countries to the less developed countries as costs in those economies rose. The hypothesis of the flying-geese pattern suggests that a group of nations in this region are flying together in layers with Japan at the front layer. The layers signify the different stages of economic development of various countries. The flying-geese model implies a life cycle of industries by which older technology and know-how is passed down the chain of developing economies. It also entails a product-cycle (PC) theory of trade and investment. The main characteristics of the flying-geese model in East Asia can be summarized as: 1) Intra-regional "take-over", "ladder" and "chain" pattern of economic relations; 2) Intra-regional market and trade; 3) Intra-regional investment (Li, 2007).

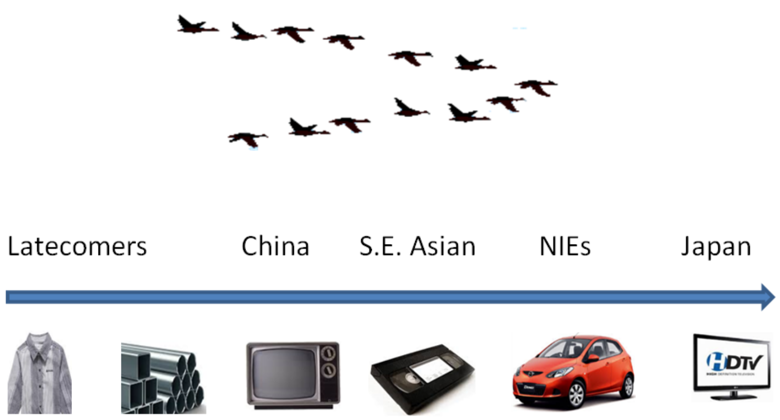


Figure 1: The flying-geese model of East Asian industrialization and integration
Source: Author's own

If the failure of Japan's first attempt at the "flying geese" process of industrialization in East Asia was connected to the victory of the Chinese Revolution in 1949 and the defeat of Japan during the Second World War, it is an irony of history that a contributing factor to the disruption of the Japan-based second phase of the "flying-geese" pattern of regional development attributed to the rise of China as one of the key regional and global economic actors. Since the late 1990s, the region has witnessed a gradual shift away from the previous Japan-led "flying geese" model of vertical economic integration through investment, technological transfer and supply of manufacturing parts, which was based on a hierarchical market exchange and a clear regional division of labor and production networks, to a new horizontal intra-regional economic integration driven by the rise of China.

The emergence of the China-centered regional economic order

Since the 2000s the region witnessed a gradual shift away from the vertical "flying-geese" model to a new horizontal modeling of regional economic integration. The new pattern of regional economic relations indicated an emerging phenomenon of "bamboo capitalism":

> This regional model appears to be shifting towards that of "bamboo capitalism" or "parallel development." Based on foreign direct investment (FDI) flows in the region, which create intricate intra-regional production networks, "bamboo capitalism" also focuses on the exchange of parts, components and other intermediate products, and hence a "horizontal network of trade and capital" – with China at its core (Cheow, 2004: 3-4).

The rise of China as a new regional economic hegemon shows a unique and complex relationship with the flying-geese dynamics. On the one hand, it can be argued that China's domestic development in the past three decades also resembled certain flying-geese characteristics manifested by its coastal and inland economic interactions (Yue Qu, et al. 2012), while its economic success can be seen as a result of its integration in the intra-regional flying-geese dynamics. On the other hand, China's vast size and its unbalanced development levels in different internal regions with their respective levels of industrial stages and comparative advantages enabled China to cooperate with the rest of the countries of the region and even the whole world – core, semiperiphery and periphery countries - both vertically and horizontally.

Today there is a consensus in East Asia that China's economic power, especially its growing domestic market, has been a major engine for growth boosting regional trade growth and economic integration. China is now virtually the no. 1 trading partner for most East and Southeast countries, and only in 2013 did the United States take over China's position as Japan's largest trading partner (due to the China-Japan crisis over the territorial disputes).

This situation is not only an East Asian phenomenon, but also a global one: in 2013, China overtook the US as the world's largest goods trader (*Financial Time*, 2014a). As noted in a RT.com article "As recently as 2006, America was the larger trading partner for 127 countries, versus just 70 for China. By 2011, the situation had changed drastically: 124 countries for China, 76 for the US" (quoted by *Forbes*, October 19, 2014). The same situation has been taking place in East Asia (see Figure 2).

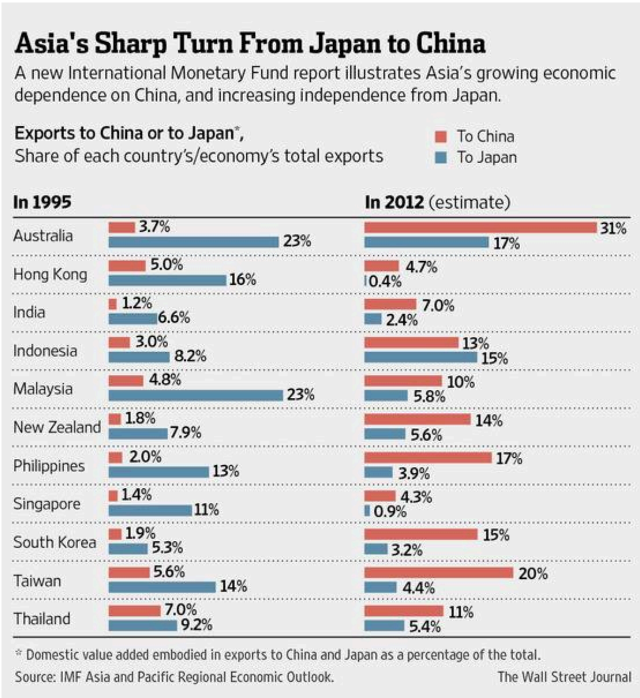


Figure 2: The return of China's historical position as the region's gravity
Source: *The Wall Street Journal*, May 13, 2014

During the financial crisis in 1997 which seriously deteriorated the regional economy, the strong supportive measures by China played the most important role in stabilizing the region's economy and were a key contributor to the region's economic recovery (Kirton, 1999). Beijing did so through drawing on its extensive foreign exchange reserves to assist distressed nations. It also refused to devaluate its currency and refused to withhold its committed aid to Asian nations that tried to rebuild their vulnerable economies.

Today, virtually every East Asian country counts China as its largest trading partner and its largest market (Figure 2). There is no doubt today that China is increasingly looked upon as the locomotive of the region's economic growth and development. While having a large surplus in its trade with the United States and the EU, China had trade deficits with most Asian countries for many years. According to a research study, "Between 2002 and 2007, China's total deficit to ASEAN, Japan and Korea more than tripled from US$25.5 billion to US$93.7 billion … in 2009, China's trade deficit to Japan, the Republic of Korea and ASEAN stood at US$20.8 billion, US$35.1billion and US$1.3 billion" (Huang and Zhang, 2011:57). China's import is helping to fuel the economic recovery and growth of its smaller neighbors. Both the East Asian region in general and Japan in particular have been acknowledging that exports to the Chinese market have become an important force for promoting regional economic cooperation and trade growth and helping to spur their economic recovery (Gonçalves, 2009: 13).

If the analytical perspectives are extended to depict the regional "economic order", then recent studies indicate that the Chinese economy is playing a pivotal role not only as an engine of growth for East and Southeast Asia, but also as a hub for regional economic integration (Figure 3):

> China has in fact become an important regional 'integrator' through its many global and regional production networks. China's exports (over 50% being processing trade) embody raw materials, parts and components, technology and equipment, and financial and economic services from different Asian economies, converting 'Made-in-Asia' into 'Made-in-China' products for the world market. (Wong, 2013: 288)

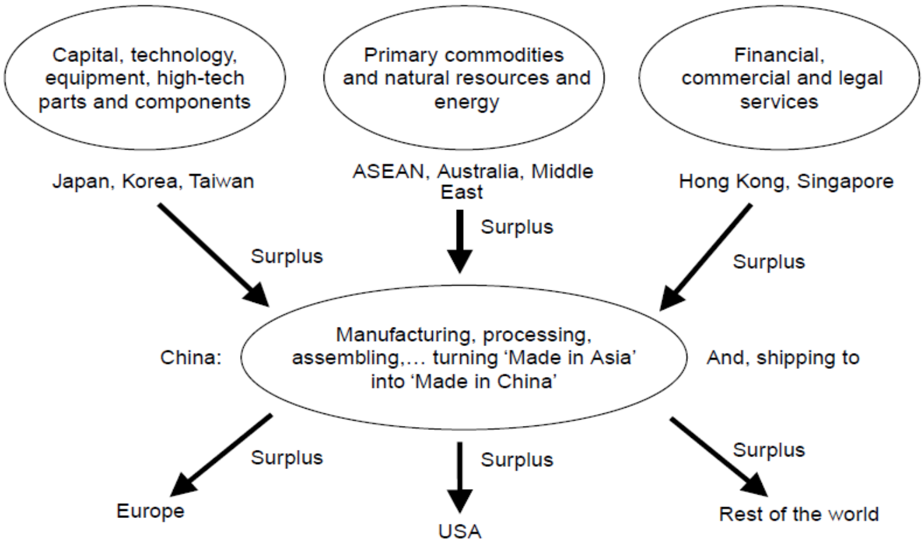


Figure 3: China has become a regional economic integrator
Source: Wong, 2013: 288, Figure 2

China's "You Suo Zuo Wei" Strategy: Outward Expansion

As the result of the 3-decade "keeping a low profile" strategy, China today is the world's second biggest economy. Since the beginning of 2010, China alone has contributed over one-third of global GDP growth (The Economist, 2013, Sept. 21). Despite experiencing its weakest GDP increase in 24 years in 2014, China remained the largest contributor to global growth (The Economist, 2015, March 21). The rise of China is indeed making its economic impact felt worldwide and is leading the world order to a close interdependent relationship between the Chinese economy and that of the rest of the world:

1) China's economic performance and market indicators have a profound impact on the global financial and commodity markets.

2) Its soaring demand for energy has led to competition and conflict; China's shifts in supply and demand cause changes in prices, hence leading to adjustment in other countries. The economic growth of many countries and regions is becoming more dependent on their trade with China.

3) The Chinese currency Yuan has been enlarging its regional and global roles, while global financial banks are becoming sensitive to Beijing's monetary policies. It has also become a focus of discussion on global governance and institutional reform of the international monetary system as well as the balance of power between major world currencies, especially when the Chinese Yuan was recently accepted by the IMF to become one of world's major SDR[2] currencies.

4) China's strong competitiveness in international trade has raised concerns for workers and firms in both developed and developing countries.

5) The effects of Chinese overseas investments have begun to be felt across the world. Beijing's policies on finance, currency, trade, security, environment, resource management, food security, raw material and product prices are increasingly seen as affecting the economies of millions of people outside of China's boundary.

By 2015, according to the Fortune Global 500 list by the *Fortune Magazine*, China will be the second largest country in terms of the number of companies listed in the ranking with a

[2] SDR refers to Special Drawing Rights. They are supplementary foreign exchange reserve assets defined and maintained by the International Monetary Fund (IMF). Currently, the existing SDR currencies are the US Dollar, the Euro, the British Pound and the Japanese Yen. According to the IMF's recent decision, the Chinese Yuan will be part of the SDR currencies beginning from October 2016.

total of 106 companies on it, only behind the US. According to the Credit Suisse report, which was widely cited internationally, e.g.: in 2015, China's middle class also surpassed the U.S. and is now the biggest in the world. The country now accounts for a fifth of the world's population, while holding about 10% of global wealth. Already in 2014, China was calculated by the major international economic institutions to be the largest economy in the world in PPP terms (Purchase Power Parity).

With astonishingly higher economic growth over the last three decades and with its mounting accumulation of capital and wealth, China has begun to increase its influence on global issues and to shape international agendas and governance patterns. Since 2010, the world has been witnessing an unfamiliar pattern of China's behavior in which Beijing is seen to have become increasingly assertive and uncompromising both in rhetoric discourse and foreign policy. Both Chinese and Western academia and media believe that China has now abandoned its "keeping a low profile" strategy and moved on to "striving for achievement" (Yan, 2014). The latter can be seen as China's determination to make more global contributions "with Chinese characteristics". Some scholars also interpret this as an indication that China cannot be expected to maintain a passive rule-follower of the world order. Rather, China is striving to become one of the rule-makers (Li and Shaw, 2014). What are the implications and impact of this development to developing countries in general and to Latin American countries in particular?

Chinese Hegemonic Expansion: the Gramscian and Neo-Gramscian Dimensions

Internal hegemony and its external expansion

The linkage between a state's internal power accumulation and consolidation of hegemony and its external power projection to shape the regional and global order can be conceptualized through the lens of the neo-Gramscian school of international relations represented by the theory's leading proponent Robert Cox. Cox raised the level of analysis on the concept of hegemony from the nation level to the international one, i.e. the formation of world hegemony begins with an outward expansion of the internal (national) hegemony. He developed a critical theory of understanding the nexus between hegemony, world order, and historical change. Such a nexus explains how internal hegemony, driven by dominant class and social forces occupying a leading position within a nation-state, is then extended and projected outward on a world scale leading to the shape of the international order (Cox, 1981, 1983).

This neo-Gramscian understanding of internal-external nexus of hegemony (Figure 4) is, on the one hand, ideal, but on the other hand, sensible, logical and mutual influencing. Bieler and Morton (2003) well describe the domestic-international interplay between ideas, material capacities and institutions:

> Yet once hegemony has been consolidated domestically it may expand beyond a particular social order to move outward on a world scale through the international expansion of a particular mode of social relations of production …. This can further become supported by mechanisms of international organisation. Finally, within each of the three main spheres it is argued that three further elements reciprocally combine to constitute an historical structure: *ideas*, understood as intersubjective meanings as well as collective images of world order; *material capabilities*, referring to accumulated resources; and *institutions*, which are amalgams of the previous two elements and are means of stabilising a particular order (Bieler and Morton, 2003).

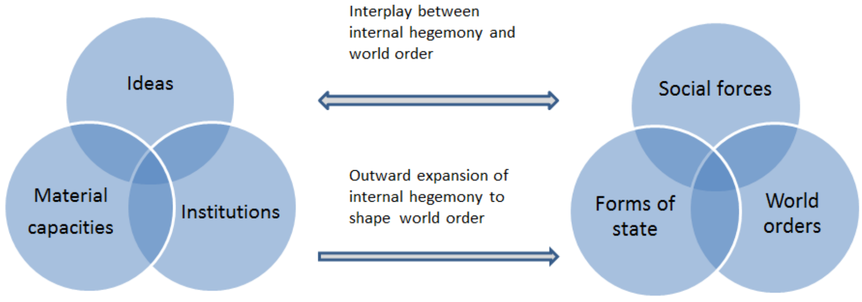


Figure 4: The nexus of internal hegemony and its external expansion from a neo-Gramscian IR perspective
Source: Cox, 1981:136 and 138 - with the author's addition in the middle

Figure 4 shows the linkage between a hegemon's internal power constellation (the left side of the figure) and the nexus to the external world order (the right side of the figure). Cox's theory of hegemony was initially aimed at explaining how the United States, driven by domestic power relations and social forces, was able to shape and lead the post-war world order. His empirical ground was based on studying how the US hegemony was institutionally sustained by the US-led international organizations (the Bretton Woods order) that enabled the US and its allied regimes to perpetuate their favorable position in the world order and to shape the development direction of the system as a whole. Cox's contribution was that he raised the analytical level of the notion of hegemony from the national level to the international level. He conceptualized "world hegemony" as the interplay between national and international pattern of relationships crossing social, economic and political configurations:

> Hegemony at the international level is thus not merely an order among states. It is an order within a world economy with a dominant mode of production which penetrates into all countries and links into other subordinated modes of production. It is also a complex of international social relationships which connect the social classes of the different countries. World hegemony can be described as a social structure, an economic structure, and a political structure; and it cannot be simply one of these things but must all three (1983: 171).

Understanding the neo-Gramscian comprehensive concept of hegemony of international relations as a combination of “structural power” and “superstructural forces”, we can see some limitations of its applicability in analyzing the rise of China and the Chinese hegemony because most of the existing literatures are centered on China’s hard structural power. However, if we read Marx, Gramsci and Cox in the conditions of globalization and the contemporary transformation of international political economy by taking into consideration the mutually interactive base-superstructure relationships, we can still postulate that in the history of international relations, the economic base (imperatives), given the law and logic of capital accumulation, tends to shape the development of the world order. Although the outward expansion of the Chinese influence is primarily driven by its global economic power, its superstructural normative constituents (soft power domain) in terms of norm-negotiating, agenda-setting, and policy-institutionalizing will eventually become systematized. This view is believed to be shared by the world system theory, which, albeit the theory is intentionally based on economic analysis, would likely agree with the normative impact as an anticipated or unanticipated consequence of economic forces and power.

Chinese Hegemonic Expansion: The World System Perspectives

The world system theory developed by Wallerstein (1974, 1979, 1997, and 2004) provides a broad theoretical perspective to understand the historical evolutions and changes involved in the rise of the modern capitalist world system. This system expanded over a long historical spectrum and brought different parts of the world into its division of labor, leading to a perpetual condition of economic core-peripheral relations. Under this single division of labor within one world market, a political structure consisting of sovereign states and multiple cultural systems interacts within the framework of an interstate system (1974). The world system is conceptualized as a dynamic one in which changing positions within the system’s structural morphology is possible by taking advantage of global capital mobility and relocation of production. Historically, the division of labor within the capitalist world economy brought about and resulted in flows of commodities, labor, and capital across different geographical areas through chains of production, exchange and investment. China and India are seen as the last reserves (unexploited areas) that have been brought into the capitalist world system (Li, 2008). The world system theory attempts to explain the system's embedded inequalities in which nation states have quite different development stages within a seemingly unified global economy. In line with this theory, the different positions in the global division of labor and the change of patterns of competition and competitiveness planted the system from the very beginning with contradictions that led to the dichotomy of development vis-a-vis underdevelopment.

The world capitalist system, according to the world system theory, is understood to be embedded with fundamental features, characterized by a series of cyclical rhythms, i.e. economic prosperity or crisis, and upward or downward mobility. More importantly, this series of cyclical rhythms was followed by the rise and decline of new guarantors (new hegemons) of the world system, and each one had its own unique pattern of control (Wallerstein, 1997). Likewise, the emergence of China can be plausibly perceived as part of the system's rhythmic cycles in the upward mobility, and China continues to follow the core features of the world capitalist system. China is believed to be motivated or driven to act as a new political and economic system-guarantor due to its economic integration and market dependence in the system's mode of production and capital accumulation.

Nevertheless, new emerging powers, especially China, are also described as a challenger to the system's existing dominant guarantor and other core powers because they have different political and economic governing cultures. Nowadays China is perceived as having an intention of establishing a "Sinicized" world order – an order with "Chinese characteristics". The "Chinese characteristics" are often translated into expressions such as "market economy with Chinese characteristics", or "Chinese model", etc. However, in line with the world system theory's interpretation, even if the future world order were to be injected with Chinese characteristic, it would simply be a reflection and extension of China's internal economic, political and cultural structures without altering the core architecture of the world capitalist system.

Thus, contrary to the pessimism of conservative realism, the world system theory does not view the rise of new guarantors (later-comers) as a threat as long as the system's fundamental core features - mode of production and the logic of capital accumulation - are maintained. This is because the advance of the latecomers hugely benefited from their integration in international division of labor and active participation in the process of capital and wealth accumulation. Accordingly, the rise of China and emerging powers is understood as part of the cyclical rhythms of the system, which symbolizes the strength and success of the world system in bringing more untapped parts of the world to the logic of capitalism without changing the fundamental relations of inequality within the system. The world system theory's argument is clear: when China is successfully moving toward the core, it still needs periphery. Such argument is verified by recent studies on Latin America's growing commodity dependency on China (Ferchen, et al., 2013; Pereira and Neves, 2011).

Room for maneuver and upward mobility

"Room for maneuver" refers to the external conditions for "upward mobility" in the world capitalist economy that is conducive to internal development. Seen from a long historical perspective, the global core-semiperiphery-periphery hierarchy defined by the world system theory has been a relatively stable structure over centuries. The system's rhythmic cycles and the rise or decline of hegemonic powers provide both upward and downward mobility. The rise of the US is the clear example of upward mobility, and so is China since the 1980s. A positive effect of upward mobility is reflected by the combination of external forces, e.g. "promotion by invitation", and internal forces, e.g. "seizing the chance".

"Promotion by invitation" refers to the upward mobility path enjoyed by a semi-periphery or periphery country, whose geopolitical position is vital during the period of global power struggles, or whose internal condition is favorable to global capital mobility and production relocation. This upward mobility is stimulated by the favorable external environment created by the promotion and invitation of the existing hegemon, or by a group of core nations, for the sake of their own geopolitical and geo-economic interests. In East Asia, Japan and the East Asian Newly Industrialized Economies (NICs), including post-Mao China, are good examples of this type of upward mobility by external promotion. "Seizing the chance" indicates the internal capability in taking advantage of a new situation or condition that is taking place in the international political economy and to adjust the internal development mobility accordingly.

In line with the world system's analysis, the rise of China together with its capital outward expansion and global hegemonic strategy seemingly represents another rhythmic cycle of the rise of a new hegemon, which is an opportunity in terms of room for maneuver and upward mobility for some countries, while a challenge and downward mobility for others.

Chinese Capital Expansion and Financial Hegemony

According to Cox's analytical method (1981, 1983), to understand and measure the way in which hegemony is exercised and maintained at the global level by a leading hegemon is to examine how international organizations are led to function in the way that reflects the hegemon's internal ideology, interest and objective. The world system theory would assumedly recognize and share the importance of international organization, especially international economic and financial institutions, where the core features of the capitalist world system are produced/reproduced, maintained and expanded.

During the early reform periods driven by the "Tao Guang Yang Hui" strategy, Beijing's goal was to become a "good citizen" and a "loyal member" of various international organizations that deal with economic, political, security, cultural and environmental issues, etc. China membership in the World Trade Organization in 1995 further integrated itself into the global economy and benefited from the existing international economic and financial institutions. China has learned to become more effective in utilizing international organizations to advance its national interests as well as to extract what it needs from these institutions. One Chinese scholar pointed out that "China's growing role in all kinds of international organizations is part of the story of China's rise" (Xie, 2011:85). Another scholar argued, "globalization works only because of a high degree of institutional and legal interdependence, and China's growing prosperity depends on tightening these bonds and participating in those global and regional institutions" (Agnew, 2010: 578).

However, since 2008 the devastating effects of the global financial crisis and the stalemate of the "Doha Round" negotiation, the US-based institutions - the World Bank, the IMF and the WTO - have been criticized and questioned about their discourse authority, governance capability and institutional legitimacy. More broadly, the existing world order, with these economic institutions as their supporting pillars, is experiencing crises in four comprehensive dimensions: functionality, scope, legitimacy and authority (Li, 2014). Ironically, while the United States and much of Europe were plunged into a serious recession, China emerged to become a global economic power and a pivotal stakeholder to international economic and financial institutions: 1) the largest trading nation and the largest trading partner for a majority of countries; 2) an important source of aid and development assistance; 3) a relevant and attractive model of economic development. As some scholars noticed,

> China's remarkable growth story, and its strengthened relative position as result of the GFC cannot help but deeply impact the make-up and functioning of the international institutions in which it participates, many of which have traditionally mirrored a US view of the world. In the aftermath of the economic crisis, China's calls for greater representation in institutions such as the World Bank and the International Monetary Fund became more vociferous, and other nations, including western developed nations, have seemed to signal a greater receptivity to this notion. The moral authority and credibility the Chinese can now carry into a variety of international economic institutions is greater than it ever has been (Olson and Prestowitz, 2011: 6).

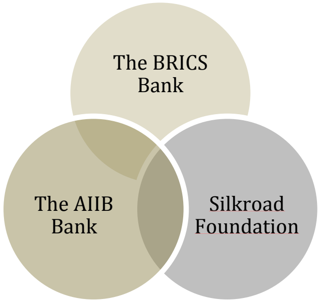
In recent years China's proactive engagement in financial minilateralism has caught global attention (Wang, 2014). China's relationship with international financial institutions has always been controversial for many years. Early disagreement on China's role and position in international institutions as a "free-rider" or as a "stake-holder" is being turned into a dispute about whether China is a "status quo" or "revisionist" power to the current world order. By a "status quo" power it refers to the extent that Beijing respects international relations as a system based on the acceptance of norms. By a "revisionist" power it denotes the opposite, and the China-led minilateral financial institutions – The BRICS Bank[3], the AIIB[4] and the New Silk Road Fund[5] - (see Figure 5), are seen as good examples that demonstrate "Beijing's challenge to the world of Bretton Woods" (*Financial Times*, 2014b).

---

[3] China is the largest stakeholder of the BRICS Bank contributing 41% of the total 100 billion US Dollars capital base, at the 6th BRICS summit in Fortaleza, Brazil. According to the official published *Fortaleza Declaration*, "the BRICS Development Bank is designed to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging and developing economies" (*Fortaleza Declaration*, 2014).

[4] It refers to the China-led "Asian Infrastructure Investment Bank" (AIIB). The bank was proposed as an initiative by the government of China in 2015, and it is an international financial institution with a pivotal aim to support and finance infrastructural projects in the Asia-Pacific region.

[5] During the APEC Summit in Beijing in November 2014, China's President Xi Jinping announced that China would contribute 40 billion U.S. dollars to set up a Silk Road Fund at a dialogue meeting on strengthening connectivity and improving cooperation in the country's neighborhood. According to Xi's explanation, "the new Silk Road Fund will be used to provide investment and financing support to carry out infrastructure, resources, industrial cooperation, financial cooperation and other projects related to connectivity for countries along the 'One Belt and One Road' initiative" (Ma and Gao 2014).



(China-led international banks)

Figure 5: China's proactive engagement in financial minilateralism
Source: Eyler, 2015.

In line with the world system understanding, the emergence of a China-led world financial order is not a menace, and it is simply a reflection and extension of China's internal economic, political and cultural structures without altering the core architecture of the capitalist world system. Moreover, it actually revitalizes the world system's continuous rhythmic cycles in upward mobility. In other words, a financial order with "Chinese characteristics" will inevitably be shaped and molded by the system's law of value.

China's Presence in Latin America: Room for Maneuver and Upward Mobility

In the view of the world system theory, for capital to be shifted away from the declining sectors into the profiting sectors, the declining sectors need to be relocated to semi-periphery or periphery countries according to their labor condition and technological level. Some of these countries will benefit from global capital mobility and production relocation. Historically, it was in such pivotal moments that opportunities for upward mobility within the system were generated and regenerated (promotion by invitation) (Wallerstein, 1979). China's high economic growth in the past decades is a good story reflecting the positive spill-over effect of taking advantage of the system's upward mobility (seizing the change). Li Minqi, a Chinese scholar in the U.S., sees China as primary beneficiary of the latest round of global capital relocation (Li, 2008). This is the historical and economic foundation of China's "win-win" understanding and rhetoric. Accordingly, the current debate on China's burgeoning presence in Latin America can also be related to the above discussion.

The discussion on opportunities and constraints in China-Latin American relations can be conceptually related to the theoretical analysis by the world system theory in the previous section. One aspect of the debate is connected with the nexus between the rise of new emerging powers and the consequence of chronic rivalries among major core states (the US, the EU, China) as well as the nexus between these core rivalries and the expansion or reduction of political and economic "room for maneuver" for periphery states (the developing world). As previously discussed, "room for maneuver" refers to the conducive external condition for internal upward mobility, a favorable external environment/opportunity that leads to an internal driving force for modernization and technological upgrading. According to the author's previous research, the rise of China does present a dual effort for semiperiphery and periphery countries – the coexistence of opportunities and constraints (Li and Christensen, 2012).

There is a clear common interest between China and Latin America in improving the international system and global governance. Beijing's outward global strategy has also been witnessed by its proactive leadership in initiating several financial and development institutions and mechanisms in recent years. These new platforms on global governance are creating more opportunities and choices for Brazil and other Latin American countries to make their voices heard, to strengthen their negotiation bargaining and to participate in decision-making process on matters related to global governance.

The Chinese development model as a lesson and inspiration

As the backyard of the United States, Latin America was forced for decades to implement the neoliberal economic policies underpinned by the Washington Consensus. The consequence was that countries in this region had to reduce their ability of the state to play a significant role in their economic development in terms of extensive deregulation, privatization and liberalization, etc. The failure of the neoliberal economic model in many parts of the world after the Cold War contrasted China's economic rise, and it may have inspired local emerging economies by the Chinese distinct development model in which economic success was not through the "free market" but through the "governed market", a concept which was derived from studying economic development models in East Asia (Wade, 1990). According to some scholars, China's economic model, with its emphasis on an active market-friendly role of the state, is increasingly perceived to be a good attractive case which provides important lessons and inspirations for the Latin American region (Devlin, 2008). Such an opinion is shared by many other scholars, who argue that "China's rise shows developing countries that there are viable alternatives to the Washington Consensus" (Gilberto and Hogenboom, 2012).

More specifically, some of the key drivers behind China's economic success point to a possible policy recommendation. Firstly, China's successful growth story is a potential source of policy lessons for Latin America to examine the Chinese experience (Devlin, et al., 2006). Secondly, the Chinese lessons provided by the country's proactive development strategy demonstrate the importance of developing domestic technological capabilities and diversifying the productive structure with a move-up objective toward to higher end of the value chain. Thirdly, the Chinese success invites rethinking about the global conventional debate on "democracy and development relationships". The Chinese success is changing the global debate on development and underdevelopment from a conventional focus on the nexus between "development versus democracy" to a contemporary emphasis on the linkage between "development and governance" (Lai, 2016). To put it more clearly, the question is whether underdevelopment or mal-development is the consequence of the lack of democracy or the lack of governance competence?

Financial and trade opportunities: upward and downward mobility? Or both?

Dismayed by their lack of influence both in IMF and the World Bank due to the unfair voting shares, China, Brazil and other emerging powers determined to set up alternative financial institutions. Thus the establishment of the BRICS Development Bank in 2014, and especially the Asian Infrastructure Investment Bank (AIIB) in 2015 aimed to response to the widely acknowledged shortcomings of the existing global financial system and to fund member countries' infrastructural projects and sustainable development projects. According to the Fortaleza declaration, the purpose of this new Development Bank is to "mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging and developing economies" (6th BRICS Summit 2014). It is also noticed that despite its rhetorical inclusiveness, the BRICS Bank is not defined to be inclusive, and its main purpose is to serve the interest of the core founding members.

The AIIB is argued to be the most recent example of China's "circuitous strategy" and "go global" strategy. Unlike the BRICS Bank, the AIIB is meant to be global, with similar functions of the IFM and World Bank. All BRICS countries are the founding members of the AIIB. China is also becoming increasingly involved in multilateral fora in Latin America, such as the Inter-American Development Bank, the Organization of American States, Mercosur and the Andean Community (Jenkins, 2010).

Since the global financial crisis started in 2008, China intensified its "you suo zuo wei" strategy (striving for achievement) in a "go-global" approach to expanding its international economic influence. The Chinese "go Latin America" motivation as part of its outward expansion is also driven by the constraint it is facing in East Asia. China's policy to strengthen its relationship with Latin America in recent years implies new strategic thinking which can be characterized as being a "circuitous strategy" as a way to counter the US proactive "Rebalance to the Asia-Pacific" policy. The Chinese expression of "power" (实力) in international relations consists of two words "Shi" (实) and "Li" (力). The former implies gaining a targeted outcome and occupying a position of strategic importance, while the latter refers to physical strength. By a "circuitous strategy", it focuses on the former (Shi) where in a conflictual situation or in face of hostility from a strong adversary, it is wise to approach the ultimate objectives by winning a favorable position (Shi) even at the cost of losing much physical strength (Li). The Chinese strategy resembles the Gramscian notion of "war of position"[6]. As one US military official points out, "China's expansion into Latin America might well outflank the US rebalance in Asia" (Morgan, 2015: 103).

Viewing the US economic and security policies in East Asia as an attempt to contain China, as a countermeasure Beijing designated to use a global or a trans-regional market and trade strategy to extend its trade and investment to other strategic regions such as Africa and Latin America as well as to form an alternative "united front"[7]. In recent years, global attention is turning to China's growing presence in Latin America, a region which has traditionally come under the US "sphere of influence". It is argued that China's increasing presence in Latin America clearly reflects its outward expansion as part of its "striving for

[6] The original concept is derived from Antonio Gramsci, who refers to the stage of class struggle aimed to gain positions of influence and to develop counter-hegemonic forces. It is a slow, hidden and protracted struggle in an attempt to seek to gain influence and power. The concept intends to be distinguished from another notion termed by Gramsci as "war of maneuver", which refers to a direct, violent and immediate assault on the state for achieving political power (Gramsci, 1971).

[7] Since 2000, China has established a number of international cooperative platforms in order to increase its global political and security rooms for maneuver, such as, The Shanghai Cooperation Organization; The Boao Forum, The BRICS, etc.

achievement" strategy. The China-Latin America relationship is providing new economic opportunities and political maneuvering spaces for the region. Bilateral trade between China and Latin America has grown exponentially since the early 2000s—from $12 billion in 2000 to $289 billion in 2013. China is now the third largest destination of the Latin American exports (China is now the largest export destination for Brazil, Chile and Peru, and the second-largest export destination for Argentina). According to Anthony Elson,

> China's demand for these goods is one reason for the significant terms-of-trade gains Latin America enjoyed in the five years before the 2008 global financial crisis. These gains and the attendant growth in export volumes provided a significant boost to the region's real GDP and income growth over that of the preceding decade (Elson, 2014: 45).

On the one hand, China's comparative strength in commodities can force local producers to enhance their productivity and competitiveness; one the other hand, China's vast domestic market can generate significant export revenues for Latin America. More importantly, China's strong card in financial capital can be a critical source of investment capital for this region's infrastructure development. One of Beijing's recent initiatives was that Chinese Premier Li Keqiang, on May 19, 2015 during his visit to Brazil, announced that Beijing would establish a 30 billion USD special fund for promoting China-Latin America cooperation in production capacity and equipment manufacturing (Xinhua, 2015).

A recent study "Chinese Investments in Brazil from 2007-2012", made by China-Brazil Business Council (CBBC), examines China's investment in Brazil during this period from a number of dimensions, such as ownership structure, investment motivations, entry mode, and sectoral distribution. The report indicates that,

> Over the past few years, an unprecedented surge in Chinese foreign direct investment (FDI) in Brazil has marked a new phase in Sino-Brazilian economic relations. This phenomenon comes after a decade of increasing Chinese outward foreign direct investment (OFDI) globally. Nevertheless, throughout the 2000s as the geographic distribution of Chinese OFDI widened significantly, Brazil remained noticeably absent from the list of main countries that served as host to Chinese OFDI. This picture changed dramatically in 2010 when an influx of US$ 13.1 billion in confirmed investment - twenty times the accumulated value of Chinese investment in Brazil during the previous two years - made China one of the largest sources of foreign direct investment in the country (CBBC, 2013: 8).

Despite the promising improvement in China-Brazil bilateral economic relations, the report also points out Brazil's intern barriers for both domestic and international investors: "regulatory uncertainty, a heavy tax burden and a complex tax code, poor infrastructure, high cost of services, and an outdated and often dysfunctional labor code" (CBBC, 2013:16). The future of China's increasing investment in Brazil is promising, and according to Jose Graca Lima, head of Asian affairs in the Brazilian foreign ministry, a "second generation" of Chinese investment is under way, switching from trade in raw materials to heavy industry and infrastructure (the Guardian, 2015).

However, there is still no evidence to support the claim whether China's burgeoning presence in Africa has lifted or will lift the continent to a more favorable position in the global division of labor. According to the conclusion of a recent report that measures Latin America's trade dependence on China (Casanova, et al., 2015:15/9), "… the continent exports primarily commodities to China while importing primarily manufactured goods," and "dependency on China has increased overboard across Latin America for all countries and all products, with some exceptions". Particularly in the sphere of international trade and FDI, China is both an important "partner" and a strong "competitor" for Latin America --- the coexistence of upward and downward mobilities.

Political and security spaces for maneuver

Historically, as the "backyard" of the U.S., countries in Latin America were heavily dependent on the U.S. in terms of political regime, economic policy and military security. Latin American development in the 1980s was characterized by high levels of foreign indebtedness, leading to the loss of autonomy to pursue independent foreign policies and development strategies. In many ways, they have to face policy intervention by the dominant countries and the West-based financial institutions.

China's increasing role in Latin America provides the region with alternative options of strategic choice and partnership as well as more spaces for maneuver. From an economic perspective, "China's increasing demand for commodities is promoting the economic growth of many Latin American nations, especially those situated at its Southern Cone, making them less dependent of the Americans" (Santibanes, 2009: 18). As Gonzalo Sebastian Paz recalled, "the former Argentina President Kirchner, in 2004, secretly requested Chinese financial support to pay the debt with the IMF to 'liberate' Argentina from the sticky supervision of its economic policies" (Paz, 2012: 24). More importantly, due to the serious failure of

Washington Consensus in this region, China has inspired and excited several local emerging economies by its distinct development model which is called as "China model" or "Beijing Consensus" [8] (Ramos, 2004; Halper, 2010).

From the political perspective, for several decades, China always advocates the core value of its foreign policy – the Five Principles of Peaceful Coexistence. By sticking to this core value, China respects other countries' territorial integrity and sovereignty, and it does not pursue any interference in others' internal affairs. As one scholar noticed, China's policy toward the Latin American region has been guided by Beijing's adherence to the five-principles and non-intervention foreign policy:

> China's policy towards the region has been pragmatic rather than ideological. Far from allying itself strategically with left-wing or populist governments in the region, the Chinese government has consistently tried to maintain good relations with both right-wing military regimes in the past and democratically elected governments of different political hues more recently (Jenkins, 2010: 830-831).

On the contrary, by reviewing the U.S.-Latin America relationship, it can be found that the U.S. government has overturned several regimes in Latin America in order to serve the interest of its internal interest groups.

From the military perspective, military links between China and Latin America in recent years have gained momentum. The growing presence of Chinese state-led institutions, personnel, and Beijing's arms sales in Latin America are perceived to be emerging security challenges to the U.S. (Pham, 2010), and the situation implies that the U.S. is not the only security guarantor in this region. According to the findings by a group of researchers, "In 2004-2007, China arms deliveries totaled $100 million. In 2008-2011, their deliveries increased to $600 million" (Brandt, Jon, et al. 2012: 14). Although the volume of the Chinese arms sale is still limited, as Horta argued, "It [China] has made substantial gains in a rather short period of time, and its defense relations with Latin America are multidimensional and

[8] This notion was coined by Joshua Cooper Ramo (2004), who attempted to summarize the key experiences of China's economic success. The concept entails three basic guidelines of the Chinese model, i.e. commitment to innovation and constant experimentation, sustainability of the economic system, and policy of self-determination. These "Chinese characteristics" are seen to be in contrast to the "Washington Consensus" of market-liberal policies promoted by the IMF, World Bank and U.S. Treasury.

sophisticated, reflecting the growing level of refinement and professionalism of the PLA and the Chinese state bureaucracy" (Horta, 2008: 55).

Conclusion

The paper concludes that, on the basis of analyzing China's development strategy at two different periods - "keeping a low profile" approach (Chinese: *Tao Guang Yang Hui*) during the past four decades to a "striving for achievement" approach (Chinese: *You Suo Zuo Wei*) in recent years, the former laid the foundation for China's peaceful environment and economic success, while the latter represented a shift toward a more proactive foreign policy in face of new challenges and constraints by the existing US-led world order. The paper applies a conceptual analytical lens of combining both Neo-Gramscian IR theory and the world system theory in order to provide a framework for understanding the nexus between China's intern hegemony accumulated during the first period of China's development strategy and its outward expansion during the recent period in shaping the regional and world order. China's grand strategic objective of shaping the world order is being realized through occupying a hegemonic position in the global financial order and providing financial public goods. However, from a Gramscian perspective, this is not full world hegemony, and "universal" world hegemony must contain political and socio-cultural aspects too. Nevertheless, from the structural analysis of the world system theory, the evolution of the world history shows that the core economic features of the world capitalist system remain to be the core driving force in driving and shaping the world order in general, and inter-state relations in particular. China, as a new rising "system guarantor" (world system theory), will eventually exert unavoidable and indispensable impact on the normative constituents of the emerging world order.

The implication and the impact of China's new development strategy and policy orientation is far-reaching not only on the core, but on the semi-periphery and periphery countries. China's increasing relationships with Latin America have caught global attention, partly due to the fact that the region was seen as the backyard of the United States. The paper documents that China's economic outward expansion merges with the region's comparative economic advantages in many ways in terms of increasing Latin American commodity exports and increasing Chinese FDI in the region.

However, China-Latin American economic relationships are facing many challenges and constraints too. Chinese trade and investment are periodically challenged and problematized by Latin American partnership countries' internal socio-political forces which are linked with global power relations. For example, the Chinese investment of $50 billion for a trans-oceanic shipping canal through Nicaragua, which gives China a significant presence in the Western Hemisphere, was furiously protested by Nicaragua farmers. Every often, China's presence in the region is confronted by criticisms in three known dimensions: 1) dependence apprehension; 2) resource nationalism; 3) social-environment concern. Some criticisms point out that many of the region's trade agreements with China are rhetorically South–South based, but the actual trade patterns are of North–South in essence, with Latin America exporting primary commodities to China, and China exporting industrial goods to Latin America.

The paper concludes that it is in Latin America's political and economic interest to find the strategic convergence with Beijing's capital expansion and global strategy. Latin America will increase its "upward mobility" by learning from China's development experience, by increasing its economic opportunities and diversifying its trade partners, and by taking advantage of space of maneuver in global governance in an era of the emergence of a new world order. Within the near future both China and Latin America will have to go through a considerable period of accommodation and adjustment.

References

Agnew, John. 2010. "Emerging China and Critical Geopolitics: Between World Politics and Chinese Particularity." *Eurasian Geography and Economics*. 51(5): 569-582.

Akamatsu, Kaname. 1935. "Wagakuni yomo kogyohin no susei [Trend of Japanese Trade in Woollen Goods]" *Shogyo Keizai Ronso [Journal of Nagoya Higher Commercial School]* 13: 129-212.

Bieler, Andreas and Morton, Adam David. 2003. "Theoretical and methodological challenges of neo-Gramscian perspectives in international political economy." *International Gramsci Society*. http://www.internationalgramscisociety.org/resources/online_articles/main/main.html [Accessed on March 20, 2016]

BRICS Summit. 2014. "Sixth BRICS Summit – Fortaleza Declaration." http://www.mea.gov.in/bilateral-documents.htm?dtl/23635/Sixth+BRICS+Summit++Fortaleza+Declaration. [Accessed on March 20, 2016]

Casanova, Carlos and Xia, Le and Ferreira, Romina. 2015. *Measuring Latin America's export dependency on China*. Working Paper, Nº 15/26. BBVA Research. https://www.bbvaresearch.com/wp-content/uploads/2015/08/15-26_Working-Paper_China-and-Latin-America.pdf. [Accessed on March 20, 2016]

CBBC (China-Brail Business Council). 2013. *Chinese Investments in Brazil from 2007-2012: A review of recent trends*. Funded by the Inter-American Development Bank (IDB). http://cebc.com.br/sites/default/files/pesquisa_investimentos_chineses_2007-2012_-_ingles_1.pdf. [Accessed on March 20, 2016]

Cheow, Eric Teo Chu. 2004. "China as the Center of Asian Economic Integration." The Jamestown Foundation. *China Brief*. 4(15):3-4.

China Daily. 2014. "AIIB propels sustainable development in Asia." November 8. http://www.chinadaily.com.cn/bizchina/2014-11/08/content_18887805.htm. [Accessed on March 20, 2016]

CNN. 2015. "China has more than 1 million millionaires." May 27. http://money.cnn.com/2015/05/27/luxury/china-million-millionaires/index.html?iid=EL. [Accessed on March 20, 2016]

Cox, Robert W. 1981. "Social forces, states and world orders: beyond international relations theory." *Millennium: Journal of International Studies*. 10(2): 126-155.

Cox, Robert W. 1983. "Gramsci, hegemony and international relations: An essay in method." *Millennium: Journal of International Studies*. 12(2): 162-175.

Devlin, Robert, and Estevadeordal, Antoni, and Rodríguez-Clare, Andrés. 2006. *THE EMERGENCE OF CHINA: Opportunities and Challenges for Latin America and the Caribbean*. New York: Inter-American Development Bank.

Devlin, Robert. 2008. "China's Economic Rise." In Roett and Paz, *China's Expansion into the Western Hemisphere: Implications for Latin America and the United States*. Brookings Institution Press.

Elson, Anthony. 2014. "Dragon among the Iguanas." *Finance & Development (IMF online)*. 51(4). http://www.imf.org/external/pubs/ft/fandd/2014/12/pdf/elson.pdf. [Accessed on March 20, 2016]

Eyler, Brian. 2015. "China's new silk roads tie together three continents." *ChinaDialogue*. https://www.chinadialogue.net/article/show/single/en/7849-China-s-new-silk-roads-tie-together-three-continents. [Accessed on March 20, 2016]

Ferchen Matt, and Garcia-Herrero, Alicia and Nigrinis, Mario. 2013. *Evaluating Latin America's Commodity Dependence on China*. Hong Kong: BBVA Research International Finance Centre.

Financial Times. 2014a. "China overtakes US as world's largest goods trader." January 10. http://www.ft.com/intl/cms/s/0/7c2dbd70-79a6-11e3-b381-00144feabdc0.html#axzz3n2KZHtxP. [Accessed on March 20, 2016]

Financial Times. 2014b. "Beijing's challenge to the world of Bretton Woods." October 30. http://www.ft.com/intl/cms/s/0/db2dcaf8-6042-11e4-88d1-00144feabdc0.html#axzz3lVvm7RvR. [Accessed on March 20, 2016]

Forbes. 2014. "As The U.S. Sleeps, China Conquers Latin America." October 15. http://www.forbes.com/sites/realspin/2014/10/15/as-the-u-s-sleeps-china-conquers-latin-america/. [Accessed on March 20, 2016]

Gilberto, Alex and Hogenboom, Barbara. 2012. "Latin America and China: South-South Relations in a New Era." In Alex E. Fernández Jilberto and Barbara Hogenboom, eds. *Latin America Facing China: South-South Relations beyond the Washington Consensus*. New York: Berghahn Books.

Gonçalves, Arnaldo M.A. 2009. "A Contesting State: China's support of regional cooperation as an affirmative response to the rifts of globalization." A paper to be presented by the author at Special Session SS01.710 of the IPSA Congress, July 12-16 2009, Santiago, Chile. http://paperroom.ipsa.org/papers/paper_1416.pdf. [Accessed on March 20, 2016]

Gramsci, Antonio. 1971. *Selections from the Prison Notebooks*. Quintin Hoare and Geoffrey Nowell Smith, eds. London: Lawrence & Wishart.

Halper, Stephan. 2010. *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-First Century*. New York: Basic Books.

Horta, Loro. 2008. "In Uncle Sam's backyard: China's military influence in Latin America." *Military Review*. 88(5): 47-55. http://usacac.army.mil/CAC2/MilitaryReview/Archives/English/MilitaryReview_20081031_art011.pdf. [Accessed on March 20, 2016]

Huang, Yanghua and Zhang, Yongsheng. 2011. "East Asia economic integration and its impact on the Chinese economy." In Ulrich Volz (ed.) *Regional Integration, Economic Development and Global Governance*. Cheltenham: Edward Elgar Publishing Limited.

Jenkins, Rhys. 2010. "China's Global Expansion and Latin America." *Journal of Latin American Studies*. 42: 809-837.

Kirton, John. 1999. *The G7 and China in the Management of the International Financial System*. Department of Political Science, Centre for International Studies, University of Toronto. https://tspace.library.utoronto.ca/html/1807/4865/china4.htm. [Accessed on March 20, 2016]

Lai, Hongyi. 2016. *China's Governance Model: Improvement without Democracy and the Durability of the Party-State*. New York: Taylor & Francis.

Li, Minqi. 2008. *The Rise of China and The Demise of The Capitalist World Economy*. New York: Pluto Press.

Li, Xing. 2007. *East Asian Regional Integration: From Japan-led "Flying-geese" to China-centred "Bamboo Capitalism."* Working paper of Center for Comparative Integration Studies, Aalborg University.

Li, Xing and Christensen, Steen Fryba. eds. 2012. *The Rise of China and The Impact on Semi-periphery and Periphery Countries*. Aalborg-Denmark: Aalborg University Press.

Li, Xing. 2014. "Conceptualizing the nexus of 'Interdependent Hegemony' between the existing and the emerging world orders." *Fudan Journal of Humanities and Social Sciences.* 7(3): 343-362.

Li, Xing and Shaw, Timothy M. 2014. "'Same Bed, Different Dreams' and 'Riding Tiger' Dilemmas: China's Rise and International Relations/Political Economy." *Journal of Chinese Political Science*. 19(1): 69-93.

Ma, Xiaochun and Gao, Yinan. 2014. "China pledges 40 billion USD for Silk Road Fund." *Xinhua*. http://en.people.cn/n/2014/1109/c90883-8806435.html. [Accessed on March 20, 2016]

Morgan, Daniel. 2015. "Expanding the Rebalance: Confronting China in Latin America." *Parameters* 45(3): 103-114. http://www.strategicstudiesinstitute.army.mil/pubs/parameters/issues/Autumn_2015/12_Morgan.pdf. [Accessed on March 20, 2016]

Olson, Stephen and Prestowitz, Clyde. 2011. *The Evolving Role of China in International Institutions.* A research report prepared for the US-China Economic and Security Review Commission. http://origin.www.uscc.gov/sites/default/files/Research/TheEvolvingRoleofChinainInternationalInstitutions.pdf. [Accessed on March 20, 2016]

Paz, Gonzalo. 2012. "China, United States and hegemonic challenge in Latin America: An overview and some lessons from previous instances of hegemonic challenge in the region." *The China Quarterly*. 209: 18-34.

Pereira, Carlos and Neves, Joao. 2011. "Brazil and China: South-South Partnership or North-South Competition?" *Foreign Policy at Brookings*. Policy paper number 26:4. http://www.brookings.edu/~/media/research/files/papers/2011/4/03-brazil-china-pereira/03_brazil_china_pereira.pdf. [Accessed on March 20, 2016]

Pham, Peter. 2010. "China's strategic penetration of Latin America: What it means for U.S. interests." *American Foreign Policy Interests: The Journal of the National Committee on American Foreign Policy*. 32(6): 363-381.

Ramo, Joshua C. 2004. *The Beijing Consensus*. London: the Foreign Policy Centre.

Santibanes, Francisco. 2009. "An end to U.S. hegemony? The strategic implications of China's growing presence in Latin America." *Comparative Strategy*. 28(1): 17-36. http://www.tandfonline.com/doi/pdf/10.1080/01495930802679728. [Accessed on March 20, 2016]

The Economist. 2015. "World GDP." March 21. http://www.economist.com/news/economic-and-financial-indicators/21646778-world-gdp. [Accessed on March 20, 2016]

The Economist. 2013. "World GDP." September 21. http://www.economist.com/news/economic-and-financial-indicators/21586611-world-gdp. [Accessed on March 20, 2016]

The Guardian. 2015. "China and Brazil confirm trade and investment deals worth billions." 19 May. http://www.theguardian.com/world/2015/may/19/china-brazil-trade-deals-billions. [Accessed on March 20, 2016]

The Wall Street Journal. 2014. "How China Is Eclipsing Japan in Asia — An IMF Snapshot." May 13. http://on.wsj.com/1l6ifMK. [Accessed on March 20, 2016]

Wade, Robert. 1990. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton: Princeton University Press.

Wallerstein, Immanuel. 1974. "The Rise and Future Demise of the of the World-Capitalist System: Concepts for Comparative Analysis." *Comparative Studies in Society and History*. 16: 387-415.

Wallerstein, Immanuel. 1979. *The Capitalist World-Economy*. New York: Cambridge University Press.

Wallerstein, Immanuel. 1997. "The Rise of East Asia, or The World-System in the Twenty-First Century." http://www.binghamton.edu/fbc/archive/iwrise.htm. [Accessed on March 20, 2016]

Wallerstein, Immanuel. 2004. *World-Systems Analysis: An Introduction.* Durham: Duke University Press.

Wang, Hongying. 2014. *From "Taoguang Yanghui" to "Yousuo Zuowei": China's Engagement in Financial Minilateralism*. CIGI PAPERS, NO. 52. https://www.cigionline.org/sites/default/files/cigi_paper_no52.pdf. [Accessed on March 20, 2016]

Wong, John. 2013. "A China-centric Economic Order in East Asia." *Asia Pacific Business Review*. 19(2): 286-296.

Xie, Zhihai. 2011. "The Rise of China and Its Growing Role in International Organizations." *ICCS Journal of Modern Chinese Studies*. 4(1): 85-96. http://iccs.aichi-u.ac.jp/archives/report/038/5099f0477e37a.pdf. [Accessed on March 20, 2016]

Xinhua (2015) "China to launch 30-bln-USD special fund for China-Latin America production capacity cooperation." http://news.xinhuanet.com/english/2015-05/20/c_134255462.htm. [Accessed on March 20, 2016]

Yan, Xuetong. 2014. "From Keeping a Low Profile to Striving for Achievement." *The Chinese Journal of International Politics*. 7(2):153–184. http://cjip.oxfordjournals.org/content/7/2/153.full.pdf. [Accessed on March 20, 2016]

Yue, Qu, et al. 2012. "Flying geese in China." November 22. *East Asia Forum*. http://www.eastasiaforum.org/2012/11/22/flying-geese-in-china/.

China and Latin America Relations: The Win-Win Rhetoric[1(*)]

Raúl Bernal-Meza [2]

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*

---

[1] This research has been conducted under the project Fondecyt 1130380 and INTE (Institute of International Studies of UNAP).

(*) Translated from Spanish by Denise Castello.

[2] Professor at Universidad Arturo Prat (UNAP) and at Universidad Nacional del Centro de la Provincia de Buenos Aires. Professor at Universidad de Buenos Aires. E-mail: bernalmeza@hotmail.com

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

[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.

Xing, 2010; Bernal-Meza, 2012; 2012a). 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; 2012[a]), 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[6] 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).[7] 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 Pacífico).

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

[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[8] and Chile[9], the countries with bilateral trade surplus.

According to A. Ferrando,[10] "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.

[8] http://cebc.com.br/sites/default/files/china-brazil_update_v.final_oficial.pdf.

[9] DIRECOM, Ministerio de Relaciones Exteriores, Gobierno de Chile, "Análisis de las relaciones comerciales entre Chile y China en el marco del Tratado de Libre Comercio", Santiago, agosto de 2015. http://www.direcon.gob.cl/wp-content/uploads/2015/08/AN--LISIS-RELACIONES-COMERCIALES-CHILE-CHINA.pdf.

[10] Project Director of the Institute of International Strategy of the Chamber of Exporters of Republic of Argentina (CERA) and Director of the China Observatory of the same entity.

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.

[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".[12] 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[13]), 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

[12] Robert Keohane, "Después de la Hegemonía. Cooperación y Discordia en la Política Económica Mundial", Buenos Aires, 1998.

[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".

Bibliography

Arrighi, Giovanni. 1985. *Semiperipheral Development: The Politics of Southern Europe in the Twentieth Century*. Beverly Hills: Sage Publications.

Arrigui, Giovanni. 1998. *A ilusão do Desenvolvimento*. Petrópolis, Rio de Janeiro: Editora Vozes (fourth edition).

Becard, Danielly Silva Ramos. 2008. *O Brasil e a República Popular da China. Política Externa Comparada e Relações Bilaterais (1974-2004)*. Brasília: Fundação Alexandre de Gusmão.

Becker, Uwe. ed. 2014. *The BRICs and Emerging Economies in Comparative Perspective*. New York: Routledge.

Bernal-Meza, Raúl. 1991. *Claves del Nuevo Orden Mundial*. Buenos Aires: Grupo Editor Latinoamercano.

Bernal-Meza, Raúl 1994. "Globalización, regionalización y orden mundial: los nuevos marcos de inserción de los países en desarrollo." In Mario Rapoport, ed. *Globalización, Integración e Identidad Nacional. Análisis Comparado Argentina-Canadá*. Buenos Aires: Grupo Editor Latinoamericano.

Bernal-Meza, Raúl. 2000. *Sistema Mundial y Mercosur*. Buenos Aires: Grupo Editor Latinoamericano; Universidad Nacional del Centro de la Provincia de Buenos Aires.

Bernal-Meza, Raúl. 2012. "China-MERCORSUR and Chile Relations." In Xing Li and Steen F. Christensen, eds. *The Rise of China. The Impact on Semi-Periphery and Periphery Countries*. Aalborg: Aalborg University Press.

Bernal-Meza, Raúl. 2012a. "China y la configuración del nuevo orden internacional: Las relaciones China-Mercosur y Chile" In Raúl Bernal-Meza, Raúl and Silvia Quintanar, eds.

Regionalismo y Orden Mundial: Suramérica, Europa, China. Buenos Aires: Nuevohacer; Universidad Nacional del Centro de la Provincia de Buenos Aires.

Bernal-Meza, Raúl. 2014. "La heterogeneidad de la imagen de China en la política exterior latinoamericana. Perspectivas para la concertación de políticas." *Comentario Internacional*, 15: 115-134.

Bernal-Meza, Raúl. 2014a. "Estado, Mercado y Relaciones Internacionales. Dependencia de AML de la explotación de sus recursos naturales. ¿Desarrollo o sub-desarrollo?" In Fernando Estenssoro Saavedra, comp. *Diálogos europeos-latinoamericanos de Ecología Política. Proyección del debate sobre medio ambiente y desarrollo en el siglo XXI*. Santiago: Editorial Usach.

Bernal-Meza, Raúl and Steen F. Christensen. 2015. "Latin America and contemporary world system changes: post hegemonic international insertion with "re-primarization" or consolidation of dependency?" In *IV Congreso Internacional de Ciencias, Tecnologías y Culturas. Simposium N° 51*. Santiago de Chile: Universidad de Santiago de Chile.

Bourdet, Ives, Joakim Gullstrand and Karin Olofsdotter. eds. 2007. *The European Union and Developing Countries. Trade, Aid and Growth in an Integrating World*. Cheltenham: Edward Elgar.

Castro, Jorge. 2013. "Prólogo." In Diego Guelar. *La Invasión Silenciosa. El desembarco chino en América del Sur*. Buenos Aires: Editorial Debate.

Cepal. 2015. América Latina y el Caribe y China. Hacia una nueva era de cooperación económica, Santiago de Chile: Naciones Unidas, http://repositorio.cepal.org/bitstream/handle/11362/38196/S1500389_es.pdf. [Accessed on October 1, 2015].

Cervo, Amado. 2001. "O final do século XX: dificultades para construção de uma orden global." In José S. Saraiva. org. *Relações Internacionais. Doisséculos de Hitórica. Entre a orden bipolar e o policentrismo (de 1947 a nossos días)*. Brasilia: Instituto Brasileiro de Relações Internacionais, Vol. II.

Christensen, Steen F. and Raúl Bernal-Meza. 2014. "Theorizing the Rise of the Second World and the Changing International System." In Xing Li, ed. *The BRICS and Beyond. The International Political Economy of the Emergence of a New World Order*. Surrey: Ashgate.

Eichengreen, Barry, Donghyun Park and Kwanho Shin. 2013. "When fast growing economies slow down: international evidence and implications for China." *NBER Working Paper No. 16919*. Issued in March 2011. NBER Program(s). pdf. Available at http://wwwnber.org/papers/w16919 [Accessed on October 25, 2015].

Ferrando, Alonso. 2015. "China y América Latina. Lejos de los beneficios soñados." In *La Nación*. Section: Comercio Exterior. Buenos Aires, October 20:7

Guelar, Diego. 2013. *La invasion silenciosa. El desembarco chino en América del Sur*. Buenos Aires: Random House Mondadori S.A.; Ed. Debate.

Jiang, ShiXue. 2011. "Una nueva época de la cooperación Sur-Sur: las relaciones de China con África y América Latina." In *Vanguardia Dossier*. N° 40. Barcelona. Available at https://dialnet.unirioja.es/ejemplar/281404 [Accessed on October 1, 2015].

Ikenberry, John. 2008. "The rise of China and the future of the West." *Foreign Affairs*. 87 (1). Available at https://www.foreignaffairs.com/articles/asia/2008-01-01/rise-china-and-future-west [Accessed on September 13, 2015].

Kennedy, Paul. 1988. *The Rise and Fall of the Great Powers*. London: Unwin Hyman Ltd.

Li, Minqi. 2005. "The Rise of China and Demise of the Capitalist World-Economy: Exploring Historical Possibilities in the 21st Century." *Science & Society*. 69(3): 420-448.

Li, Xing. 2010. ed. *The Rise of China and the Capitalist World Order*. Surrey; Burlington: Ashgate Publishing Limited.

Li, Xing. 2012. "Introduction: The Unanticipated Fall and Rise of China and the Capitalist World System." In Xing Li and Steen F. Christensen, eds. *The Rise of China. The impact on Semi-Periphery and Periphery Countries*. Aalborg: Aalborg University Press.

Li, Xing. 2012a. "China y el orden mundial capitalista el nexo de la transformación interna de China y su impacto externo." In Raúl Bernal-Meza and Silvia Quintanar, eds. *Regionalismo y Orden Mundial: Suramérica, Europa, China*. Buenos Aires: Nuevohacer; Universidad Nacional del Centro de la Provincia de Buenos Aires.

Li, Xing. 2014. "Introduction: Understanding the Hegemony and the Dialectics of the Emerging World Order." In Li Xing, ed. *The BRICS and Beyond. The International Political Economy of the Emergence of a New World Order*. Surrey: Ashgate.

McNally, Christopher. 2014. "The evolution and contemporary manifestations of Sino-capitalism." In Uwe Becker, ed. *The BRICs and Emerging Economies in Comparative Perspective*. London; New York: Routledge.

Observatorio América Latina Asia Pacífico, "Boletín estadístico América Latina – Asia-Pacífico." *Boletín N° 7*. http://www.observatorioasiapacifico.com/data/OBSERVATORIO.Images/Bulletin/temp/20151117121525BoletnAL-AsiaNmero07.pdf. [Accessed on October 1, 2015].

Oliveira, Amaury Porto de. 2013. "Reinventar o Brasil para o pós-China." In Leila Ferreira and José A. Albuquerque, orgs. *China & Brasil. Desafios e oportunidades*. São Paulo: Annablume; Campinas, Unicamp.

Oviedo, Eduardo. 2010. *Historia de las relaciones internacionales entre Argentina y China. 1945-2010*. Buenos Aires: Editorial Dunken.

Oviedo, Eduardo. 2012. "Argentina facing China: Modernization, Interests and Economic Relations Model." *East Asia*. 30(1): 7-34.

Oviedo, Eduardo. 2014. "Principales variables para el estudio de las relaciones entre Brasil y China." In Raúl Bernal-Meza and Lincoln Bizzozero, eds. *La política internacional de Brasil: de la región al mundo*. Montevideo: Ediciones Cruz del Sur.

Pieterse, Jan Nederveen. 2011. "Global Rebalancing: Crisis and the East-South Turn." *Development and Change*. 42(1): 22-48.

Prebisch, Raúl. 1949. *El desarrollo económico de América Latina y algunos de sus principales problemas*. Santiago: CEPAL.

Prebisch, Raúl. 1951. *Problemas teóricos y prácticos del crecimiento económico*. México D.F.: CEPAL.

Rodríguez, Isabel. 2013. "La diplomacia pública en las relaciones internacionales: el aporte de China." In Isabel Rodríguez and ShouguoYang, eds. *La diplomacia pública de China en América Latina*, Santiago: RIL Editores.

Ross, César. 2002. "Relaciones entre Chile y China: treinta años de relaciones atípicas, 1979-2000." *Si Somos Americanos*. 3(2): 33-48.

Schujovitzky, Lara. 2015. *Inversiones chinas en Argentina: Naturaleza y Clasificación en base a estudios de casos. Tesis de Licenciatura, Facultad de Ciencia Política y Relaciones Internacionales*. Universidad Nacional de Rosario, Argentine.

Sevares, Julio. 2007. "¿Cooperación Sur-Sur o dependencia a la vieja usanza? América Latina en el comercio internacional." *Nueva Sociedad*. 207: 11-22.

Sevares, Julio. 2012. "El ascenso de China y las oportunidades y desafíos para América Latina." In Raúl Bernal-Meza and Silvia Quintanar, eds. *Regionalismo y Orden Mundial: Suramérica, Europa, China*. Buenos Aires: Nuevohacer; Universidad Nacional del Centro de la Provincia de Buenos Aires.

Sevares, Julio. 2014. "Inversiones chinas en América Latina: una relación económica emergente." *Realidad Económica*. 284: 54-80.

Sevares, Julio. 2015. *China. Un socio imperial para Argentina y América Latina*. Buenos Aires: Editorial Edhasa.

Stewart, Ashley Kim and Xing, Li. 2013. "Beyond Debating the Differences: China's Aid and Trade in Africa." In Xing Li and Abdulkadir Osman Farah, eds. *China-Africa Relations in an Era of Great Transformations*. Surrey: Ashgate Publishing Limited.

Uehara, Alexandre R. 2013. "Política externa da China e as relaçõesbilateraiscom o Brasil." In Leila Ferreira and José A. Albuquerque, orgs. *China & Brasil. Desafios e oportunidades*. São Paulo: Annablume; Campinas, Unicamp.

Wallerstein, Immanuel. 1975. "Semiperipheral countries in the contemporary world." In *The Capitalist World-Economy*. Cambridge; Paris: Cambridge University Press; Éditions de la Maison des Sciences de l'Homme.

Wallerstein, Immanuel. 1984. *The Politics of World-Economy: the States, the Movements and the Civilizations*. Cambridge; Paris: Cambridge University Press; Éditions de la Maison des Sciences de l'Homme.

World Bank. 2012. *China 2030, Building a Modern, Harmonius and Creative High Income Society*. Washington DC.

Lee, YunTso. 2013. "La diplomacia pública y el softpower de China en América Latina." In Isabel Rodríguez and Shouguo Yang, eds. *La diplomacia pública de China en América Latina*. Santiago, RIL Editores.

Power Transition: The U.S. vs. China in Latin America

Until now, both Chinese and American officials deny that they are competing for influence in Latin America. But that is what it looks like.
"The dragon and the gringo," *The Economist*, Jan. 15, 2015.

Antonio C. Hsiang[1]

Abstract: Based on Power Transition Theory, the paper investigates how China competes with the US in Latin America. The paper divided into four main sections.
The first section reviews why the U.S. has tried hard to prevent Latin America and the Caribbean from developing relations with China. It also explains why Secretary of State John Kerry announced "The era of the Monroe Doctrine is over" in November 2013.
The second part discusses China's expansion in Latin America. The more states that trade with China, the more likely they are to converge with it on issues of foreign policy. Consequently, the US, whose foreign policy preferences have diverged from those of China, may find it harder to attract allies in Latin America.
The third part explores how Latin America has become more assertive. It also examines how such acquiescence increases the responsibility of those states to think carefully about what kind of relationship with China is in their interest, and that of the region.
The last section concludes the article and provides policy implications for the US, China, and Latin America.

Keywords: US, China, Latin America, Power Transition

I. Introduction

September 2015 marked the ten-year anniversary of two highly influential documents in framing contemporary US-China relations: an essay by Zheng Bijian in *Foreign Affairs* explaining how China would achieve a "peaceful rise," and a speech by Robert Zoellick advising China to serve as a "responsible stakeholder" in the evolution of world order.

In the former, Zheng concludes that China does not seek hegemony or predominance in world affairs. It advocates a new international political and economic order, one that can be achieved through incremental reforms and the democratization of international relations. China's development depends on world peace—a peace that its development will in turn reinforce (Zheng, 2005). In the latter, a speech given to the National Committee on US-China Relations on September 21, 2005, Zoellick not only introduced the notion of China as a "responsible stakeholder" in the international community but sought to allay fears in the US of ceding dominance to China. A decade later, Nobel laureate Joseph E. Stiglitz warns,

[1] Antonio C. Hsiang is Professor and Director of the Center for Latin American Economy and Trade Studies, Chihlee University of Technology, Taiwan. E-mail: ahsiang1@ms39.hinet.net

"China has just overtaken the United States as the world's largest economy. This is, and should be, a wake-up call—but not the kind most Americans might imagine" (Stiglitz, 2015).

Coincidentally, also in September 2015, China's President Xi Jinping paid his first state visit to the United States and attended events in New York commemorating the 70th anniversary of the founding of the United Nations. From an international perspective, Xi's speech at the United Nations Sustainable Development Summit may be categorized as another important document. He pointed out,

> We need to ensure equitable development to make access to development more equal. Countries may differ in capacity for and achievement in development, but they have common yet differentiated responsibilities with shared objectives (Xinhuan, 2015).

It not only clearly reflected Xi's "Chinese Dream" and its realization will be highly related to the triangular relations among China, the U.S., and Latin America.

As the world's largest economy (measured in terms of purchasing power), China is still miles away from matching America's international political reach. But America's own ability and willingness to sustain its role as global hegemon is open to question (Financial Times). Until now, "both Chinese and American officials deny that they are competing for influence in Latin America. But that is what it looks like" (The Economist, 2015).

Historically, "globalization has needed a hegemon. However, America seems to be retreating from that role and China is not yet ready for it" (The Economist, 2013). It is true that, "in the post-9/11 world, forging a successful grand strategy is unlikely and dangerous" (Zegart, 2014). In fact, "relabeling relations between China and America has not resolved an underlying tension." For instance, speaking on a visit to Washington on September 20, 2013, Chinese Foreign Minister Wang Yi referred to a study of 15 different countries. In 11 cases "confrontation and war have broken out between the emerging and established power" (The Economist, 2014). So the stakes are high when Chinese leaders speak of their hopes for a "new type of great-power relations," defined as "no conflict or confrontation, mutual respect, and win-win cooperation" (The Economist, 2013). However, for Yan Xuetong, this new type of great-power relations may not be established in 2015(China Review News Agency, 2015).

Based on Power Transition Theory, this paper is divided into six sections. The second part reviews related literatures. The third section explains how the Monroe Doctrine came to an end. The fourth part investigates China's expansion in America's backyard. The fifth section shows transformation of Latin America's more assertive foreign policies. The final part concludes the article and provides some implications.

II. Literature Review

I choose Power Transition Theory as an analytical framework because an important extension of the theory by Douglas Lemke demonstrates that the same principles that hold true among the major powers at the global level also hold true among regional leaders. Lemke's contribution is essential because he shows that severe conflicts of all types follow conditions of power parity. His empirical tests, based on very diverse regions of Latin America, the Middle East and Africa, demonstrate that the same conditions that lead to major confrontations among the largest nations in the international system hold true for major competitors in key regions (Lemke, 2002).

The United States and China are locked in a long-term competition for economic primacy. China, the smaller challenger, is growing at a much faster rate than the more mature economy of the United States. This dynamic change is generating the conditions for an overtaking in the future, anticipated to be between 2025 and 2035. The key question from a parity perspective is not whether China will be the dominant nation in world politics by the end of the century, but whether a dominant China would openly challenge the existing international regimes or join and lead the pre-existing international community (Tammen and Kugler, 2006).

Under power transition or power parity, relative power equilibrium increases the probability of war (Organski and Kugler, 1980). Shi Yinhong, professor of Renmin University in Beijing, said in 2009 that he was sure that China could rise peacefully. In 2014, he was not so sure (The Economist, 2014). This section reviews the literature of Power Transition Theory mainly on national power, level of satisfaction, and utility of alliance.

1. National Power

A key assumption of Power Transition is that of the three key components of national power: "population has a critical impact on power in the long term; economic growth has a large impact in the medium term; and political capacity has its greatest impact in the short term" (Levy, 2008). China is challenging the US "influence in global politics, economics and culture that made the 20th century, by some measures, the "American Century"" (Kirby, McFarlan, and Abrami, 2014; Taltow, 2014). The trend can be illustrated by three key components of national power.

China is the country with the largest population in the world. In their book, *The Size of Nations*, Alberto Alesina and Enrico Spolaore lay out the costs and benefits of going it alone. Scale has its advantage: bigger countries are easier to defend from foreign aggressors. When barriers to trade are high, a bigger domestic market allows for more internal specialization. Yet the bigger a country grows the more multitudes it contains (Alesina and Spolaore, 2005; The Economist, 2014).

While China moved some 500 million people out of poverty, America's middle class entered a period of stagnation (Stiglitz, 2015). An economic model that does not serve a majority of its citizens is not going to provide a role model for others to emulate. America should see the rise of China as a wake-up call to put our own affairs in order (Stiglitz, 2015). Yet scholars also argued that China is now mired in the infamous "middle-income trap" because of its chronic "innovation deficit." The only way out of the trap is through innovation—as Japan, South Korea, Singapore and Taiwan previously proved (Sambaugh, 2014).

However, Chinese management ideas are beginning to get the attention they deserve. Peter J. Williamson and Eden Yin of Cambridge University contribute an essay on "Accelerating Innovation: The New Challenge from China". Rather than focusing on technological breakthroughs, Chinese companies are finding new ways to innovate that reduce lead times and speed up problem solving. Their article suggests that the Chinese, like the post-war Japanese, have been doing a great deal of innovation under the radar (Williamson and Yin, 2014).

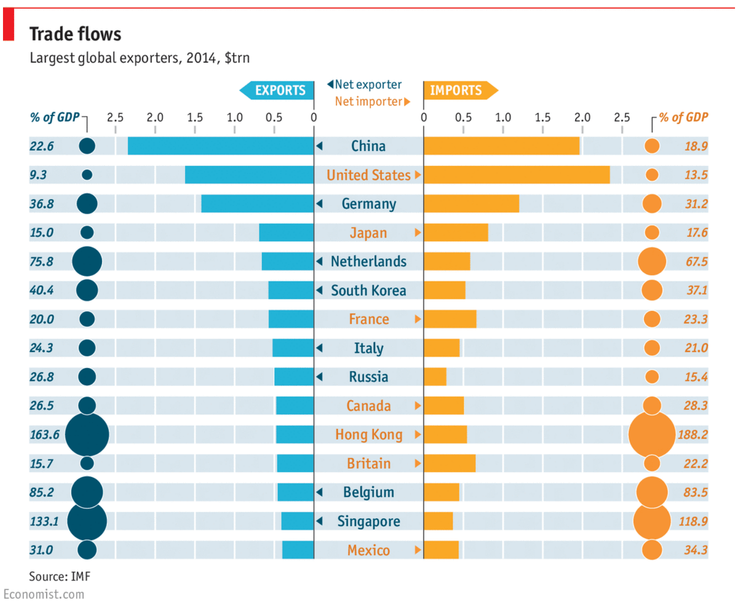
In another article titled "A Chinese Approach to Management," Thomas Hout and David Michael also demonstrate that the Chinese are becoming more creative as they seek to solve the problems of a rapidly advancing consumer economy (Hout and Michael, 2014). In addition, "China's success has also depended on its ability to be a 'fast follower,' copying foreign ideas and turning them into mass-market products...these are skills that will help them cater to the middle classes. Not just serve the poor; and to conquer new markets far beyond their home turf" (The Economist, 2014).

Regarding political capacity, China produced a highly competent state, staffed by first-rate civil servants chosen by examinations and capable of monitoring domestic and international affairs. According to Francis Fukuyama, "what we are seeing in China now is the revival of this tradition after a century-long collapse: the Chinese Communist Party is reaching back into history to prove that you can create a competent state without the benefit of the Western traditions of democracy or the rule of law" (The Economist, 2014).

2. Level of Satisfaction

One of the Power Transition's theoretical arguments falls squarely on one question: Is China now and will it be in the future a satisfied nation? If so, the probability of war between China and any regional or global competitors falls precipitously. Consequently, "America's best move is to change the game in Asia, by offering to share power if China behaves responsibly" (The Economist, 2014). Since the 21st century, China has been more and more satisfied because the United States has shared more and more international power. Booming international trade has been one of the reasons why China has been more satisfactory (see Diagram 1).

Diagram 1



Source: *The Economist*, Oct. 6, 2015
http://www.economist.com/blogs/graphicdetail/2015/10/global-trade-graphics

In December 2001, China was allowed to join the World Trade Organization (WTO). In 2008, Chinese economist Justin Yifu Lin was appointed as Vice President of the World Bank. After 2011, China's voting power in IMF increased to 6.068%. from 3.803% since 2008. But "why should China be satisfied with a bit more engagement when primacy is what it seeks? There is no guarantee that it will be" (The Economist, 2014).

In the public's view, China long ago surpassed the United States as the world's top economic power. According to the Pew Research Center's survey in 2013, 48% say that China is the world's leading economic power while only 31% say that it is the United States. That is, little has changed since 2009 (see Diagram 2). In 2010, China's then foreign minister, Yang Jiechi, vocally pointed out that "China is a big country and other countries are small countries and that is a fact" (The Economist, 2014). It is evident that China wants more.

Diagram 2

Public Views China as Top Economic Power, U.S. as Leading Military Power

Which is the world's leading economic power?	Feb 2008	Nov 2009	Jan 2011	Nov 2013
	%	%	%	%
China	30	44	47	48
United States	41	27	31	31
Japan	10	13	9	8
EU countries	9	5	6	5
Other (Vol.)/DK	10	11	7	7
	100	100	100	100
Which is the leading military power?				
United States	–	63	67	68
China	–	18	16	14
Russia	–	6	5	6
EU countries	–	2	3	2
Other (Vol.)/DK	–	11	9	8
		100	100	100

Source: America's Place in the World 2013. General Public PEW 5-6 (Omnibus). Figures may not add to 100% because of rounding.

PEW RESEARCH CENTER

Source: "Public Sees U.S. Power Declining as Support for Global Engagement Slips"
Pew Research Center, Dec. 8, 2013 http://www.people-press.org/2013/12/03/public-sees-u-s-power-declining-as-support-for-global-engagement-slips/12-3-2013-9/

However, the United States is also dissatisfied. For instance, Barrack Obama criticized, "One thing I will say about China, though, is you also have to be pretty firm with them, because they will push as hard as they can until they meet resistance" (The Economist, 2014). He also insists that China has "been free riders for the last 30 years" (New York Times, 2014).

3. Utility of Alliance

Woosang Kim extends original Power Transition Theory by relaxing the restrictive assumption of the method of augmenting national power. He examines the occurrence of war in East Asia from 1860 to 1993. Results show that conflicts in East Asia occur under the same general conditions that lead to war in the international system and that war is most likely when the dissatisfied challenger approximates the dominant power. Contrary to the standard power transition formulation, the evidence suggests that the role of alliances is crucial for mitigating the risk of war. Because alliances play a central role in the risk of wars, the dangers of such a conflict in East Asia (or elsewhere) can be managed through skillful strategies of alignment and de-alignment (Kim, 2002).

To better grasp the utility of alliance, China has built different kinds of institutions: Conference on Interaction and Confidence-Building Measures in Asia (CICA, 1999), the Shanghai Co-operation Organization (SCO, 2001), and a Regional Comprehensive Economic Partnership (RCEP, 2012). Their shared characteristics are that China has a big and sometimes dominant role, and that the United States is not a member—and indeed was rebuffed when it sought to join the SCO as an observer. “China is not just challenging the existing world order…it is building a new one” (The Economist, 2014).

Foreign Direct Investment (FDI) is another useful tool to build alliance and is particularly helpful to explain the US-China competition in Latin America. The conventional wisdom holds that democracies enjoy advantages over autocracies when it comes to attracting FDI. But autocratic countries that attract substantial amounts of FDI exist. For example, during the last two decades, about half of the top 20 non-OECD host countries are nondemocratic.

Focusing on the role of commitment institutions by which host countries can commit their protection of foreign assets, Chungshik Moon argues that with longer time horizons, autocrats can provide stronger institutions to protect property rights. This allows them to attract more FDI. His study suggests that what matters to foreign investors is not regime type *per se* but specific institutional features of the host country. Insofar as host countries provide sound institutions to protect foreign assets, they would be able to attract more foreign investment (Moon, 2015).

III. End of The Monroe Doctrine

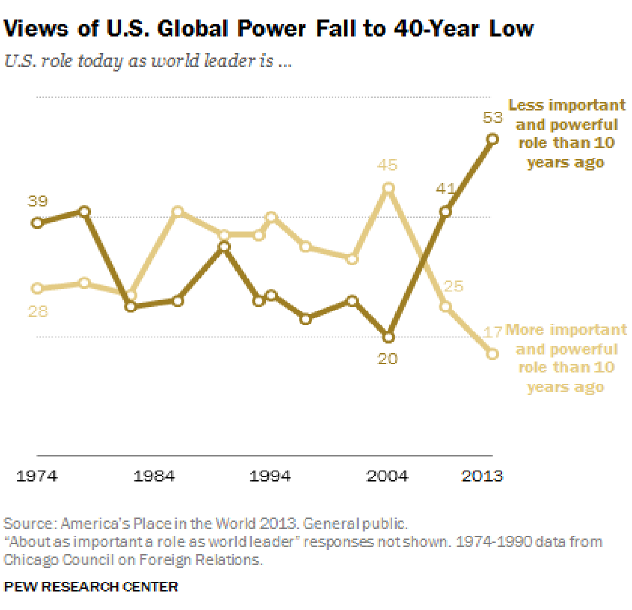
According to Jorge I. Domínguez, professor at Harvard University, there were two exogenous shocks that established Latin American international relations at the beginning of the 21st century. "The first was the growing distance between the region's governments and the administration of U.S. President George W. Bush over many issues…The second was the dramatic entrance of the People's Republic of China as a significant and, in some instances, political partner." For him, "the twenty-first century may or may not be the 'China century' in Latin America but this first decade of the century surely is the 'China decade'" (Domínguez, 2006). In fact, it was also the decade during which the United States began to drift away from the Monroe Doctrine. Two reasons explain the trend: US declining power and George W. Bush's incapacity.

1. US Power Declines

According to a survey released in December 2013, the public sees U.S. power declining as support for global engagement slips to 40-year low (see Diagram 3). The public has also long been more likely to say that Barack Obama is "not tough enough" on foreign policy and national security (58% in 2015) than say that his approach is "about right" (34%, see Diagram 4). Moreover, in the past few years, the West has also lost confidence in the strength of the three props on which the post-Cold War world has been constructed: markets, democracy and American power. Gideon Rachman explains,

> the faith in free markets was severely shaken by the financial crisis of 2008 and the subsequent Great Recession and has never really recovered…Democratic evangelism, meanwhile, has been undermined by the horrors unleashed by the Arab uprisings…[and]American power…looks less reliable than it did a decade ago (Financial Times, 2015).

Diagram 3



Source: "Public Sees U.S. Power Declining as Support for Global Engagement Slips," Pew Research Center, Dec. 8, 2013 http://www.people-press.org/2013/12/03/public-sees-u-s-power-declining-as-support-for-global-engagement-slips/

Diagram 4

Majority says Obama is 'not tough enough' on foreign policy

% saying when it comes to foreign policy and national security, Obama is ...

	June 2009	April 2010	Sept 2012	Nov 2013	Aug 2014	Jan 2015	July 2015	Dec 2015
	%	%	%	%	%	%	%	
Too tough	2	2	2	5	3	5	4	2
Not tough enough	38	47	41	51	54	55	53	58
About right	51	41	42	37	36	37	37	34
Don't know	8	10	15	6	7	3	3	6
	100	100	100	100	100	100	100	100

Source: Survey conducted Dec. 8-13, 2015.
Figures may not add to 100% because of rounding.

PEW RESEARCH CENTER

Source: "Majority says Obama is 'not tough enough' on foreign policy," Pew Research Center, Dec. 15, 2015 http://www.people-press.org/2015/12/15/views-of-governments-handling-of-terrorism-fall-to-post-911-low/

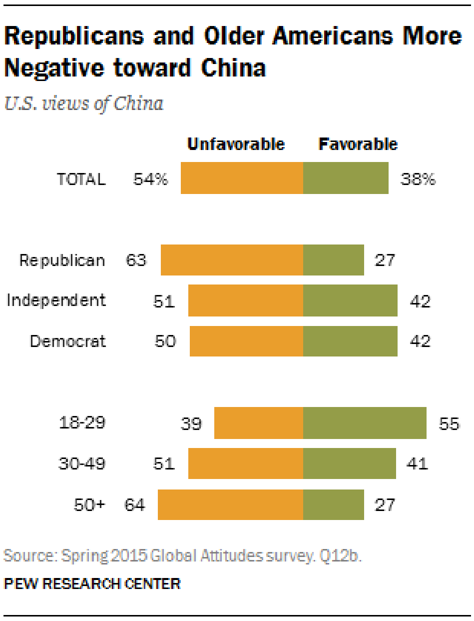
George W. Bush's policy toward Latin America was a fiasco for three reasons. First, the Bush administration has been treating the region as a "backyard" with identical interests as America. For Julia E. Sweig, "U.S. policies - whether on trade, aid, democracy, drugs or immigration - presumed that Latin Americans would automatically see U.S. interests as their own" (*Miami Herald*, 2005). Second, Washington made a strong push for Latin American support for the Iraqi war despite Latin American ambivalence (Hsiang, 2008). According to Wayne Smith, this is why "[America's] standing in Latin America has never been so low as it is now" (Eisenman and Kurlantzick, 2006). Third, Bush treats Cuba as if the Cold War never thawed. Jorge Domínguez correctly points out,

> the Bush administration makes much more 'anti-Castro' noise than had been the norm even for Republican presidents in the past . . . [and] the Bush administration has hit hard the set of policies that touches on individual travel (Washington Post, 2007).

No wonder Peter Hakim, former President of Inter-American Dialogue, asks: Is Washington losing Latin America? For nearly a decade, US policy toward Latin America has been narrowly focused on a handful of issues, such as China's growing influence in the region and the power of Venezuelan President Hugo Chávez. Latin Americans want economic ties with the United States but feel slighted by Washington and uneasy about the U.S.'s role in the world. The costs of the estrangement will be high for both sides (Hakim, 2006).

Even though economic issues continue to shape how Americans see China, there is slightly less concern about these perceived threats than there was three years ago when Pew Research Center last asked these questions. However, more than six in ten (63%) gave China an unfavorable rating (Wike, 2015, see Diagram 5).

Diagram 5



Source: Pew Research Center, Sept. 13, 2015
http://www.pewglobal.org/2015/09/09/americans-concerns-about-china-economics-cyberattacks-human-rights-top-the-list/

2. De-Americanized Backyard

Under George W. Bush's presidency, Latin America had transformed into a de-Americanized backyard. In 2004, Washington chose to back former President of El Salvador Francisco Flores for the position of Secretary General of the Organization of American States (OAS), before ultimately withdrawing its support. The first round of voting gave an advantage to Mexican Foreign Minister Luis Ernesto Deberz, backed by a number of North and Central American countries, who ran against former Minister of the Interior of Chile, Mr. José Miguel Insulza, whose support came from most South American countries.

Near the end, Deberz withdrew, and Insulza was elected in May 2005. In the election, only Mexico abstained while Bolivia and Peru voted against Insulza because of their historic tensions with Chile (E-International Relations, 2014). It was the first time that a Secretary General was elected without being pre-approved by the U.S. Mr. Insulza was reelected in 2010 for a second five-year term (Doleac, 2015).

In May 2015, Uruguay's foreign minister from 2010-2015 Luis Almagro was elected as the new Secretary General. Several diplomatic achievements helped him getting elected, e.g.: receiving prisoners from Guantánamo, refugees from Syria, and helping lead reconstruction efforts in an earthquake-shattered Haiti. However, in a written testimony to the Senate Foreign Relations Committee, Russ Dallen, a well-known investment banker and media owner in Venezuela, pointed out "Uruguay shared responsibility in letting the South American nation off the hook." For him, Washington's inability to harness the power of the OAS is "one of the biggest failures of the Obama administration" (Miami Herald, 2015).

The border dispute between Colombia and Ecuador in March 2008 provides another example of the trend. Because Colombia is America's staunch ally, Venezuela also reacted. President Bush accused Hugo Chavez's "provocative maneuvers" and said he stood by Bogotá and its fight against terrorism. This diplomatic crisis ended at a Rio Group summit on March 7, with a public reconciliation among the three countries involved. The OAS was totally marginalized and the United States had no role to play (Isacson, 2012).

The United States failed to build an alliance in the backyard not only under George W. Bush's presidency, but also during the Obama presidency. Michael Dukakis, Democratic nominee for the 1988 presidential election, explains why:

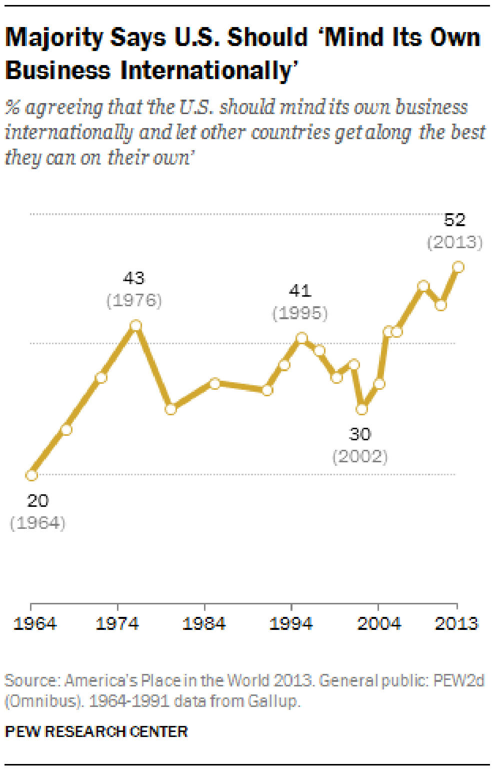
> We are members of the Organization of American States and are bound by its charter. That charter is clear. No member state has the right to interfere directly or indirectly in the internal affairs of another member state. If there are concerns about the state of democracy in Venezuela, the OAS is perfectly capable of handling it, and while that process can be frustrating at times, it certainly beats embargos that are both a violation of the OAS charter and are bound to fail as they have so miserably in Cuba (Dukakis, 2014).

According to a policy report titled *Remaking the Relationship: The United States and Latin America* in 2012 by Inter-American Dialogue,

> US-Latin American relations have grown more distant. The quality and intensity of ties have diminished. Most countries of the region view the United States as less and less relevant to their needs—and with declining capacity to propose and carry out strategies to deal with the issues that most concern them" (Inter-American Dialogue, 2012).

On November 18, 2013, John Kerry gave a major speech at the Organization of American States, stressing the United States' desire to re-engage with the region. He not only praised Assistant Secretary Roberta Jacobson, claiming that she "does such an outstanding job with respect to all of the Western Hemisphere", but also mentioned that she has "just come back from China on a dialogue in China regarding the Western Hemisphere and Latin America particularly." More surprisingly, he announced: "The era of the Monroe doctrine is over" (Kerry, 2013). According to a survey released in December 2013 by the Pew Research Center, 52% want the United States to "mind its own business internationally," the highest figure in five decades of polling (Diagram 6).

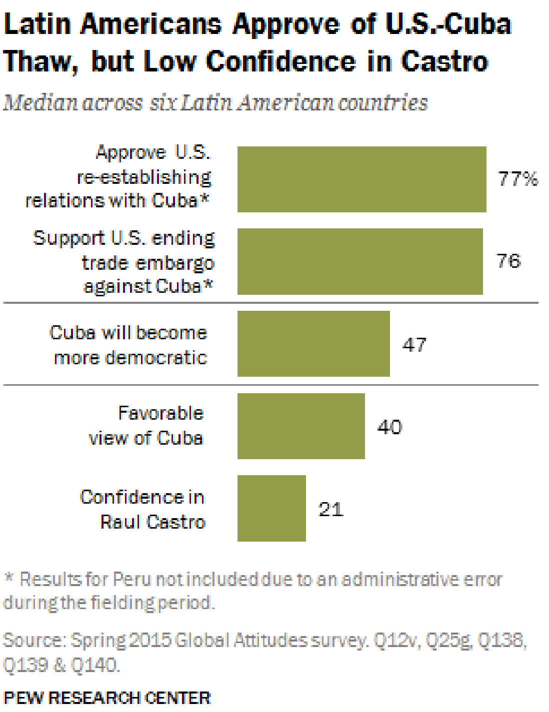
Diagram 6



Source: "Public Sees U.S. Power Declining as Support for Global Engagement Slips"
Pew Research Center, Dec. 8, 2013
http://www.people-press.org/2013/12/03/public-sees-u-s-power-declining-as-support-for-global-engagement-slips/

In December 2014, the White House announced plans to normalize diplomatic relations with Cuba. The move was a clear effort by Washington to distinguish itself in a new international theater. As the United States formally re-establishes diplomatic ties with Cuba, people in Latin American nations approve of the action and support the U.S. ending its long-standing trade embargo against the island nation (a Pew Research survey, conducted in Argentina, Brazil, Chile, Mexico, Peru and Venezuela - see Diagram 7).

Diagram 7



Source: Pew Research Center, July 21, 2015
http://www.pewglobal.org/2015/07/21/latin-americans-approve-of-u-s-re-establishing-diplomatic-ties-with-cuba/

However, the gambit was eclipsed by the China-Celac Forum on Jan. 8~9, 2015 in Beijing. The Community of Latin American and Caribbean States, or Celac, "explicitly styles itself as an alternative to the U.S.-led Organization of American States and a 'weapon against imperialism,' aka [also known as] American influence" (Wall Street Journal, 2015).

When China is building alliance in Asia, such as Asian Infrastructure Fund, the U.S. is twisting arms so that those countries will not join. *The 2015 National Security Strategy*, released by The White House, witnesses Washington's worry. It writes,

> To meet these challenges, we are working with Canada and Mexico to enhance our collective economic competitiveness while advancing prosperity in our hemisphere. With Chile, Peru, Mexico, and Canada, we are setting new global trade standards as we grow a strong contingent of countries in the Americas that favor open trading systems to include TPP. We seek to advance our economic partnership with Brazil, as it works to preserve gains in reducing poverty and deliver the higher standards of public services expected by the middle class" (The White House, 2015).

IV. Beginning of China's Expansion

Responding to John Kerry's "Monroe doctrine" speech in November 2013, scholars criticized that he,

> failed to mention the elephant in the room: the growing interactions of the region's most dynamic economies with China, a customer for raw materials but also an investor that competes with US companies in several sectors (The Guardian, 2013).

This section explores how China has expanded in Latin America since the 21st century. China has been rising in Latin America for two reasons.

> The first is the relative decline in the economic and political pre-eminence of the United States after its brief moment of unchallenged power at the end of the cold war…The second factor is that many Latin American countries have become more self-confident and bent on asserting their diplomatic independence" (The Economist, 2009).

During Bush's first term, Washington had focused on urgent foreign issues such as counter-terror initiatives and nuclear proliferation. Latin America had been put on the back burner. By contrast,

> under the slogan 'peaceful rising,' China is 'selling' itself to Africa and Latin America as the model for ending poverty. Its pitch is finding an audience among governments that have watched China's growth leap and their own stagnate while being lectured by the International Monetary Fund and patronized by aid agencies (Financial Times, 2006).

In the last 15 years, China has become a major economic presence in Latin America. Beijing sees Latin America "at least in part as an arena for strategic competition, one where China has the ability to significantly improve its geopolitical standing" (Wall Street Journal, 2015). Study finds that "Chinese FDI is influenced by trade flows and natural resources in host economies, including oil resources and ores and metals, while also being directed to markets with lower per capita income" (Tuman and Shirali, 2015). The former includes Argentina, Brazil, Chile, and Mexico. For the latter, the *example par excellence* is the Nicaragua Canal, a massive $40 billion, 80-kilometer passageway for maritime transit between the Pacific and Atlantic Oceans.

1. Building Strategic Partners

Since 2000, Chinese presidents have visited Latin America six times, excluding Xi's two trips, these include: Jiang Zemin's visits in 2001 and 2002, and Hu Jintao's in 2004, 2005, 2008, and 2010. Over the course of these visits, Beijing has established, and in some cases, upgraded, "strategic partnerships" with Brazil, Venezuela, Mexico, Argentina, Peru, and Costa Rica. For China, "strategic partnership" with Latin America means

> not only its desire to intensify its economic cooperation and political relations with nations in Latin America, but also its strategic goals of creating its own sphere of influence in the region and enhancing its 'hard' and 'soft' power in order to elevate China's status at the systemic level (Yu, 2015).

According to *People's Daily*, the quasi-authoritative commentary under the pen name "Zhong Sheng",

> China-Latin America cooperation has become part of the most prominent change in global economy since the beginning of the 21st century: Mutual fueling among developing countries in terms of economic development has replaced complete reliance on Western countries in the past (Swaine, 2014).

China's interest in Latin America is clear: the region supplies the raw materials it craves and handily also provides markets for its manufactured goods (Financial Times, 2013). In June 2013, Xi Jinping's visit to Trinity and Tobago shows that China is also raising its strategic influence in the Caribbean as it takes advantage of the continuous US withdrawal from what George W. Bush called his country's "third border" (Financial Times, 2013). For Peter Hakim and Margaret Myers, "Perhaps the most ambitious project on the agenda is the two-Ocean Railway that would link Brazil to Peruvian ports on the Pacific. The new railroad would substantially reduce the time and cost required to get grains from Brazil's farmland to Chinese consumers" (Hakim and Myers, 2015).

However, China also faced challenges in the region. For instance, Chile is the first Latin American country to sign FTA with China. But study shows that even though the Chilean economy has benefitted, it also faces potential risks. To continue to benefit, Chile needs to boost exports in other potential export sectors (value-added products or services) and should attempt to attract more Chinese FDI to export industry. The export of raw materials (particularly nonrenewable ones) is not always sustainable in the long term (Gachúz, 2012).

A similar thing happened in Peru. Carol Wise argues that the Free Trade Agreements that China signed with Chile and Peru are more in expectation than in reality. She finds that,

> even top Latin American negotiators were convinced that deepening trade relations with China would provide their countries with the opportunity to break free from the traditional comparative advantage relationships that have characterized their exports to North America and Europe. So, although the FTAs are only in their first decade, disappointment runs deep (Klinger, 2013).

2. Counterbalancing TPP

The US return to the Asia-Pacific region also poses an important challenge to China and could define the overall tone of the bilateral relationship. As one of the most important parts of Obama's "Return to Asia-Pacific" policy, TPP has become a new arena for US-China competition. Prior to the fall 2011 Asia Pacific Economic Forum (APEC) meeting in Hawaii, then-Secretary of State Hillary Clinton outlined a plan to transfer U.S. military, diplomatic, and economic resources from the Middle East to the Pacific, in what she called "America's New Pacific Century." Describing the pivot in militaristic terms as "forward-deployed diplomacy," Clinton hailed the TPP as a "benchmark for future agreements" leading to "a free trade area of the Asia-Pacific" (Ahn, 2014).

Richard N. Haass, President of the Council on Foreign Relations, also correctly points out,

> more significant than the deployment of 2,500 marines in Australia is the direction of U.S. diplomacy vis-à-vis China and its neighbors, the availability of economic assistance to promote political and economic development in the region's poorer countries, and the ability to negotiate a new trade agreement (specifically the Trans-Pacific Partnership) as quickly and inclusively as possible (Haass, 2013).

At his 2013 California summit with Obama, President Xi expressed that "the vast Pacific has enough space for two large countries like the United States and China." But, "what China wants in East Asia seems akin to a Monroe Doctrine: a decrease in the influence of external powers that would allow it untroubled regional dominance" (The Economist, 2014).

Consequently, many Latin American countries may see the TPP as a hedge. That is why the presidents of Mexico and Peru, two Latin American countries under TPP's negotiation, were invited as guest speakers during the Annual Conference 2013 of the Boao Forum for

Asia. However, an inconvenient truth for Mexico is the fact that it has very little integration with Asia, with roughly 75 percent of its exports still destined for the United States. The TPP is unlikely to shift the situation to favor China.

Stephen Walt correctly points out, "a powerful China will not want the United States to have close alliances and a large military presence near its borders, and it will undoubtedly try to push U.S. forces out of the Asia-Pacific region" (New York Times, 2015). As one of the most open trade blocs in Latin-America, Pacific Alliance becomes China's target for counterbalancing the TPP. For Chinese scholars Chai Yu and Kong Shuai,

> it deserves special attention from China in terms of China's strategy of enhancing deeper development between China and Latin America, and it requires China to cope with the changes of rules in international and regional integration (Yu and Shuai, 2014).

V. A More Assertive Latin America

Based on the analyses above, it becomes clear that "partnering with China seems to be CELAC's way of hedging against U.S. dominance in the region — just as some states in the Asia-Pacific are edging closer to the U.S. in a bid against growing Chinese power" (Diplomat, 2014). This section examines how "such acquiescence makes all the more the responsibility of those states to think clearly about what kind of relationship with China is in their interest, and that of the region" (Eillis, 2014).

1. Establishing CELAC

In July 2010, the Community of Latin American and Caribbean States (Comunidad de Estados Latinoamericanos y Caribeños, CELAC) selected President of Venezuela Hugo Chávez and President of Chile Sebastián Piñera as co-chairs of the forum to draft statutes for the organization. CELAC was formally created on December 3, 2011, in Venezuela, with the signature of The Declaration of Caracas. It consists of 33 sovereign countries in the Americas representing roughly 600 million people. Two important countries absent from the bloc are Canada and the United States.

CELAC exemplifies not only the deepening integration within the Americas, but also the reduction of the once overwhelming influence of the United States. It is seen as an alternative to the Organization of American States (OAS), the regional body organized largely by Washington in 1948.

The latest example of Latin America's assertiveness is CELAC in order to denounce the U.S.'s attack on Venezuelan democracy. On February 9, 2015, a special commission of Latin America's two largest organizations, CELAC and UNASUR (which represents South American countries) met in Montevideo, Uruguay, to analyze the relationship between the United States and Venezuela. According to Larry Birns, Director of the Council on Hemispheric Affairs,

> Washington is basically being berated by Latin America for its campaign to pressure and to otherwise weigh-in against the region's sovereignty and its inalienable right to conduct its own economic and political policies according to its own writ. It appears that Washington believes it can carve away, in silence, the rest of Latin America, including Cuba, from Venezuela. But the statements coming out of UNASUR and CELAC should serve as a strong reminder that Latin American unity remains intact (Mills, 2015).

Pacific Alliance

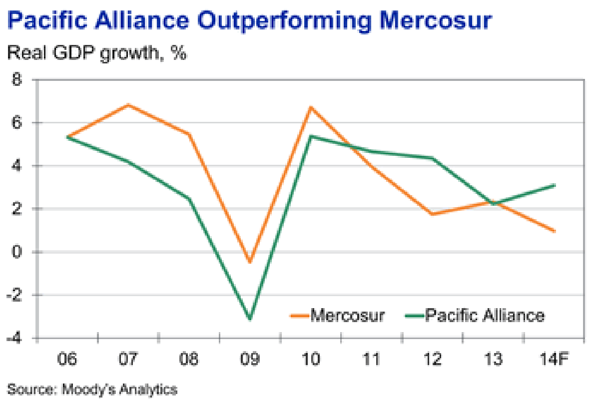
As one of the most important regional organizations, Mercosur, established in 1991, is an economic and political integration between Argentina, Brazil, Paraguay, and Uruguay. Its purpose is to promote free trade and the fluid movement of goods, people, and currency. However, since Venezuela's entry in 2012, "it reveals Mercosur's political weakness at a time of precarious protection of democratic rights in Venezuela," according to Elsa Cardozo, a professor at Central University in Venezuela (New York Times, 2012).

Consequently, some Latin American countries tried to build a more effective alliance within the region. Free trade supporters have been cheering for the establishment of Pacific Alliance by Mexico, Colombia, Peru and Chile in June 2012, because "the bloc accounts for more than a third of Latin America's gross domestic product and has moved quickly on a path to integrate their economies since it was formally established" (La Tercera, 2014).

Pacific Alliance "is based on affinity, rather than proximity" (The Economist, 2013). This new trend has divided Latin America into two parts: one that faces the Atlantic and tends to protection and another that faces the Pacific and supports free-trade. More importantly, more than half of its members have already individually subscribed FTAs with China and they collectively organized a business forum in Shanghai to attract Chinese investment for key projects in November, 2013.

It is reasonable to believe the Pacific-facing countries have the edge, while much of the continent is "paying the costs of exaggerated protectionism and…irresponsible policy," according to Alan Garcia, Peru's former president (Wall Street Journal, 2014). Since its establishment, the Pacific Alliance has performed better economically than the Mercosur. Boosted by high levels of foreign investment and low inflation, the five Pacific Alliance members, with a collective GDP of $2.2 trillion, are expected to grow 3.3 percent in 2014, and 4 percent in 2015 (Diagram 8).

Diagram 8



Source: "Why Mercosur Lags the Pacific Alliance," *Moody's Analytics*, July 16, 2014
http://www.economy.com/dismal/analysis/free/248931

VI. Conclusion

Since the 21st century, the US influence has declined in Latin America and China has successfully built alliances through trade, foreign aid, and direct investment. From the analysis above, we can deduce that a power transition from the U.S. to China in the region is brewing.

In their 54-page report titled *Revising U.S. Grand Strategy Toward China*, Robert D. Blackwill and Ashley J. Tellis warned, "U.S. grand strategy toward China will be seriously weakened without delivering on the TPP" (Blackwill and Tellis, 2015). The silver lining is the TPP's first round of negotiations which was concluded in October 2015. It may help the U.S. to put the brake on China's rise in Latin America.

It is true that some left-wing countries, like Venezuela, Cuba, Ecuador and Bolivia, continue to blast the United States as a meddling imperial bully while courting China as their preferred commodity market and creditor. But "the TPP could open up new markets for these three Latin American countries [i.e. Mexico, Peru, Chile] and help alleviate the impact of the slowdown in the Chinese economy," according to Michael Shift, President of Inter-American Dialogue (Washington Post, 2015).

It is also true that China is still miles away from matching America's international political reach. But Beijing's diplomatic aggressiveness in the region has overshadowed that of Washington. China's grand strategy toward Latin America has three goals.

The first goal is promoting South-South Relations. Take Asian Infrastructure Investment Bank (AIIB) as an example. Even the "One Belt, One Road" initiative does not specifically affect Latin America, but, Brazil joining the AIIB exemplifies of the locus of power shifting. However, there are divisive issues that prevent China from being completely accepted in Latin America. Politically, Latin America has embraced democratic governance norms and in a much more complete way than Africa has. "In many ways, this has meant that Chinese commercial engagement with Latin America has been far more superficial than Chinese interactions with Africa" (Phoenix Weekly, 2015). China needs to revise its "going-out" policy.

The second goal is ensuring food/energy security. As the second-biggest economy with the largest population in the world, China has a boosting demand. In 2011, China surpassed the U.S. and became the biggest importer of agricultural products in the world. In April 2015, China became the largest importer of crude oil, surpassing the U.S. The main purpose of Chinese Premier Li Keqiang's visit to Latin America in May 2015 was to endorse and promote a Chinese-built cross-Andes railroad that would allow Brazilian ore and soya to be shipped from Pacific ports in Peru to Asia, bypassing the U.S.-dominant Panama Canal (Financial Times, 2015).

The third goal is accelerating financial internationalization. Beijing understands clearly that its endeavor to separate itself from the influence of the U.S. dollar will be stillborn unless it can nurture a viable "renminbi zone" to replace it. Improving the ability to conduct international RMB transactions is an essential component of China's capital account and exchange rate liberalization process, as well as of its "Going Out" policy and the OBOR initiative (The Diplomat, 2015). During Li's visit, the People's Bank of China named China Construction Bank Co. as the yuan-clearing bank in Chile, and allocated 50 billion yuan ($8.1

billion) in Renminbi Qualified Foreign Institutional Investor quotas. These actions will accelerate the process of internationalizing the RMB.

Some policy implications will be illustrated for the United States, China, and Latin America. For the United States, Beijing's new footprint in the Western Hemisphere poses little immediate or direct threat to the United States. However, China's increasing economic relations with Latin America may enhance Beijing's utility of alliance. It will accelerate Latin America's power transition from the US to China.

For China, Beijing needs to overcome at least two challenges. The first challenge is to prevent the growing trade with Latin America from "reproducing and entrenching a centre-periphery trade pattern in which China emerges as a new centre and the countries of the Latin Americas and Caribbean region as a new periphery" (Rosales and Kuwayama, 2012).

The second challenge is that falling commodity prices are straining Beijing's love affairs with the region. For instance, in January 2015, Venezuelan President Nicolás Maduro has announced $20bn worth of investment from China. But left unsaid was whether he got what he came for: a financing lifeline from his largest creditor. In fact, for the China-Venezuelan relations, "Everyone is watching to see how they deal with defaults. The Chinese have not experienced it yet" (Financial Times, 2015). China will be a Holy Grail or Poisoned Chalice for Latin America depends on how Beijing revises its "going-out" policy.

For Latin America, "with both the U.S. and China jockeying for influence in a world where political power relations are changing, Latin America has the most to gain" (Cerna, 2011). Within Latin America, a successful Pacific Alliance is likely to create a powerful counterweight to the Mercosur's retrograde protectionism and statism.

Since US Secretary of State John Kerry announced that "the era of the Monroe Doctrine is over" in 2013, Latin American countries have a greater degree of freedom in foreign policy. TPP provides a new arena for seeking their national interests. However,

> rather than deepening trade ties within the region, the TPP is serving to expose and exacerbate underlying political and economic fractures, raising questions about how deep Latin American trade cooperation can be, and whether the Americas are fated to continue to be divided along trade policy lines (Huffington Post, 2013).

References

Ahn, Christine. 2014. "Open Fire and Open Markets: The Asia-Pacific Pivot and Trans-Pacific Partnership." *Foreign Policy in Focus*. Jan. 14. Available at **http://fpif.org/open-fire-open-markets-asia-pacific-pivot-trans-pacific-partnership/**. [Accessed on May 31, 2015]

Alesina, Alberto and Enrico Spolaore. 2005. *The Size of Nations*. The MIT Press.
Berman, Ilan. 2015. "China's Newest Sphere of Influence." *The Wall Street Journal*. Jan. 22. Available at http://www.wsj.com/articles/ilan-berman-chinas-newest-sphere-of-influence-1421949459. [Accessed on May 31, 2015]

Blackwill, Robert D. and Ashley J. Tellis. 2015. *Revising U.S. Grand Strategy Toward China*. Council on Foreign Relations. Available at http://carnegieendowment.org/files/Tellis_Blackwill.pdf. [Accessed on May 31, 2015]

Cerna, Michael. 2011. "China's growing Presence in Latin America: Implications for the U.S. and Chinese Presence in the Region." *China Currents*. 10(1). Available at http://www.chinacenter.net/2011/china_currents/10-1/chinas-growing-presence-in-latin-america-implications-for-u-s-and-chinese-presence-in-the-region/. [Accessed on May 31, 2015]

Chai, Yu and Kong Shuai. 2014. "Pacific Alliance: The New Development of Latin American Economic Integration." *Nankai Journal* (Philosophy, Literature and Social Science Edition). 4: 28-43. Available at http://en.cnki.com.cn/Article_en/CJFDTOTAL-LKXB201404006.htm. [Accessed on May 31, 2015]

Davis, Leslye, A.J. Chavar, Abe Sater and David Frank. 2014. "Exclusive Interview: Obama on the World." *The New York Times*. Aug. 10. Available at http://www.nytimes.com/video/opinion/100000003048414/obama-on-the-world.html. [Accessed on Aug. 31, 2014]

Doleac, Clemént. 2015. "Between Independence or Disappearance: The Organization of American States and the Challenge of the 2015 Elections." *Council on Hemispheric Affairs*. Available at http://www.coha.org/between-independence-or-disappearance-the-organization-of-american-states-and-the-challenge-of-the-2015-elections/. [Accessed on May 31, 2015]

Domínguez, Jorge I. 2006. "China and Latin America: Shared Gaines." *Working Paper, Inter-American Dialogue*. June. Available at http://archives.thedialogue.org/PublicationFiles/china.pdf. [Accessed on May 31, 2015]

Dukakis, Michael. 2014. "World Peace or Perpetual War: The Choice Ahead." *Participation*. 38(1):6-9. Available at https://www.ipsa.org/sites/default/files/participation/participation_38-1_web.pdf. [Accessed on May 31, 2015]

Eillis, R. Evan. 2014. "The China-CELAC Forum: Collective Action with the New Patron in America's Backyard." *Guanxi: Latin America/Caribbean & China*.

Eisenman, Joshua and Joshua Kurlantzick. 2006. "China's Africa Strategy." *Current History*. 105(691): 219-224.

Ferchen, Matt. 2015. "Chinese Diplomacy in Latin America and Africa: Not Two Sides of the Same Coin." *Phoenix Weekly*. March 27. Available at http://carnegietsinghua.org/2015/03/27/chinese-diplomacy-in-latin-america-and-africa-not-two-sides-of-same-coin/i8fv. [Accessed on May 31, 2015]

Finchelstein, Federico and Pablo Piccato. 2013. "Latin America sees straight through John Kerry's 'Monroe' speech." *The Guardian*. Nov. 21. Available at http://www.theguardian.com/commentisfree/2013/nov/21/latin-america-john-kerry-monroe-doctrine-speech. [Accessed on May 31, 2015]

Flores-Macías, Gustavo A. and Sarah Kreps. 2013. "The Foreign Policy Consequences of China's Economic Rise: A Study of China's Commercial Relations with Africa and Latin America, 1992-2006." *Journal of Politics.* 75(2): 357-371.

Gachúz, Juan Carlos. 2012. "Chile's Economic and Political Relationship with China." *Journal of Current Chinese Affairs*. 41(1):133-154. Available at http://journals.sub.uni-hamburg.de/giga/jcca/article/view/497. [Accessed on May 31, 2015]

Haass, Richard N. 2013. "The Irony of American Strategy." *Foreign Affairs*. 92(3): 57-67. Available at http://www.foreignaffairs.com/articles/139106/richard-n-haass/the-irony-of-american-strategy. [Accessed on May 31, 2015]

Hakim, Peter. 2006. "Is Washington Losing Latin America?" *Foreign Affairs*. 85(1):39-46. Available at http://www.foreignaffairs.com/articles/61372/peter-hakim/is-washington-losing-latin-america. [Accessed on May 31, 2015]

Hakim, Peter, and Margaret Myers. 2015. "China and Latin America in 2014: Deeping Relations." *China Policy Review*. Jan. 12. Available at http://www.thedialogue.org/page.cfm?pageID=32&pubID=3719. [Accessed on May 31, 2015]

Hawksley, Humphrey. 2006. "China's new Latin American revolution." *The Financial Times*. April 4. Available at http://www.ft.com/intl/cms/s/2/ad142990-c407-11da-bc52-0000779e2340.html#axzz3SB8aFNjV. [Accessed on May 31, 2015]

Hornby, Lucy, and Andres Schipani. 2015. "China's courtship of Latin America tested." *The Financial Times*. Jan. 8. Available at http://www.ft.com/intl/cms/s/85ae672e-96e6-11e4-922f-00144. [Accessed on May 31, 2015]

Hornby, Lucy, and Andres Schipani. 2015. "China tilts towards liberal Latin America." *The Financial Times*. May 11. Available at http://www.ft.com/intl/cms/s/0/b73a606c-f46b-11e4-bd16-00144feab7de.html. [Accessed on May 31, 2015]

Hout, Thomas and David Michael. 2014. "A Chinese Approach to Management." *Harvard Business Review*. Sept.:34-37. Available at http://www.hrci.org/docs/default-source/certified-publication/made-in-china--a-chinese-approach-to-talent-management.pdf. [Accessed on May 31, 2015]

Hsiang, Antonio C. 2008. "China Challenges US in Latin America." *Tamkang Journal of International Affairs*. 11(6): 121-152.

Hsu, Sara. 2015. "China: New System a Step Forward on RMB Internationalization." *The Diplomat*. June 19. Available at http://thediplomat.com/2015/06/china-new-system-a-step-forward-on-rmb-internationalization/. [Accessed on May 31, 2015]

Huang Bo Ning, "Yan Xue Tong Da Zhong Ping: Zhong Mei Xin Xing Da Guo Guan Xi Jan Bu Qi Lai." (Yan Xue-Tong answers CRNA: PRC-US New Great Power Relations cannot be established) Zhong Ping She (*China Review News Agency*), Jan. 15, 2015. 黃博寧,「閻學通答中評：中美新型大國關係建不起來」, 中評社, 2015 年 1 月 15 日. Available at http://hk.crntt.com/doc/1035/7/4/4/103574468.html. [Accessed on May 31, 2015]

Isacson, Adam. 2012. "Conflict Resolution in the Americas: The Decline of the OAS." *World Politics Review*. May 22. Available at http://www.worldpoliticsreview.com/articles/11979/conflict-resolution-in-the-americas-the-decline-of-the-oas. [Accessed on May 31, 2015]

Kerry, John. 2013. "Remarks on U.S. Policy in the Western Hemisphere." U.S. Department of State. Nov. 18, 2013. Available at http://www.state.gov/secretary/remarks/2013/11/217680.htm. [Accessed on Nov 30, 2013]

Kim, Woosang. 2002. "Power parity, alliance, dissatisfaction, and wars in East Asia, 1860-1993." *Journal of Conflict Resolution*. 46(5): 654-671.

Kirby, William C., F. Warren McFarlan and Regina M. Abrami. 2014. *Can China Lead? Reaching the Limits of Power and Growth*. Harvard Business Review Press.

Klinger, Julie. 2013. "China and Latin America." *Berkeley Review of Latin American Studies*. Spring: 44-46. Available at http://clas.berkeley.edu/research/china-and-latin-america-problems-or-possibilities. [Accessed on May 31, 2015]

Inter-American Dialogue. 2012. *Remaking the Relationship: The United States and Latin America*. Available at http://www.thedialogue.org/PublicationFiles/IAD2012PolicyReportFINAL.pdf. [Accessed on May 31, 2015]

Lemke, Douglas. 2002. *Regions of War and Peace*. Cambridge: Cambridge University Press.

Levy, Jack S. 2008. "Power Transition Theory and the Rise of China." In *China's Ascent: Power, Security, and the Future of International Politics*. eds. Robert S. Ross and Zhu Feng, Ithaca and London: Cornell University Press.

Luhnow, David. 2014. "The Two Latin Americas." *The Wall Street Journal*. Jan. 3. Available at http://www.wsj.com/articles/SB10001424052702303370904579296352951436072. [Accessed on May 31, 2015]

Mander, Benedict and Robin Wigglesworth. 2013. "China steps up Caribbean strategy." *The Financial Times*. May 20. Available at http://www.ft.com/intl/cms/s/0/678d99d2-bbc7-11e2-a4b4-00144feab7de.html#axzz3SB8aFNjV. [Accessed on May 31, 2015]

Mills, Frederick B. 2015. "Latin America unites against U.S. attack on Venezuelan Democracy." COHA. Feb. 9. Available at http://www.coha.org/latin-america-unites-against-u-s-attack-on-venezuelan-democracy/. [Accessed on May 31, 2015]

Miroff, Nick. 2015. "Pacific trade deal shows Latin America's new ideological divide." *The Washington Post*. Oct. 6. Available at https://www.washingtonpost.com/news/worldviews/wp/2015/10/06/pacific-trade-deal-shows-latin-americas-new-ideological-divide/. [Accessed on May 31, 2016]

Moon, Chungshik. 2015. "Foreign Direct Investment, Commitment Institutions, and Time Horizon: How Some Autocrats Do Better than Others." *International Studies Quarterly*. 59(2): 344-356.

O'Grady, Mary Anastasia. 2013. "The Next Big Free-Trade Breakthrough." *The Wall Street Journal*. July 14. Available at http://www.wsj.com/articles/SB10001424127887324399404578588121962343016. [Accessed on May 31, 2015]

Organski, A.F.K. and Jacek Kugler. 1980. *The War Ledger*. Chicago: Chicago University Press.

Poushter, Jacob. 2015. "Latin Americans Approve of U.S. Re-establishing Diplomatic Ties with Cuba." Pew Research Center, July 21. Available at http://www.pewglobal.org/2015/07/21/latin-americans-approve-of-u-s-re-establishing-diplomatic-ties-with-cuba/. [Accessed on May 31, 2016]

Oppenheimer, Andrés. 2005. "2005: U.S. slipped as China rose in Latin America." *The Miami Herald*. Dec. 25.

Rachman, Gideon. 2015. "West loses intellectual self-confidence." *The Financial Times*. January 5. Available at http://www.ft.com/intl/cms/s/0/18f0a1ec-9277-11e4-b213-00144feabdc0.html. [Accessed on May 31, 2015]

Romero, Simon. 2012. "With Brazil as Advocate, Venezuela Joins Trade Bloc." *The New York Times*. August 1. Available at http://www.nytimes.com/2012/08/01/world/americas/mercosur-trade-bloc-admits-venezuela-as-full-member.html. [Accessed on May 31, 2015]

Rosales, Osvaldo and Mikio Kuwayama. 2012. *China and Latin American and the Caribbean: building a strategic economic and trade relations*. CEPAL. Available at http://www.cepal.org/en/publications/china-and-latin-america-and-caribbean-building-strategic-economic-and-trade. [Accessed on May 31, 2015]

Sánchez, Marcela. 2007. "Too Little, Too Late for Cuba?" *The Washington Post*. June 15. Available at http://www.washingtonpost.com/wp-dyn/content/article/2007/06/14/AR2007061401567.html. [Accessed on May 31, 2015]

Sánchez W., Alejandro, and Kelly Morrison. 2014. "The Future of the Organization of American States." *E-International Relations.* August 28. Available at http://www.e-ir.info/2014/08/28/the-future-of-the-organization-of-american-states/. [Accessed on May 31, 2015]

Shambaugh, David. 2014. "The Illusion of Chinese Power." *The National Interest*. June 25. Available at http://nationalinterest.org/feature/the-illusion-chinese-power-10739. [Accessed on May 31, 2015]

Shifter, Michael. 2014. "The Promise of a Pacific Alliance." *La Tercera*. Feb. 16. Available at http://www.thedialogue.org/page.cfm?pageID=32&pubID=3512. [Accessed on May 31, 2015]

Stackhouse, Tim. 2014. "The Strategic Dimension of Chinese Engagement with Latin America." *Inter-American Dialogue*. Jan. 9. Available at http://www.thedialogue.org/page.cfm?pageID=32&pubID=3480. [Accessed on May 31, 2015]

Stiglitz, Joseph E. 2015. "The Chinese Century." *Vanity Fair*. Jan. Available at http://www.vanityfair.com/news/2015/01/china-worlds-largest-economy. [Accessed on May 31, 2015]

Swaine, Michael D. 2014. "Xi Jinping's Trip to Latin America." *China Leadership*. Hoover Institute. 45. Available at http://www.hoover.org/sites/default/files/research/docs/clm45ms-xi_jinpings_trip_to_latin_america.pdf. [Accessed on May 31, 2015]

Tammen, Ronald L. and Jacek Kugler. 2006. "Power Transition and China–US Conflicts." *The Chinese Journal of International Politics*. 1(1):35-55.

Tatlow, Didi Kirsten. 2014. "Can China Lead?" *The New York Times*. June 25. Available at http://sinosphere.blogs.nytimes.com/2014/06/25/q-and-a-william-c-kirby-on-can-china-lead/. [Accessed on May 31, 2015]

The Economist. 2015. "The dragon and the gringo." Jan. 15. Available at http://www.economist.com/news/americas/21639549-latin-americas-shifting-geopolitics-dragon-and-gringo. [Accessed on May 31, 2015]

The Economist. 2014. "Goldilocks nationalism." Sept. 27. Available at http://www.economist.com/node/21620204/. [Accessed on May 31, 2015]

The Economist. 2014. "The End of Harmony." Sept. 27. Available at http://www.economist.com/news/books-and-arts/21620053-how-benefits-political-order-are-slowly-eroding-end-harmony. [Accessed on May 31, 2015]

The Economist. 2014. "Pax Sinica." Sept. 20. Available at http://www.economist.com/news/asia/21618866-china-trying-build-new-world-order-starting-asia-pax-sinica. [Accessed on May 31, 2015]

The Economist. 2014. "The China Wave." Sept. 13. Available at http://www.economist.com/news/business/21616974-chinese-management-ideas-are-beginning-get-attention-they-deserve-china-wave. [Accessed on May 31, 2015]

The Economist. 2014. "What China Wants." Aug. 23. Available at http://www.economist.com/news/leaders/21613263-after-bad-couple-centuries-china-itching-regain-its-place-world-how-should. [Accessed on May 31, 2015]

The Economist. 2014. "The Economist interviews Barack Obama: The president on dealing with Russia." Aug. 2. Available at http://www.economist.com/blogs/democracyinamerica/2014/08/economist-interviews-barack-obama-2. [Accessed on May 31, 2015]

The Economist. 2013. "One model, two interpretations." Sept. 28. Available at http://www.economist.com/news/china/21586849-relabelling-relations-between-china-and-america-has-not-resolved-underlying-tensions-one-model. [Accessed on May 31, 2015]

The Economist. 2013. "The Gated Global." Oct. 12. Available at http://www.economist.com/news/special-report/21587384-forward-march-globalisation-has-paused-financial-crisis-giving-way. [Accessed on May 31, 2013]

The Economist. 2013. "A continental divide." May 18. Available at http://www.economist.com/news/americas/21578056-region-falling-behind-two-alternative-blocks-market-led-pacific-alliance-and. [Accessed on May 31, 2013]

The Economist. 2009. "The dragon in the backyard." Aug. 13. Available at http://www.economist.com/node/14209932. [Accessed on May 31, 2013]

The Guardian. 2013. "Latin America sees straight through John Kerry's 'Monroe' speech." November 21. Available at http://www.theguardian.com/commentisfree/2013/nov/21/latin-america-john-kerry-monroe-doctrine-speech. [Accessed on December 2, 2013]

Tiezzi, Shannon. 2014. "China's Push Into 'America's Backyard'." *The Diplomat*. Feb. 8. Available at http://thediplomat.com/2014/02/chinas-push-into-americas-backyard/.

Tuman. John P. and Majid Shirali. 2015. "The Political Economy of Chinese Foreign Direct Investment in Developing Areas." *Foreign Policy Analysis*. Jan. 35-55.

Wagner, Daniel and Nicholas Parker. 2013. "Is the Trans-Pacific Partnership the Solution to Latin America's Fractured Trade Regime?" *Huffington Post*. May 16. Available at http://www.huffingtonpost.com/daniel-wagner/is-the-transpacific-partn_b_3284797.html. [Accessed on May 31, 2015]

Walt, Stephen M. 2015. "Dealing with a Chinese Monroe Doctrine." *The New York Times*. Feb. 11. Available at http://www.nytimes.com/roomfordebate/2012/05/02/are-we-headed-for-a-cold-war-with-china/dealing-with-a-chinese-monroe-doctrine. [Accessed on May 31, 2015]

Webber, Jude. 2013. "China: can Mercosur members agree?" *The Financial Times*. July 11. Available at http://blogs.ft.com/beyond-brics/2013/07/11/china-can-mercosur-members-agree/. [Accessed on May 31, 2015]

White, Hugh. 2014. "How China and the US can avoid a catastrophic clash." *The Christian Science Monitor*. June 18. Available at http://www.csmonitor.com/Commentary/Global-Viewpoint/2014/0618/How-China-and-the-US-can-avoid-a-catastrophic-clash. [Accessed on May 31, 2015]

Wike, Richard. 2015. "Americans' Concerns about China: Economics, Cyberattacks, Human Rights Top the List." Pew Research Center, Sept. 13. Available at http://www.pewglobal.org/2015/09/09/americans-concerns-about-china-economics-cyberattacks-human-rights-top-the-list/. [Accessed on May 31, 2015]

Williamson, Peter J. and Eden Yin. 2014. "Accelerating Innovation: The New Challenge from China." *MIT Sloan Management Review*. Summer: 27-34. Available at http://sloanreview.mit.edu/article/accelerated-innovation-the-new-challenge-from-china/. [Accessed on May 31, 2015]

Wyss, Jim. 2015. "As a Uruguayan is poised to head the OAS, questions swirl about Venezuela." *The Miami Herald*. March 17. Available at http://www.miamiherald.com/news/nation-world/world/americas/article15196958.html. [Accessed on May 31, 2015]

Yu, Lei. 2015. "China's strategic partnership with Latin America: a fulcrum in China's rise." *International Affairs*. 91(5):1047-1068. Available at http://onlinelibrary.wiley.com/doi/10.1111/1468-2346.12397/abstract. [Accessed on May 31, 2016]

Zegart, Amy B. 2014. "Grand Illusions." *Hoover Digest*. 3:35-39.

Zheng, Bijian. 2005. "China's 'Peaceful Rise' to Great-Power Status." *Foreign Affairs*. 84(5):18-24. Available at http://www.foreignaffairs.com/articles/61015/zheng-bijian/chinas-peaceful-rise-to-great-power-status. [Accessed on May 31, 2015]

2015 National Security Strategy. 2015. The White House. Available at http://www.whitehouse.gov/sites/default/files/docs/2015_national_security_strategy_2.pdf. [Accessed on March 31, 2015]

China's Impact on Latin American Development: A Comparative Study of Bolivia and Venezuela

Steen Fryba Christensen[1]

Abstract: This analysis compares Bolivia's and Venezuela's recent development path and China's impact on it. The two country cases have been chosen due to the fact that they have experienced quite different economic development paths since the international financial crisis in 2008-2009, although they have pursued largely similar economic development strategies and foreign policy strategies. Bolivia has done much better than Venezuela that is now experiencing a chaotic social and economic situation with high levels of inflation and finances out of control. In contrast, Bolivia maintains stable growth figures of between four and five percent and is one of just a small select group of South American commodity exporting countries that is able to pursue counter-cyclical macroeconomic policies. The analysis further argues that China's significance was negligible at the turn of the Century and had become somewhat more significant for Venezuela by 2009, while it was still rather insignificant for Bolivia. Since then, China's significance has grown, particularly in Venezuela that has needed much foreign financing and had been frozen out of international financial markets. However, China has also grown in significance for Bolivia and mostly has had a positive, though, not big impact on its development. In contrast, China's impact on Venezuela has been bigger and mostly positive, but it has not sufficed to end Venezuela's current development crisis.

Keywords: China, Venezuela, Bolivia, Impact, Relations.

Introduction

The object of analysis of this article is two-fold. It seeks to analyze and explain the recent economic development paths of Bolivia and Venezuela and China as an intervenient variable. How has China's impact on their development paths been?

Historically, China has not been particularly important to Latin American development, nor has Latin America been seen as important from a Chinese perspective (Armony, 2011: 24). In 1995 trade with China made up just 1 % of Latin America's total trade, but by 2009 the share had grown to 20.38 percent (Dussel Peters, 2011: 95). After the international financial crisis, China's significance for the region increased even further as mutual trade increased, and as China became a major lender and investor in the region (OECD/ECLAC/CAF, 2015: 149-155) as well as an increasingly important competitor in own and third markets for Latin American manufacturing sectors.

[1] Associate Professor at Department for Culture and Global Studies, Aalborg University.
E-mail: sfc@cgs.aau.dk

China's economic development and re-engagement with the global economy since the late 1970s has made China increasingly important for all world regions. Africa and Latin America are both significant in China's search for energy and other natural resources in its development process, and China provides commodity exporting countries in these two world regions with an alternative economic partner to the dominant Western powers, thereby reducing their dependence on traditional economic partners. Similarly, China has come to have a major impact on Asian economies (Breslin, 2007: 138-139). China's relationship with Europe and the United States is vast and largely revolves around its growing role as a major hub for manufacturing production and global exports of manufacturing products, as China has received enormous foreign direct investments from the developed countries. In this respect, China can be seen as a threat to particularly semi-peripheral countries due to the competitive pressure these countries face from competition in own and third markets in the manufacturing sector (Li Xing and Christensen, 2012). At the same time, the "boom" in commodity prices in much of the decade of the 2000s created opportunities and development for many peripheral and semi-peripheral commodity exporting countries.

In the analysis of the development paths of Bolivia and Venezuela, I focus on their own development policies, the growing significance of China as well as changes in the global economic and political context. The emphasis is on the period from around year 2000 where China's growing significance for Latin American development became increasingly clear.

The focus on Bolivian and Venezuelan development and China's impact on it is interesting for two main reasons. Firstly, due to the scholarly debates on how to understand China's impact on Latin American development and, secondly, because the two countries share a number of significant characteristics and are usually seen as being part of the same category by analysts of recent Latin American development. It should be noted, though, that their development paths have differed substantially, and Venezuela has by far outperformed Bolivian development for much of the 20th Century. After the turn to the political left and the rejection of neo-liberalism in Venezuela with the election of Hugo Chávez as president in 1998 and the election of Evo Morales in Bolivia in 2005, the two countries have been pursuing similar economic policies and similar foreign policies, and they have been led by governments of similar ideological orientations, though significant differences are also present. In fact, Bolivia and Venezuela are usually grouped with Ecuador as a group of countries which pursue socialist or populist development strategies largely financed by key mineral extractive sectors (Stefanoni, 2012; Madrid, 2010; Weyland, 2009). These countries have pursued close ties and allied themselves with China against the traditional regional hegemon, the United States and its allies.

In spite of the significant similarities in the development models and strategies of the two countries, their development results have been quite dissimilar from the outbreak of the international financial crisis in 2008. In 2014, Bolivia achieved the third highest growth figure in Latin America of 5.5 % of GDP, while Venezuela was the worst performer with negative growth of 4.0 %. Economic growth results were even more dissimilar in 2015 (ECLAC, 2015: 59), and at the time of writing (July 2016), Venezuela is in a deep crisis while Bolivia's economy still seems stable.

This makes it interesting to compare the development paths of Bolivia and Venezuela during the recent past and to consider China's economic impact on their development. The article takes a chronological approach. First it analyzes the historical background prior to the 21st Century. The focus of the analysis is the period from the turn of the 21st Century to 2016 which is divided up in two sub-periods with the financial crisis in 2008 as a division point.

Methodological Approach

A broad approach is required as the analysis seeks to explain the recent economic development of Bolivia and Venezuela as well as to consider China's impact on their economic development.

In a study on China's and India's developmental impact on developing countries, Deepak Nayaar (2008) argued that it is methodologically difficult to prove such an impact, but that it is nevertheless possible to develop a coherent argument that China and India do have such an impact. His focus was on the competitive pressure posed by China and India on other developing countries in the manufacturing sector. According to Li Minqi, China's competitive pressure in the manufacturing sector would particularly provoke the peripherization of semi-peripheral countries (Christensen and Li Xing, 2012: 32-33). Jenkins recently attempted to explain the "China effect" on Latin American development (Jenkins 2013 in Perrotti, 2015: 49) by considering how China's growing import of natural resources between 2002 and 2007 affected their international market prices. Jenkins' approach and Nayaar's methodological arguments serve as an inspiration for the argument developed here. China's economic impact is not restricted to trade. As China has increasingly become a capital exporting country, Chinese lending and Chinese foreign direct investment is therefore increasingly relevant, as well. At the same time, analyzing national economic development paths also requires a focus on the contribution of domestic development policies and other relevant economic and political factors at the national level.

The approach taken here is historical and within the tradition of international political economy. It emphasizes the significance of economic structure and its historical unfolding. In doing so, it builds on the school of Latin American historical structuralism and Immanuel Wallerstein's related world system analysis perspective (see Christensen and Bernal-Meza, 2014). As in the dependency theory of Fernando Henrique Cardoso and Enzo Faletto (1979: 15), such an approach combines analysis of the global context with national development characteristics where economic and political processes interact and jointly produce development outcomes. As in the perspective of Cardoso and Faletto (1979: XIV-XV and 13), it is assumed that the international or global context is significant for development outcomes in individual countries. However, impact on national economic development and development strategy does not occur automatically. It is filtered through characteristics and economic and political dynamics at the national level.

Historical Background Analysis

In 1958, the military overthrew Venezuela's authoritarian government, paving the way for democratic elections. This introduced a relatively stable political and economic period of progress until the 1980s. Between 1958 and 1998, Venezuela was governed by two parties, the social democratic Democratic Action Party (AD) and the moderate conservative party COPEI (Buxton, 2009). AD came to power in the 1958 elections and introduced a national development strategy focused on industrialization, land reform and broad popular inclusion. The idea was to reduce the strong predominance of mineral exports and production, particularly revolving around oil. Also policies of progressive income distribution, tax reform, increases in oil revenues on the part of the state and introduction of social reforms in the areas of housing, education and health care provision were pursued (Wynia, 1990: 178-192). Growing government revenue from oil financed this and created a situation of broad consensus and legitimacy and political stability (Buxton, 2009: 151). After the hike in international oil prices in 1973, the Venezuelan government introduced a policy of nationalization of oil in 1976 and nationalization of iron resources in 1975, and the government developed a new strategy aimed at deepening industrialization through investments in heavy industry and support for untraditional exports (not only natural resources) and redistribution of income. This subsequently led to a rise in the domestic market (Sonntag, 1990: 294). In short, the government used oil rents to diversify the economy and assure higher living standards. However, the national currency was overvalued. This made imports cheap and led to high concentration in oil exports, while agriculture did poorly and created a need for basic food imports and contributed to migration from the countryside to the cities (Buxton, 2009: 153). The urban working class and industrial enterprises tied to the public sector and state-owned companies gained from this path. However, in late 1981, oil prices fell drastically and Venezuela was hit by a deep economic and financial crisis. Falling oil revenues led to devaluation in 1983 hurting particularly popular groups (Ibid.: 154). The governments between 1981 and 1989 were unsuccessful in fighting the economic crisis that ensued, while the foreign debt continued rising. In an attempt to adjust to growing financial and external economic constraints, the new AD government in 1989 agreed in a letter of intent at the International Monetary Fund to harsh fiscal measures. The policies pursued by the government and issues of corruption, however, led to urban protests, the so-called "Caracazo", which was repressed violently (Sonntag, 1990: 298 and 306). By 1989 poverty had risen to 58.9 percent (Buxton, 2009: 155).

Like Venezuela, Bolivia's development model in the middle of the 20th Century was centered on mineral production and exports, particularly tin, but later also oil. Bolivia was an extremely poor and rural country. Eighty percent of the population lived in the countryside. Land was distributed extremely unequally and owners of the mines mostly lived outside the country. This situation led to a revolt in 1952, known as the "Bolivian revolution" (Ianni, 1973 [1972]: 102). The revolution was led by the Revolutionary National Movement party (the MNR) and was supported by mine workers and rural workers and their unions (Petras and Veltmeyer, 2005) and people from the middle classes (Di Tella, 1990: 108). The new MNR government introduced a new development strategy, which much like in the case of Venezuela, focused on a state-led strategy of diversification through industrialization, nationalizations of strategic resources as well as rising public investments aimed at assuring rising living standards, job creation, higher wages and social benefits (Auty and Evia, 2001: 182-186).

Like Venezuela, Bolivia was affected by the foreign debt crisis. It experienced a worsening trend in its terms of trade in the 1980s. As a consequence, export earnings plummeted between 1980 and 1987 (Gamarra, 1994: 104), provoking economic instability and a crisis of the manufacturing sector (Madrid, 2010-11: 600).

Bolivia introduced "market-oriented" neo-liberal reform policies from the mid-1980s through adjustment and stabilization policies supported by creditor countries and the International Monetary Fund and the World Bank. In 1985, a coalition government led by the MNR, which had introduced structural reforms after the 1952 "revolution", oversaw a major reversion of the development strategy. In 1985, its "Pact for Democracy" introduced cuts in public employment, deep cuts in state subsidies and the freezing of wages (Gamarra, 1994: 205) and trade tariff cuts, and in 1990 a new government deepened the neo-liberal direction with the so-called "Patriotic Agreement" that opened Bolivia up further to foreign investments, also in the strategically important sectors of mining and energy. The government also introduced a new policy guaranteeing investor rights that aimed at attracting foreign investors (Morales, 1994: 136-142).

In Venezuela's case, reform policies and deteriorating living standards led to socio-political instability epitomized by the "Caracazo" in 1989. The social democratic AD government 1989-1993, headed by Carlos Andrés Perés as well as the Bolivian center-left governments in the 1990s and many other center-left governments in Latin America at the time, pursued market-oriented neoliberal policies in an attempt to adjust to the situation provoked by the foreign debt crisis (Madrid, 2010-11: 596). In Venezuela, these policies and the negative development experienced provoked a major fall in the support for AD and COPEI in the 1993 presidential elections, where they reaped a mere combined share of 46 percent of the vote. The new government of 1993 was unsuccessful in getting the economy under control and oversaw a period of low economic growth, growing unemployment and strict adjustment policies. By 1996, 77.1 percent of households lived in poverty and the Venezuelan government privatized parts of the state-owned oil company PDVSA (Buxton, 2009: 157). Popular sentiment was turning strongly against the established political system dominated by AD and COPEI, and led to a landslide victory that brought Hugo Chávez to power in 1998 as the leader of the recently formed party of the Fifth Republic Movement (Madrid, 2010: 601-602). Chávez defended deep changes in the country based on his idea of a "Bolivarian Revolution", an ideological construct that included many elements such as the principles of cooperation and solidarity, pro-poor development and state control of PDVSA and a change in an economic order dominated by elites. Bolivarianism also had an international component that stressed the defense of sovereignty (Buxton, 2009: 156-160; Bernal-Meza, 2009: 139-141).

Bolivia followed a similar path pursuing neoliberal policies in the 1990s privatizing state companies even in the area of strategic natural resources through the policy of “capitalization”. This paved the way for Bolivia’s inclusion in the process of foreign debt renegotiation under the HIPC initiative, i.e. the Heavily Indebted Poor Countries initiative (Petras and Veltmeyer, 2005: 185). Bolivia was somewhat more successful than Venezuela with the neoliberal orientation assuring the country annual per capita growth of 1.53 percent between 1990 and 1999 (World Bank, 2004: 4), but was still a very poor country. In the late 1990s, Bolivia faced adverse terms of trade and entered a period of stagnation. This led to increasing political and popular pressure against the government and its neoliberal economic policies. In 2005 this led to the election of Evo Morales from the newly formed party “Movement towards Socialism”, or MAS, on an anti-neoliberal platform (Wolff, 2011: 4).

There are thus major similarities in the development paths experienced by Bolivia and Venezuela and in both countries new political parties ended up winning elections on anti-neoliberal platforms.

China had been a rather insignificant partner for both of the countries until the turn of the Century. It was only the 37th biggest export destination for Venezuela in year 2000, while it ranked 18th in Venezuelan imports. China was Bolivia’s 18th biggest export destination and ranked 7th in its imports (Dussel Peters, 2011: 94). China was insignificant as an investor and as a lender in both countries.

Bolivia and Venezuela’s Development and China’s Impact until 2008

Venezuela was the first of the two countries to pursue a turn away from neo-liberal economic policies and towards more nationalist state-oriented strategies inspired by socialist ideology and foreign policies at odds with US interests. In the elections of 1998, Hugo Chávez and his newly formed party, the PSUV, were up against a candidate with an electoral platform based on shock therapy and decentralization. Chávez’ electoral platform promised deep changes through a “Bolivarian Revolution” that would re-found the nation and create a new development model based on the “Bolivarian” principles of cooperation, solidarity and justice (Buxton, 2009: 150 and 157). In 1999, the government managed to get a new constitution in place through a referendum. The constitution underlined Venezuela’s sovereignty over the strategic oil sector and gave a number of social rights to the population (Ibid.: 164).

From the outset, the government introduced higher taxes on private companies in the oil sector, and in late 2001, the Hydrocarbon Organic Law was passed as well as an agrarian reform. According to the Hydrocarbon Organic Law, the state should have majority ownership in all strategic agreements with private actors in the oil sector (Giacalone and Briceño Ruiz, 2013: 79-80). These policies sought to assure greater state control with the oil sector and to increase government revenue and thus the means to make good on the promise to pursue pro-poor social reforms. These policies countered the interests of economic elites and foreign companies in the oil sector and were a break with the neoliberal "market-oriented" policies that had defended those interests.

In its foreign policy, the government aimed at promoting cooperation with other oil-producing countries in the Organization of Petroleum Producing Countries (OPEC) as well as with non-traditional partners, such as China, with the aim of promoting a multipolar world and defend the interests of oil producing countries. Chávez believed that unstable oil prices were a reflection of the lack of political cooperation between oil producing countries, and thus saw a political alliance amongst oil producers as a key to maximizing Venezuela's oil revenues (Buxton, 2009: 159-160). Chávez also defended the idea of a re-founded, independent and integrated Latin America based on the power of the peoples and the Bolivarian principles of solidarity and justice as opposed to the "oligarchic" and elite-dominated situation prevailing in the region (Bernal-Meza, 2009: 140-141).

In October 1999, Chávez visited China. A number of oil exploration and exploitation agreements were made between 1999 and 2005. In 2001, the first joint venture was established between the state-owned Chinese oil enterprise China National Petroleum Corporation and PDVSA, and in that same year the two countries created a strategic alliance and established a High Level Commission that was to coordinate bilateral relations between them (Giacalone and Briceño Ruiz, 2013: 81-85). According to Giacalone and Briceño Ruiz (2013: 77), the Venezuelan government saw the Chinese-Venezuelan cooperation in the oil sector as a way for Venezuela to gain independence from U.S. companies that had held a strong position in the oil sector historically.

The ideological orientation and the policies implemented by the Chávez government led to confrontation between the government and the political opposition and established elite interests that were affected negatively by government policies. In April 2002 this led to a coup that deposed Hugo Chávez from power. However, massive popular pro-Chávez protests led to his quick return to power. In late 2002 and early 2003, employees of the state oil company PDVSA and oil unions promoted an oil strike against the government and its policies (Stefanoni, 2012: 56). The government reacted by taking control of the company and fired 17,000 workers (Buxton, 2009: 162). Continued low oil prices, the fall in oil production caused by the strikes, and the unstable political and economic conditions led to a major economic downturn in 2002 and 2003. Faced with growing poverty figures and economic recession as well as a recall referendum on the continuity of Chávez as president to be held in 2004, the Chávez government introduced massive social policies, the so-called "missions" in education, housing and health with cooperation from the Cuban President Fidel Castro (Stefanoni, 2012: 56). Together they set up a kind of barter arrangement where Venezuela supplied Cuba with oil in exchange for Cuban doctors for the health missions in Venezuela (Pérez Flores, 2006: 4). In 2004, the government set up *Misión Mercal* that established thousands of "subsidized food cooperatives and popular markets" as part of the government's pro-poor orientation (Buxton, 2009: 167). As oil prices started to rise in the middle of 2003, external conditions for Venezuelan development started to improve and really took off until 2008. Venezuela experienced strong effects on production, consumption, job creation and rising real wages. This led to economic growth averaging 11.8 % between 2004 and 2007 (ECLAC, 2008). This helped Chávez to comfortably stand the test of the recall referendum in August 2004. The political opposition withdrew their candidates in the legislative elections of November 2005 in order to delegitimize the government. This did not work out as planned for the opposition, as the elections were characterized as having been free and fair by foreign election observers. As a consequence, the Chávez government came to control parliament completely (Pérez Flores, 2006: 5). After the recall referendum in 2004, the Chávez government radicalized the orientation of "Bolivarianism" stating that its aim was to promote a radical transformation of the Venezuelan development model through what it called "21st Century Socialism" (Buxton, 2009: 167). Venezuela's strengthened financial situation and the legitimacy from the 2004 recall referendum paved the way for this radicalization of the government's strategy.

On the international political front, Venezuela together with Cuba set up an anti-hegemonic and anti-colonial initiative of integration, the Bolivarian Alternative for the Americas (ALBA), a solidarity-based scheme that opposed the neo-liberal market-oriented initiative for regional integration in the Western Hemisphere defended by the United States, namely the Free Trade Area of the Americas (FTAA) (Bernal-Meza, 2009: 139-140). Thus, the Chávez government pursued a confrontational strategy against its opponents on the international political scene as it did against the domestic political opposition in Venezuela. In his electoral platform for the 2006 presidential elections, Chávez defended the deepening of the anti-neoliberal orientation of his government, proposing a process of nationalizations in strategic economic sectors, and he renamed his party the Unified Socialist Party of Venezuela (PSUV). PSUV and Chávez won the elections with more than 62 % of the vote in December 2006 (Pérez Flores, 2006: 1-2), and initialized the process of nationalizations. It set up a referendum on constitutional revision in November 2007. The aim of the government was to pave the way for the introduction of a socialist economic model, executive control of reserves and "elimination of term limits for presidential reelection" (Buxton, 2009: 169-170). The electorate narrowly voted the constitutional reform initiative down, but the government went ahead introducing economic reforms through an "enabling law" in early 2008 supported by the *Chavista* controlled National Assembly (Giacalone and Briceño Ruiz, 2013: 80).

Nationalizations were carried out in a range of economic sectors deemed of strategic importance including telecommunications, electricity, steel, cement and oil. In May 2007,

> the last remaining oil area open to foreign companies -the Orinoco Belt- had been nationalized, and the government established that there should be a 60 % minimum share of state property and the transfer of all operations to PDVSA (Giacalone and Briceño Ruiz, 2013: 80).

The same policy was applied to the cement sector in 2008 (ECLAC, 2008: 114).

Oil prices kept rising throughout this period and until the international financial crisis in 2008, thus providing a permissive global economic context for the economic reform process, although Venezuelan oil production fell from 3.3 million barrels per day in 1997 to 2.6 million barrels per day in early 2006 (Pérez Flores, 2006: 10) due to underinvestment in drilling (Buxton, 2009: 171) and problems related to the mass firings of personnel in 2003. Nevertheless, the high oil prices meant that Venezuela's export receipts grew substantially year after year. However, in an environment of an overvalued national currency and strong state intervention in the economy, shortages in the production of food crops became particularly severe in 2007. This led the government to pursue a policy of export restraint within the agricultural sector in order to secure food for national consumption (Stefanoni, 2012: 57; Giacalone and Briceño Ruiz, 2013: 79), contributing to the gradual rise in the share of oil exports in total export receipts, although Venezuelan oil output fell by 4.2 percent in 2007 (ECLAC, 2008: 113).

In this context, Venezuela's cooperative relationship to China in the oil sector grew in intensity and significance. New joint ventures were celebrated in 2004 and in 2006, and in 2007 an "oil for credits" deal of 6 billion US $ was signed between the Chinese state-owned oil giant CNPC and the Venezuelan state-owned oil giant PDVSA in cooperation with the Chinese Development Bank (CDB) and the Venezuelan Development Bank (BANDES). This agreement provided Chinese financing as well as a commitment by the Chinese to develop projects with Venezuela in the oil sector (Giacalone and Briceño Ruiz, 2013: 85-87). The Venezuelan government saw the Chinese-Venezuelan cooperation in the oil sector as a way for Venezuela to gain independence from U.S. companies that had held a strong position in the oil sector prior to the Chávez government. Thus, the Venezuelan government took advantage of China's interest in collaboration with commodity exporting countries and, arguably, China's financing and provision of technological capacity to Venezuela helped create space for Venezuela's policy of nationalization. From the Chinese perspective, cooperation was a way to secure access to needed oil imports but also to support Chinese companies in the oil sector as well as in other sectors as the "oil for credits" agreements "specified that borrowers must buy goods and services from Chinese companies" (Giacalone and Briceño Ruiz, 2013: 77). As a consequence of the growing economic interaction, China had become Venezuela's third largest export destination by 2009 and the fourth biggest provider of imports (Dussel Peters, 2011: 94).

In early 2008, economic growth de-accelerated in spite of an impressive rise in oil prices. The current account surplus surged even more than in 2006 and 2007, where Venezuela had achieved enormous current account surpluses of US $ 27 billion and US $ 20 billion, respectively (ECLAC, 2008: 113 and 119). In spite of these surpluses, Venezuela's external debt rose to almost US $ 53 billion "on account of the increase in commercial credits, loans and other debt instruments in the public sector" along with a growing foreign debt of the private sector. However, as a percentage of GDP total external debt fell from 33 percent in 2005 to 23.1 percent in 2007 (ECLAC, 2008: 119). At the same time, Venezuela built up reserves in the central bank that reached its highest level in 2008 where it stood at US $ 43,127 billion (ECLAC, 2015: 75) assuring a relatively strong financial position to Venezuela. However, falling oil prices in the last part of 2008 complicated the situation for the government as GDP growth was further reduced in the second semester of 2008.

We now turn to the analysis of Bolivia, where the neo-liberal model and development strategy came under increasing pressure in Bolivia between the years 2000 and 2005 (Wolff, 2011: 4). The negative global context of instability in international financial markets in 1998 and 1999 (World Bank, 2004: 2) and a negative trend in its "terms of trade" of Bolivia provoked negative economic growth in 1999 and economic stagnation between 2000 and 2003 (ECLAC, 2005: 357). This led to a significant rise in unemployment and to a rise in informal sector jobs (Ibid.: 370). As in the case of the Venezuelan elections in 1993 and 1998, Bolivia's elections in 2002 saw the traditionally dominating parties lose support. However, the so-called "Mega-coalition" narrowly beat the newly formed Movement Towards Socialism party (MAS) headed by Evo Morales, an indigenous leader of the coca growers' union of the Chaparé region (Petras and Veltmeyer, 2005: 191).

The political protest movement gained in strength in the period after the elections, focusing on dissatisfaction with rising taxes, opposition to the government's handling of the policy towards the gas sector, the dominant sector in the Bolivian economy, as well as support for the ousting of President Sánchez de Lozada, who was in fact ousted from the presidency in 2003. Evo Morales and MAS argued that Bolivia should take control of its natural resources and pursue a political line of self-determination (Wolff, 2011: 3) and criticized the United States and the neoliberal development model. He further argued that Bolivia needed a political re-foundation through a constitutional reform process that should include the indigenous population further in the political process **(**Wolff, 2011**)**. The rhetoric and political agenda of Evo Morales and the MAS party paralleled that of Hugo Chávez' government in Venezuela in terms of its nationalist orientation, social agenda, anti-imperialist views and aim of making the state more central to the economy.

Based on this electoral platform, Evo Morales and MAS won the 2005 presidential elections with an absolute majority of 54 percent. The new government's first diplomatic contacts were with Cuban President Fidel Castro and Venezuelan President Hugo Chávez, the architects of the "Bolivarian", anti-neoliberal regional cooperation project ALBA, which Bolivia joined. After this, Morales travelled to Beijing around one week into his presidency. Here he spoke to the Chinese president, calling the Chinese government a political and ideological ally of the Bolivian People (Christensen, 2006). As newly elected president, Morales furthermore "*called President George W. Bush a terrorist*" and created a government with people close to indigenous and social movements who were critical of neoliberalism (Wolff, 2011: 8). In 2008, the already poor relations with the US government turned into an open crisis as the Bolivian government expelled the US ambassador and later also the US Drug Enforcement Agency. In response, the US cut trade preferences formerly given to Bolivia (Ibid.: 9), which had been important in assuring a diversification of Bolivian exports in the manufacturing sector (Sakho and Calvo-Gonzalez, 2008).

The government went ahead with a number of reforms promised during Morales' campaign, such as the nationalization of gas, a constitutional reform process and a range of social policies and policies aimed at giving the state a more prominent and active role in the economy.

On May 1, 2006, the government went ahead with the plan of nationalizing the energy sector. As in Venezuela's case, the nationalization was not carried out through outright confiscation of property but mainly consisted of increasing taxation and royalties from 50 percent to 82 percent for big foreign companies. Smaller companies were to renegotiate their contracts with the state by October 28, 2006. This was achieved in practice. The plan was also that the state should take over majority ownership of companies. Morales argued in an interview, at the time of the renegotiation of contracts in the energy sector, that Bolivia had changed the neoliberal order assuring greater revenues for the Bolivian state without confiscation of foreign companies (Christensen, 2006). Critics of the Bolivian government on the political left were not satisfied. They believed that the government was taking a non-confrontational stance towards foreign investors. Similarly, they criticized the policies of land reform for being too timid due to a non-confrontational stance towards agrarian elites. In their view, the government's approach did not offer a real alternative to neoliberalism (Petras, 2006). The government further nationalized companies in the electricity sector and in communications and created new state companies in other sectors in its promotion of a state-led economy (World Bank, 2014: 2).

The government also introduced a number of redistributive social policies such as the Juancito Pinto program that gives small transfers of money to poor families who in exchange are expected to send their children to school, the Dignity rent to old people, subsidies to poor families, policies of alphabetization, education, health and land reform (Stefanoni, 2012: 58-61). The policies pursued by Bolivia were thus very similar to the Venezuelan development policies.

High commodity prices from 2004 and increased mineral and natural gas exports contributed to successful economic growth (World Bank, 2015: 1). Between 2004 and 2008, economic growth averaged 4.5 percent (ECLAC, 2008: 18). It is worth noting that Bolivia's nationalizations did not lead to a crisis of production as in the case of Venezuela. Economic growth and higher tax receipts gained by the government due to the nationalization process helped finance social spending, while Bolivia was running both fiscal and current account surpluses. Bolivia's participation in the HIPC process further helped to strengthen government finances and bring down foreign debt. With growing export receipts and debt reduction through the HIPC process, the external public debt fell by more than one billion in 2007, bringing it down to around just 2.2 billion US $ (ECLAC, 2008: 121-122). At the same time, Bolivia achieved increasing levels of current account surpluses. In 2007, the current account reached more than 1.8 billion US $ and brought reserves up to more than 5.3 billion US $ (Ibid.: 127). Thus, Bolivia's external balances were quite strong when the international financial crisis broke out in 2008. This helped Bolivia gain more control over its financial situation than in Venezuela's case. Arguably, Bolivia was pursuing a prudent anti-cyclical fiscal and monetary policy, although high commodity prices had pro-cyclical effects on the economy as a whole. Growing fiscal revenues helped the state to pursue a policy of increasing public investments and to finance growing social expenditures (Ibid.: 125) and helped to gradually reduce poverty and economic inequality. According to the World Bank (2015: 1), moderate poverty was reduced to 45 percent of the population in 2011 from 63 percent in 2002, while the Gini index fell from 0.60 in 2002 to 0.49 in 2013 showing a substantial reduction in poverty and economic inequality, although both figures remained high.

The Bolivian government saw further industrialization as a desirable goal for the country. In practice, however, the Bolivian development model and policy continued giving priority to extractive industries and a strengthened state presence in extractive industries.

Bolivia's development was to a very significant extent based on the exploitation of natural resources in the energy sector, the mining sector and the agricultural sector where soy production and exports stood out (Stefanoni, 2012). Bolivia's export profile was thus similar to Venezuela's in the sense that it was highly concentrated in commodity sectors, though it was different in the sense that it is more diversified than Venezuela's where oil makes up more than 90 percent. In Bolivia, gas is the dominant export good but makes up around 50 percent of total exports.

Another major difference was in the trade with China, where, as we have seen, Venezuela's bilateral trade had increased strongly by 2009 as the two countries were deepening relations through the "oil for credits" agreement in 2007 as well as through a large number of other agreements. Gas is not as readily exported to distant parts as is the case with oil, and for Bolivia, China remained a very small export partner in 2009, though it moved from the 18th rank in 2000 to 8th in 2009. China went from being the 7th biggest source of imports in 2000 to the 6th biggest in 2009 (Dussel Peters, 2011: 94). Thus economic relations between the two countries remained weak and China had very little impact on Bolivian economic development except for in an indirect way through China's significant contribution to the vibrant international economic context of rising commodity prices. These, however, were affected negatively by the loss of momentum in the developed countries with the beginning of a financial crisis in the United States in 2007 that developed into the international financial crisis of 2008 (ECLAC, 2008).

Bolivia and Venezuela's Development and China's Impact after 2008

Venezuela faced a difficult external scenario for its development after the outbreak of the international financial crisis and the consequent steep fall in oil prices. Venezuelan exports and government revenues were heavily dependent on oil revenues. But, a significant share of PDVSA export earnings was passed on to FONDEN, the Venezuelan fund for economic and social development. At the same time, oil production fell during the Chávez years. Underinvestment in oil drilling during the Chávez was in part due to the drainage of funds from PDVSA. In spite of this, exports were increasingly dominated by oil with a consequent growing oil dependency of the Venezuelan model of development (Giacalone and Briceño Ruiz, 2013: 79-80; Buxton, 2009: 171). Policies prohibiting certain agricultural exports as part of the government's food security strategy also contributed to growing dependency on oil exports (Giacalone and Briceño Ruiz, 2013: 79) as did the overvalued national currency.

In 2009, Venezuela experienced negative economic growth of 3.3 percent (ECLAC, 2010: 65), and in 2010, negative economic growth of 1.5 percent (ECLAC, 2015: 59). There was a fall in exports and private consumption and a fall in oil production as well as electricity generation. This development led to restrictions in electricity consumption for the manufacturing sector in the second semester of 2009 (ECLAC, 2010: 65). At the same time, Venezuela experienced negative inflows of foreign direct investments and, in spite of a strongly positive current account balance, the country posted a negative balance on the capital and financial accounts provoking a negative overall balance of payments. To top it off, Venezuela experienced difficulties in providing US dollars to pay its import necessities (ECLAC, 2010: 64-65). The level of gross international reserves (including gold) fell from the record level of more than US $ 43 billion in 2008 to just below US $28 billion in 2010, while gross external debt rose dramatically to above US $ 97 billion (ECLAC, 2015: 75). Thus, Venezuela's external financial solvency was under pressure as was its capacity to invest in the strategically important oil sector.

Venezuela's attempt at moving towards a socialist-like economy, which is evident in the government's national development strategy 2007-2013 (Venezuelan government, 2007) where new forms of organization of productive activities, e.g. cooperatives, and growing state control of strategic economic sectors, faced major challenges. It scared foreign investors away from Venezuela and hampered Venezuela's relationship to international financial markets. Nationalizations went on moving from one sector to another, leading to very low foreign investor interest in investing in Venezuela. This made it ever more interesting for Venezuela to strengthen bilateral economic ties with China further. This was also of interest to the government from a geopolitical perspective, as the government had the ambition to contribute to a multipolar ordering of the world. This was clearly mirrored in the proliferation of economic agreements. Oil supply agreements led to daily exports of 350,000 barrels of crude oil and derivatives by 2012, while Venezuela celebrated agreements on access to Chinese capital goods and supply services in the oil sector. Also, a joint venture in oil refining capacity was created between PDVSA and the Chinese-owned oil company SINOPEC, and the two countries pursued cooperation on offshore oil platforms and offshore gas exploration. The joint oil fund established in 2007 was enlarged in 2009 from US $ 6 billion to US $ 12 billion with a two thirds contribution from the Chinese Development Bank (CDB), and a new agreement was made on a further loan from CDB in 2010 of up to US $ 10 billion as well as 70 billion Renminbi, the Chinese currency (Giacalone and Briceño Ruiz, 2013: 85-89). It is clear that Venezuela was increasingly taking advantage of China's global strategy to find an alternative provider of finance and technology. China was becoming a key provider of financing for Venezuela that had a complicated relationship with international financial markets on account of its development strategy and the confrontational diplomatic style of the president. In 2008, the "sovereign risk" of the Venezuelan government skyrocketed to 3,218 points after having been just 129 points in 2006 (ECLAC, 2015: 73).

From the perspective of China, closer bilateral economic ties were part of China's growing interest not only in importing oil from Latin America but also of "providing financing and technical capacity in other sectors in the region" in order to pursue further internationalization and diversification of Chinese businesses and their activities, i.e. the Chinese "going out" strategy. Latin America was becoming of greater interest to China in this respect, as well (OECD, 2015: 149). When it comes to Chinese lending to Latin America, there has been an exponential increase in this since its beginning in 2005. As Venezuela has faced growing difficulties achieving financing in international finance markets (ECLAC, 2015: 73), the country has become the biggest receptor of Chinese loans by far. It has received 52 percent of total loans to Latin America expended by Chinese policy banks until 2015. This corresponds to a sum of 65 billion US $ (Gallagher and Myers, 2016).

The financial and developmental difficulties experienced by Venezuela in 2009 and 2010 became less restrictive in 2011 and 2012, where Venezuela, helped by rising oil prices and growing investments in the oil sector, achieved economic growth of 4.2 percent and 5.6 percent, respectively (ECLAC, 2015: 59). The global economic context for Venezuelan development had improved to the extent that Venezuela in 2012 experienced record levels in its "terms of trade" for goods, even when compared to the boom years prior to the international financial crisis (Ibid.: 69). These developments in the global context led to falling "sovereign risk" premiums in international markets, but these still remained relatively high at 647 points in 2012. Venezuela thus continued facing huge difficulties in terms of foreign creditworthiness. It seems evident that Venezuela's implementation of a socialist development strategy and the political confrontation with domestic and foreign elite interests led to the huge rise in the "sovereign risk" in 2008. After 2012, the risk premiums skyrocketed to more than 3000 points in response to very negative economic developments (Ibid.: 73).

In 2013, crude oil production again fell a bit. At this point, almost a third of Venezuelan oil exports were used to pay off debt to China and to export to Cuba and other countries in the region, members of ALBA and of the Venezuelan initiated Petrocaribe Initiative (ECLAC, 2014) in exchange for food and services. These two initiatives and cooperation agreements formed part of the Venezuelan government's solidarity-oriented regional policies that, in turn, were part of its overall geopolitical and regional alliance strategy. These figures suggest that Venezuela lost credibility in its traditional markets in the Western world after the introduction of the agenda associated with "21st Century Socialism" that followed on the re-election of Chávez in December 2006.

Venezuela has gradually lost control of its economic situation in recent years. Negative developments were already evident in 2013 (the year Chávez died) but became especially acute in 2015, where international oil prices fell by 45 percent (World Bank, 2016: 102). The deep drop in oil prices down to below US $ 40 a barrel in 2015 was a consequence not only of "softening" demand and reduced dynamism of the Chinese economy, but also of growing global oil supply, softening global oil demand and high stocks of oil in OECD countries (Ibid.: 14). As a consequence, GDP fell even more sharply in 2015 than in 2014 (ECLAC, 2015: 59) with severe consequences for fiscal and external balances.

It seems that the confrontational style used by the *Chavistas* and Chávez himself on the domestic political scene and on the international political scene has played an important role in this. Also the nationalization policy and Venezuela's drive towards a socialist model of development and the country's overdependence on oil have contributed to the negative outcome as has a very ambitious agenda of oil-financed diplomatic activism in the region. The reciprocal relationship between these domestic and international political and economic factors has provoked a negative spiral in Venezuelan social and economic development in spite of an ever closer economic relationship with China.

The extreme dependency on oil exports and the weak performance in oil production, as well as a weak productive performance in agriculture and manufacturing, created a situation of increasing financial fragility of the development model. China's massive lending to and collaboration with Venezuela in the oil sector and in other sectors, though helpful, have not been enough to ensure new dynamism in the economy. And since loans have to be paid back, costs for this have grown leading to growing dependency on Chinese lending. The Venezuelan economy has gradually been weakened to the point that the population now faces massive scarcity problems for much of its basic consumption, and this highly negative developmental outcome has led to a major strengthening of the political opposition in the Venezuelan parliament (Economist, January 9, 2016).

There is a growing criticism inside Venezuela of its relations with China. Critics find that there is a lack of transparency regarding the use of Chinese loans as well as a more general lack of transparency in the use of off-budgetary funds in the national development fond FONDEN that has received huge amounts of Venezuela's oil incomes and loans from China. Growing dependency on Chinese loans is also seen as a threat to sovereignty (see e.g. Pérez Flores & Jatobá in this special issue).

Though, arguably, China can be seen as having contributed substantially to the stabilization of the Venezuelan economy after the financial crisis, recent developments show that the Venezuelan government has lost control of the economy. Similarly, Venezuela's high degree of dependency on oil exports has again proved to be a risky model due to volatile oil and commodity prices in international markets, where developments in Chinese demand is only one amongst many factors (see e.g. World Bank, 2016). As in previous situations, such as the early 1980s, the late 1990s and early 2000s, and the period following the international financial crisis in the late 2000s, volatile oil prices in the current period have contributed significantly to the current economic crisis in Venezuela.

China, on its part, seeks to maintain a positive relationship with Venezuela and Latin America as a whole. In early 2015, in a meeting between China and CELAC with the participation of China's President Xi Jinping and all Latin American presidents, China made promises of huge foreign direct investments and lending over the coming decade (Gillespie, 2016) and Venezuela has received big sums of Chinese financing in 2015 (Gallagher and Myers, 2016). Nevertheless, in the case of Venezuela, challenges to its economic stabilization and future development are huge and collaboration with China will not suffice to turn around the situation. Future developments will depend both on domestic politics, development strategies and foreign policy orientation as well as on developments in the global market. China has become an important ally in international politics and an important economic partner for Venezuela, but it is not clear how this relationship will develop in the future, where we may witness a change in government in Venezuela and perhaps a new direction in Venezuelan foreign policy as well as in its development strategies. China's willingness to lend to Venezuela also has limits and cannot work as a substitute for Venezuelan efforts to get the economy under control.

We now turn to the Bolivian case, which contrasts significantly with the Venezuelan case, although Bolivia faced similar challenges from the side of the global economic context. However, Bolivia's development paths diverged from the tendencies in Venezuela in this period assuring a much more successful outcome for Bolivia than what we have seen in the Venezuelan case.

Bolivia was able to maintain 3.4 percent GDP growth in 2009 down from 6.1 percent in 2008, in spite of a major fall in export receipts in 2009. Nevertheless, Bolivia maintained a small trade surplus in 2009 and a current account surplus of US $ 813 million that was helped along by incomes from remittances. As a consequence, Bolivia's reserves kept rising (ECLAC, 2010: 82) contrary to what we saw in Venezuela's case. Also in contrast to Venezuela, Bolivia has been able to maintain relatively stable economic growth since 2009 with annual economic growth figures between 4.1 percent in 2010 and a record of 6.8 percent in 2013. In 2014 economic growth was kept at around 4.5 percent (ECLAC, 2015: 59) and in 2015 growth was around 4.8 percent (Vergara, 2016) in spite of steep falls in export prices.

These results were achieved in a context of political polarization inside Bolivia, diplomatic confrontation with the United States and the continuity of the implementation of a state-led economy and active social policies. In other words, there are strong similarities between the Bolivian and the Venezuelan development projects.

However, Bolivia pursued a macroeconomic policy that was more attentive to assuring positive fiscal and external balances than in Venezuela's case. Cooperation with the international creditor community in the HIPC process was also helpful towards creating a stronger and more stable financial foundation for the stability of the economy and for continued economic growth.

The bilateral economic relationship with China saw significant developments between 2008 and 2016, but Bolivia came to depend much less on Chinese financing than Venezuela. Between 2009 and 2015, Bolivia has received total loans from Chinese public banks of US $ 1.6 billion. More than half of this sum corresponds to 2015, where the external economic context for Bolivian development became particularly challenging. Faced with the challenging global context, Bolivia turned to China as a preferential source of financing and FDI thus taking advantage of China's interest in strengthening its position in the region. In October 2015, China-Bolivia economic relations underwent a significant development after the Bolivian government and China agreed on a major expansion of Chinese funding for Bolivian development projects planned for the 2016-2020 period in the government's national development plan (Ellis, 2016).

In the following, I expand on this short introduction to Bolivia's economic development and China's impact on it from 2008 to 2016.

Economic growth in 2008 and 2009 happened in a challenging external economic context and in an equally challenging domestic and international political context as discussed earlier. After the introduction of nationalizations from 2006 and a pro-poor growth policy, the government set in motion a process of constitutional reform aimed at a re-foundation of the state and its relationship to society. Big part of the government's constituencies, including indigenous groups, was demanding this reform. After a process of deliberations of a Constituent Assembly from July 2006, a new constitution was voted through with 61 percent of the vote in January 2009 and, at the end of the year, Morales was re-elected as president and MAS won two thirds of the seats in the Plurinational Legislative assembly. Though, there was strong electoral support for a constitutional reform that gave more rights to indigenous groups and introduced a dual juridical system that included traditional indigenous legal concepts, the political process that led to this result was tense and highly polarized. The most economically advanced regions were led by forces from the elite which resisted the reform process and sought to achieve regional autonomy (Wolff, 2011: 5-8). As discussed earlier, this led to diplomatic tensions and mutual sanctions between Bolivia and the United States on the external political front. When Barack Obama became president in 2009 he maintained the trade policy introduced by the Bush government in 2008. Thus he did not give back Bolivia the trade preferences that they had formerly enjoyed with the United States (Ibid.: 10).

Nevertheless, as mentioned above, Bolivia maintained a strong domestic and external financial situation in this context in 2009, where the country also received its first two loans from Chinese public sector banks that are influenced by official Chinese policy precepts. One loan was given to be spent on technical equipment in the oil and gas sectors, while the second was given to the development of satellites (Gallagher and Myers, 2016) in cooperation with China. The loans were relatively modest, though, with a total of a little more than US $ 300 million. This focus on high-tech cooperation between the two countries has continued since then.

As Bolivia’s terms of trade started improving again towards the end of 2009, the country experienced new economic dynamism, and, as before the crisis, based on solid fiscal and current account results that strengthened the economic buffers of the country. At the same time, the government continued its policy of active state intervention and significant public investments based on growing fiscal incomes. The global external economic context was increasingly benign from the perspective of Bolivia’s “terms of trade” that topped in 2012 (ECLAC, 2015: 69). High prices and income from gas and mining exports and public investments in construction, manufacturing, finance, transport and telecommunications (World Bank, 2014) helped assure economic growth of 4.1, 5.2 and 5.2 percent in the 2010-2012 period (ECLAC, 2015: 59). Exports predominantly went to Brazil and Argentina as they cooperated with Bolivia in the energy sector (World Bank, 2014). In 2014, Brazil was the biggest export destination with Bolivian exports above US $ 3.8 billion out of a total of US $ 12.9 billion. Argentina rated second with US $ 2.5 billion and the US third with US $ 2 billion, while China came in seventh at US $434 million, following Colombia, Peru and South Korea. However, China had become Bolivia’s biggest source of imports that totaled above US $ 1.8 billion (Globaledge, 2014).

Bolivian exports were dominated by the gas/energy sector, mining and soy or, in other words, were based on natural resources, as in the case of Venezuela, but were somewhat more diversified from a sector point of view. Mining output was becoming increasingly significant with a doubling between 2006 and 2014, in part due to foreign investments (World Bank, 2014). As in the case of Venezuela, Bolivia pursued a policy of export restraints in the agricultural sector, on food staples, in order to keep food prices under control (Sakho and Calvo-Gonzalez, 2008: 4**)**. With regard to the manufacturing sector, the aim of the government was to assure a strategy of diversification within this sector and a major jump in industrial development (Stefanoni, 2012: 53). However, a relatively strong national currency, extensive smuggling and cheap imports from China, amongst other things, created big challenges in Bolivia's textile and clothing sector and in the shoemaking sector (Washington Post, 2012). This accounts for the continued high rate in informal sector participation of the urban workforce. According to the World Bank, this rate was still at 59 percent in 2014 (World Bank, 2014).

To some extent, it could be argued that this is a consequence of the model of development itself with its emphasis on the exploitation of natural resources and a tendency of an overvalued exchange rate. On the other hand, the challenges for successful economic diversification were enormous for Bolivia when Morales took over government power in 2006. The focus of the government has been to create solid macroeconomic foundations for the economy and to assure socially inclusive growth. In this aspect, the strategy of the government has been successful. Also, Bolivia has had success achieving growing production in its dominant export sectors, contrary to Venezuela. This arguably has contributed towards social developments towards the aims of Bolivia's so-called "living well" philosophy which the government sees as underpinning the Bolivia model of development, based on deep indigenous civilizational roots. Evo Morales recently argued that Bolivia has achieved "considerable progress in exploring a developmental path suited to" Bolivia's multi-ethnic conditions, with respect for cultural diversity and seeking to assure a development in harmony with nature (Chalup Liendo, 2015). While social advances suggest that there is some reason in this, it is noteworthy from an environmental sustainability perspective that Bolivia's development model is based so strongly on traditional energy resources and mining which are often harmful to environmental sustainability. However, Bolivia's social and economic development depends on these sectors.

Bolivia's diplomatic engagement with China at the presidential level seems to have increased after 2011, when Morales made his second official visit to Beijing five years after the first official visit right after having come to power in 2006. In 2015, Morales made his fifth official visit to China (Chalup Liendo, 2015). In the meantime, bilateral economic relations had developed significantly. During an official state visit to Beijing in December 2013, Morales expressed to Chinese President Xi Jinping the desire to promote friendly relations. Their dialogue had a strong focus on bilateral economic cooperation. Morales expressed an interest in Bolivia receiving more FDI from China promising a good business climate for Chinese investors. The two presidents agreed to promote balanced trade (a touchy issue on the Bolivian side due to China's large surpluses) and cooperation in various sectors including energy, minerals, agriculture, infrastructure, technology, airspace and finance (Qing, 2013). In fact, there has been growing bilateral economic interaction in these sectors in recent years. China takes the role of the advanced capital exporting country and Bolivia takes on the role of the developing country specialized in natural resources and desirous of technological and capital infusions from China. For instance, Bolivia has sought and received cooperation with Chinese companies in the lithium industry. Bolivia initially wished to develop its own capacity in this significant area, but realized the need for foreign technological expertise. In an article, Linehan mentions that Japanese investors were concerned about the business climate for foreign investors in Bolivia, but Chinese businesses seemed more open (Linehan, 2013). In recent years, Chinese foreign private investments have grown in Bolivia (Chalup Liendo, 2015) and Bolivia has received loans from Chinese public sector banks for investments in energy, development of a satellite capacity in Bolivia and in infrastructural development (Gallagher and Myers, 2016). The tendency is that Chinese public and private investments often have a strong technological component, thus contributing to Bolivia's industrialization and diversification in relatively technologically advanced sectors.

Between 2012 and 2015, Bolivia's terms of trade and export prices worsened, while Bolivia managed to increase export volumes (ECLAC, 2015: 68-69). However, the worsening of the external market context was so severe that it provoked a significant worsening in the current account in 2015 expected by ECLAC to end the year on minus US $ 2.5 billion (ECLAC, 2015: 66), and Bolivia ran a fiscal deficit of 6.6 percent over the year of 2015 (Vergara, 2016). In spite of falling reserves in 2015, Bolivia's risk rating fell below the levels of 2013 and 2014 (ECLAC, 2015: 73). These results stand out when compared to the negative development of Venezuela's economic growth and macroeconomic balances between 2013 and 2016, although Bolivia is now experiencing twin fiscal and external deficits. The difference is that Bolivia has built up buffers that so far have been sufficient to assure a capacity to pursue countercyclical fiscal and monetary policies. The World Bank points out (2016, 109) that only very few countries, including Chile and Peru, had the capacity to pursue anti-cyclical fiscal policies in 2015. It should be noted here that Bolivia has done the same. This is significant as it shows that a country like Bolivia, which has pursued an anti-neoliberal and highly interventionist and active state involvement in the economy, has been able to implement counter-cyclical fiscal and monetary policies in the current difficult global economic context for countries specializing in commodity exports. Bolivia’s macro-economic moderation and building up of reserves, its production oriented development strategy as well as its successful economic growth path has helped create this capacity. In 2013 and 2014, the Bolivian government increased public investments significantly (ECLAC, 2015a: 2). In 2014, the government was very active on the side of industrial policies implementing the Investment Promotion Act in April and the Mining and Metallurgy Act in May. In 2013, industrialization policies included projects in the hydrocarbons sector and the lithium industrialization project (ECLAC, 2015a: 3).

China is an increasingly important economic partner for Bolivia in the government’s policy that aims at continued economic pro-poor growth based on active industrial policies and a focus on the development of production capacity. At the same time, Chinese imports also challenge Bolivian industrial development in some work-intensive sectors, such as clothing and shoes, complicating the government’s ambition to diversify the industrial sector and providing much needed formal sector jobs for a population that in spite of significant progress in reducing poverty and economic inequality still has vast poor groups and faces limited options in the labor market. The current negative global context that is particularly difficult for countries specializing in commodity exports (World Bank, 2016) makes the Bolivian government’s development ambitions all the more challenging. China may turn out to become an increasingly important partner for the Bolivian government to achieve these ambitions based on a nationalist, socialist-inspired interventionist state-led development path based on a broad political mandate.

Conclusion

This comparative analysis of Venezuela’s and Bolivia’s economic development and China’s impact on it in the period from the beginning of the 21st Century has taken a historical path dependency and international political economy approach. It has sought to identify key causal links and patterns in the interaction of domestic and international economic and political processes in different historical periods and to consider China's impact on the development of the two countries in the recent past.

The study is in no way exhaustive and conclusive, but seeks to provide a plausible interpretation of the object of study with the use of the theoretical and methodological tools mentioned.

The historical background analysis prior to the 21st Century showed that both Venezuela and Bolivia experienced severe economic dislocations due to "volatility" in international financial markets and in their terms of trade, e.g. in the early 1980s and in the late 1990s and early 2000s. In these instances, volatile conditions in international markets led to severe economic dislocations and to changes in development strategies. In the last instance, both Venezuela and Bolivia turned against neoliberal economic development strategies.

By way of conclusion, it is particularly noteworthy to consider the diverging economic development paths of Venezuela and Bolivia after the outbreak of the international financial crisis in 2008 after both countries had embarked on an ambitious agenda of economic transformation, based on a state-led economy with strong state intervention and pro-poor redistributive and social policies inspired explicitly by socialist ideas and a criticism of neoliberal economic development doctrine. Both countries furthermore pursued anti-hegemonic and anti-American foreign policies and collaborative ties with regional partners as well as alliances with untraditional extra-regional partners such as China.

Historically, bilateral ties had been rather unimportant to the economic development of both countries. This started to change after the early 2000s, although China remained quite insignificant for Bolivia until 2008 with the exception of China's indirect impact on commodity prices in the international market. The positive development in the terms of trade for countries specializing in commodity production and exports helped both countries to achieve stronger economic growth results between 2003 and 2008.

However, Venezuela was less well prepared than Bolivia for the worsening terms of trade provoked by the outbreak of an international financial crisis in 2008. Venezuela was in the middle of an ambitious process of nationalizations of foreign-owned companies in a number of economic sectors when they were hit by the effects of the international financial crisis but had not built up sufficient economic buffers to withstand the worsening conditions, whereas Bolivia had managed to get its foreign debt and state finances under control prior to

2008. As a consequence, Venezuela's foreign debt virtually exploded between 2008 and 2010, while Venezuela faced falling GDP, falling export revenues and weakened fiscal revenues that depended on oil income. In contrast to this, Bolivia managed to maintain economic growth and solid fiscal and external balances. Furthermore, Bolivia was more successful in terms of increasing and diversifying production in energy and mining, while oil production in Venezuela was stagnant. In this context, China became an increasingly significant alternative source of financing and technical and logistical support for Venezuela. Bolivia started receiving their first loans from Chinese policy banks in 2009, but at a very modest level as Bolivia was more able to finance its own development than Venezuela.

After 2009, Bolivia maintained high annual growth figures and maintained solid fiscal and current account surpluses thereby building up financial buffers. Venezuela, on the other hand, faced increasing economic difficulties from 2013 and experienced negative economic growth in 2014 and 2015. It is now experiencing a chaotic economic and political situation. Worsened terms of trade, a weak financial situation and a high reliance on oil exports and prices were at the root of these problems. Similarly, a growing portion of Venezuela's stagnant oil production was going towards paying off on loans, while another part went towards untraditional arrangements within ALBA where Venezuela traded oil for services in the health and education sectors in Venezuela. This reduced export incomes available to the state and to the stabilization of Venezuela's finances. During this difficult period, China has provided increasing funding and investments in Venezuela, but this has not sufficed to get the situation under control.

Bolivia has not been immune to the worsening in its terms of trade associated with falling commodity prices. In 2015, the country ran a massive fiscal deficit and saw their international reserves fall. However, the accumulation of financial buffers in earlier years allowed Bolivia to maintain macroeconomic stability and economic growth. After 2009, economic relations with China have also grown, particularly in terms of growing imports from China but also in terms of Chinese financing of development projects in a number of advanced economic sectors where China holds technological expertise as well. This tendency was further strengthened in 2015 where China promised significant funding for a number of development projects promoted by the Bolivian government. At the present time, China has gained an increasingly central role as a provider of financing and technical expertise as in the case of Venezuela.

China's economic impact on the two countries has become increasingly significant since the early 2000s, although it was not until after 2009 that this happened in Bolivia. In the case of Venezuela, however, Chinese lending was not enough to help stabilize Venezuela's economy and assure a successful development trajectory. In Bolivia's case, the more prudent macroeconomic policy stance and more successful development in production was central to Bolivia's continuous economic growth since 2004. Recent rises in Chinese lending and project funding has helped Bolivia maintain economic growth, although low commodity prices do pose a challenge for Bolivia's future economic stability and growth.

Bolivia's more moderate and careful macroeconomic policy in contrast with the Venezuelan macro-economic policy that seemed to be based on the assumption of continued high oil prices is a major difference that helps explain the different outcomes. Also, Bolivia's more successful production and investment-oriented policies help explain the difference. Venezuela could have fared better if a larger part of the windfall incomes from oil exports had been used to get the financial foundations stabilized further than what was achieved by 2008.

Bibliography

Armony, A. C. 2011. "The China-Latin America Relationship: Convergences and Divergences." In A. H. Hearn and J. Leon-Manriquez, eds. *China engages Latin America: Tracing the Trajectory*. Boulder, Colorado and London: Lynne Rienner.

Auty, Richard M. and Evia, J. L. 2001. "A Growth Collapse with Point Resources: Bolivia." In Richard M. Auty, ed. *Resource Abundance and Economic Development*. New York: UNU-Wider Studies, Oxford University Press.

Bernal-Meza, Raúl. 2009. "Latin American Concepts And Theories And Their Impacts To Foreign Policies." In José Flávio Sombra Saraiva, ed. *Concepts, Histories and Theories of International Relations For The 21st Century: Regional and National Approaches*. Brasília: Instituto Brasileiro de Relações Internacionais.

Breslin, Shaun. 2007. *China and the Global Political Economy*. Houndmills, Basingstoke, Hamshire and New York: Palgrave Macmillan.

Buxton, Julia. 2009. "The Bolivarian Revolution as Venezuela's Post-crisis Alternative." In Jean Grugel and Pia Riggirozzi, eds. *Governance after neoliberalism in Latin America*. New York, Palgrave Macmillan.

Cardoso, Fernando Henrique Cardoso and Faletto, Enzo. 1979 [1969]. *Dependency and Development in Latin America*. Berkeley, Los Angeles and London: University of California Press.

Chalup Liendo, Guillermo Jorge. 2015. "Thirtieth Anniversary of China-Bolivia Diplomatic Relations: A Broader Diplomatic Agenda." http://www.chinatoday.com.cn/english/columns/2015-06/24/content_693402.htm. [Accessed on June 20, 2015]

Christensen, Steen Fryba. 2006. "La Política Energética de Bolivia y las Relaciones entre Bolivia y Brasil." In *Sociedad y Discurso*. Aalborg: Aalborg University, Denmark. https://journals.aau.dk/index.php/sd/article/view/811/636. [Accessed on June 20, 2015]

Christensen, Steen Fryba and Bernal-Meza, Raúl. 2014. "Theorizing the Rise of the Second World and the Changing International System." In Li Xing, ed. *The BRICS and Beyond: The International Political Economy of the Emergence of a New World Order*. Oxford: Ashgate.

Di Tella, Torcuato S. 1990. *Latin American Politics: A Theoretical Framework*. Austin: University of Texas Press.

Dussel Peters, Enrique. 2011. "China's Challenge to Latin American Development." In Adrian. H. Hearn and Jose L. Leon-Manriquez, eds. *China engages Latin America: Tracing the Trajectory*. Boulder, Colorado and London: Lynne Rienner.

ECLAC. 2005. *Anuário Estadístico de América Latina y el Caribe 2004*. Santiago, Chile: Economic Commission for Latin America and the Caribbean.

ECLAC. 2008. *Economic Survey of Latin America and the Caribbean 2007-2008*. Santiago, Chile: Economic Commission for Latin America and the Caribbean.

ECLAC. 2010. *Preliminary Overview of the Economies of Latin America and the Caribbean 2010.* Santiago, Chile: Economic Commission for Latin America and the Caribbean.
ECLAC. 2014. *Preliminary Overview of the Economies of Latin America and the Caribbean 2013*. Santiago, Chile: Economic Commission for Latin America and the Caribbean.

ECLAC. 2015. *Preliminary Overview of the Economies of Latin America and the Caribbean 2015*. Santiago, Chile: Economic Commission for Latin America and the Caribbean.

ECLAC 2015a: *Economic Survey of Latin America and the Caribbean* (section on Bolivia). Santiago, Chile: Economic Commission for Latin America and the Caribbean.

The Economist. 2016. "The Coming Confrontation (Venezuela)." January 9.

Ellis, R. Evan. 2016. "Chinese Engagement with Bolivia." May 21. http://strategic-diplomatic-relations.blogspot.dk/2016/05/dr-r-evan-ellis-chinese.engagement-with-bolivia. [Accessed on August 15, 2016]

Gillespie, Patrick. 2016. "Latin America: China's power play right under the U.S." February 11. http://www.4029tv.com/money/latin-america-chinas-power-play-right-under-the-us/3. [Accessed on May 13, 2016]

Gallagher, Kevin P. and Myers, Margaret. 2016. "China Latin America Finance Database." Washington: Inter-American Dialogue.

Gamarra, Eduardo. 1994. "Crafting Political Support for Stabilization: Political Pacts and the New Economic Policy in Bolivia." In Carlos H. Acuña, Eduardo A. Gamarra and William C. Smith, eds. *Democracy, Markets and Structural Reform in Latin America*. Boulder, Colorado: Lynne Rienner.

Giacalone, Rita and Briceño Ruiz, José. 2013. "The Chinese-Venezuelan Oil Agreements: Material and Nonmaterial goals." *Latin American Policy*. 4 (1): 76-92.

Globaledge, 2014. Bolivia: Trade Statistics. http://globaledge.msu.edu/countries/bolivia/tradestats/. [Accessed on March 7, 2016]

Ianni, Octavio. 1973 [1972]. "Populismo y relaciones de clase." In Gino Germani, Torcuato S. di Tella and Octavio Ianni, eds. *Populismo y contradicciones de clase en Latinoamérica*. Mexico: Serie popular Era.

Li, Xing and Christensen, Steen Fryba. 2012. "The Rise of China and the Myth of a China-led Semi-periphery Destabilization: The Case of Brazil." In Xing Li and Steen Fryba Christensen, eds. *The Rise of China: The Impact on Semi-Periphery and Periphery Countries.* Aalborg: Aalborg University Press.

Linehan, Merlin. 2013. "Bolivia's Surprisingly High Tech Relations With China." October 10. http://frontiermarketstrategy.com/2013/10/08/bolivias-surprisingly-high-tech-relations-with-china. [Accessed on November 20, 2015]

Madrid, Raúl. 2010-11. "The Origins of the Two Lefts in Latin America." *Political Science Quarterly*. 125 (4): 587-610.

Morales, Juan Antonio. 1994. "Democracy, Economic Liberalism, and Structural Reform in Bolivia." In Carlos H. Acuña, Eduardo A. Gamarra and William C. Smith, eds. *Democracy, Markets and Structural Reform in Latin America*. Boulder, Colorado: Lynne Rienner.

Nayaar, Deepak. 2008. "The Rise of China and India: Implications for Developing Countries." In Philip Arestes and John Eatwell, eds. *Issues in Economic Development and Globalization*. London: Palgrave Macmillan.

OECD/ECLAC/CAF, 2015. *Latin American Economic Outlook 2016: Towards A New Partnership With China*. Paris: OECD.

Pérez Flores, Fidel. 2006. "La reelección del factor Chávez." In *Observatório Política Sul-Americano, Observador On-Line*. 1(10): http://observatorio.iuperj.br. [Accessed on April 10, 2007].

Perrotti, Daniel E. 2015. "The People's Republic of China and Latin America: the impact of Chinese economic growth on Latin American exports." *CEPAL Review*. 116: 48-59.

Petras, James. 2006. "Evo Morales: All Growl, No Claws?" January 4. *Counterpunch*, Petrolia, California.

Petras, James and Veltmeyer, Henry. 2005. "The Politics of Adjustment Reform, and Revolution in Bolivia." In *Social Movements and State Power: Argentina, Brazil, Bolivia, Ecuador*. London: Pluto Press.

Qing, Shen. 2013. "China, Bolivia promote friendly relations." Xinhuanet. December 19. http://news.xinhuanet.com/english/china/2013-12/19/c_132981971.htm. [Accessed on November 20, 2015]

Sakho, Seynabou and Calvo-Gonzalez, Óscar. 2008. "BOLIVIA Strengthening Competitiveness for Export Diversification and Inclusive Growth." *En Breve*, No. 130. World Bank. http://siteresources.worldbank.org/INTENBREVE/Newsletters/21948160/Jul08_130_BO_Comp_EN_Final.pdf July 2008. [Accessed on February 14, 2016]

Sonntag, Heinz R. 1990. "La democracia en Venezuela: Una visión prospective." In Pablo González Casanova and Marcos Roitman Rosenmann, eds. *La Democracia en América Latina: Actualidad y Perspectivas*. Mexico and Madrid: Centro de Investigaciones Interdisciplinarias en Humandidad U.N.A.M and Universidad Complutense de Madrid.

Stefanoni, 2012. "Posneoliberalismo cuesta arriba: los modelos de Venezuela, Bolivia y Ecuador en debate." *Nueva Sociedad*. No. 239.

Venezuelan government, 2007. *Líneas Generales Del Plan De Desarrollo Económico Y Social De La Nación 2007-2013*. Caracas: Venezuelan government.

Vergara, Rodrigo 2016. "International Monetary and Financial Committee: Thirty-Third Meeting April 16, 2016 IMFC Statement by Rodrigo Vergara, President of the Central Bank of Chile, Chile On behalf of Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay." http://www.imf.org/External/spring/2016/imfc/statement/eng/chl.pdf. [Accessed on July 18, 2016]

Washington Post. 2012. "Chinese Imports and Contraband Make Bolivia's Textile Trade a Casualty of Globalization." July 6. https://www.globalpolicy.org/globalization/cases-of-globalization/51770--chinese-imports-and-contraband-make-bolivias-textile-trade-a-casualty-of-globalization.html. [Accessed on November 20, 2015]

Weyland, Kurt. 2009. "The Rise of Latin America's Two Lefts: Insights from Rentier State Theory." *Comparative Politics*. 41(2): 145-164.

Wolff, Jonas. 2011. "Challenges to Democracy Promotion: The Case of Bolivia". Democracy and Rule of Law, March 2011. The Carnegie Papers. Carnegie Endowment For International Peace, Washington DC, Moscow, Beijing, Beirut and Brussels. www.CarnegieEndowment.org.

World Bank, 2004. *Report and Recommendation of the President of the International Bank for Reconstruction and Development, International Development Association, International Finance Corporation and the Multilateral Investment Guarantee Agency to the Executive Directors on a Country Assistance Strategy for the Republic of Bolivia, Report No. 26838-BO*. Washington DC. World Bank.

World Bank. 2014. *International Development Association, International Bank For Reconstruction And Development, International Finance Corporation And Multilateral Investment Guarantee Agency Country Partnership Strategy Progress Report For The Plurinational State of Bolivia For The Period FY2012-2015*. January 21. Washington DC.

World Bank. 2015. *Bolivia Overview*. http://www.worldbank.org/en/country/bolivia/overview. [Accessed on February 14, 2016]

World Bank. 2016. *Global Economic Prospects: Spillovers amid Weak Growth*. Washington DC: World Bank.

Wynia, Gary W. 1990. *The Politics of Latin American Development*. New York: Cambridge University Press.

Venezuela and China: Independency and Dependency in the Context of Interdependent Hegemony

Óscar García Agustín[1]

Abstract: In a world order without a sole hegemon, the dialectic relationship between the main global players and emerging powers enables nation-states to strategically favor their national interests as well as mutually beneficial alliances, whilst the multipolar world becomes strengthened. This article draws on this context of 'interdependent hegemony' to explore the existing relationship between Venezuela, as a swing state, and China, as one of the Big Three global powers. Particularly, I focus on Venezuelan efforts to develop, at the domestic and regional level, a counterhegemonic political project against the US and how China is considered a valuable ally to acquire more independence. However, this situation of interdependence can paradoxically lead to a new kind of dependence, in this case on China. To analyze these relations, I propose a conceptual framework consisting of three dimensions: 1) the international positioning towards other Northern and Southern countries and whether the relationship is conceived in terms of conflict or cooperation; 2) the economic model and how it conditions the relationship between countries and whether relationships or dependence are generated; and 3) the development of a political and economic model which can inspire or be followed by other countries. Although China's influence and increasing power in Venezuela is unquestionable in economic terms, the Venezuelan government uses its agreements with China strategically to legitimate its policies, in the name of a South-socialist alternative, and to reaffirm its international positioning.

Keywords: Interdependent hegemony, counterhegemony, swing states, multipolar world, socialism, neo-extractivism

In April 2014, the Venezuelan President, Nicolás Maduro, emphasized the existing differences between the global world in 2000, even in 2006, and in 2014. What has made such a difference? It was, according to the President, the relationship between China and Latin America and the Caribbean, China being the biggest world power of the 21st Century. In contrast with the "old world" of colonialism and imperial states that treat Latin America as a backyard, there is a "new" world of new powers, of new interrelations in which Latin America and the Caribbean are recognized as a bloc. A few months later, in September 2014, the BRICS summit in Fortaleza, Brazil, opened up to dialogue and agreements with other South American countries, and in January 2015, the first submit China-CELAC took place in Beijing. Furthermore, the cooperation between China and Venezuela has been intensified during Maduro's term.

[1] Óscar García Agustín is Associate Professor at the Department of Culture and Global Studies, Aalborg University, Denmark. E-mail: oscar@cgs.aau.dk

Maduro clearly identifies the old world with the dominant role played by the US; claiming that China is the biggest global power entails a provocation but also a challenge towards the US. The decline of US hegemony has indeed been interpreted in the light of the emergence of China as a global player or the BRICS as an association of emerging powers capable of reshaping global relations. However, there is no unanimity regarding the implications of the development of BRICS, with some schools considering it to have little relevance or a "facade of unity" or as a competitor to (or rather a cooperator with) the G8 and G20 (Kirton, 2015). The most positive readings (Bissio, 2015; Bruckmann and Dos Santos, 2015) of the consequences of BRICS and its impact on strengthening the Global South point out the similitudes with the Bandung Conference in Indonesia in 1955. At that time, the non-aligned movement questioned the logic of the Cold War, based on the conflict between two ideologies and differentiated blocs, and identified unequal economic distribution as the major problem. The irruption of BRICS would likewise redefine the relations between center and periphery, in this case in a non-bipolar world and with a considerably greater economic power. Thus BRICS can be considered as anti-hegemonic rather than anti-systemic since they challenge global governance, including the dominant financial institutions, such as the World Bank and the International Monetary Fund, and the role of and distribution of power within the United Nations, but without being anti-systemic (Houtart, 2015) since the capitalist system remains intact and even strengthened.

Within this framework of uncertain hegemony, or interdependent hegemony (Li and Agustín, 2014), I focus on the relationship between Venezuela, as a South country sharing the idea of changing the global order, and China, as the strongest economic power and driving force of the BRICS. Two aspects must be highlighted: First, under the presidency of Hugo Chávez, Venezuela initiated an attempt to develop a counterhegemonic political project at the national level, aiming to change political institutions and the economic model, and at the regional level, shaping an alliance of Southern countries against US hegemony. Secondly, despite the increasing Chinese investment and oil import in and from Venezuela, the US continues to be the greatest trading partner with regard to oil exports and general imports. This combination of political and economic aspects raises important questions such as the extent to which Venezuela can develop a hegemonic project while still being economically dependent on the US. However, this question would omit the notion that hegemony does not rely only on economy but on the complex intertwined relations between economy and politics. Similarly, it would omit the fact that the global order is being reshaped and, for instance, opening up the economy and trade relations towards China can reduce economic dependency and contribute to Venezuela playing a greater role in the region.

The objective of this article is to address how the Venezuelan economic and political potential to increase its regional influence (as well as to strengthen the position of the government at the domestic level) is developed through its relation with China. This implies a paradoxical situation in which Venezuela is becoming more dependent, in this case on China, in order to become more independent, mostly of the US, in a context of interdependent hegemony. For this reason, it is important to assess how China is influencing Venezuela politically and economically, and whether or not the two countries are forging an equal and mutual partnership or not. All in all, for Venezuela it is not only about increasing its economic dependence on China but rather a two-way process in which the relations with China allow Venezuela to gain more regional and global relevance and, at the same time, to be more influenced by China, including through trade and economic relations as well as in relation to its model of socialist market economy as an inspiration for the Bolivarian regime.

Venezuela and China in the Context of Interdependent Hegemony

Reflecting on the new world system, Robert Kagan talked, in 2008, about the "Return of History" to claim that we were witnessing a bipolar world again. This division was not structured, as it had happened before, through the ideological separation between capitalist and socialist countries or the West and the East. This time the ideological blocs were constituted by democratic capitalism against authoritarian capitalism, led by Russia and China. Kagan named the 'authoritarian capitalism' as the "New Second World", emphasizing the remaining ideological conflict as well as the impossibility of the liberal West (completely identified with the democratic system) to integrate these two powers into the liberal (meaning also democratic) international order.

Despite this bipolar conceptualization, the BRICS have constantly advocated for fostering a multipolar world (Papa, 2014), whose vision can be traced already in the "Russian-Chinese Joint Declaration on a Multipolar World and the Establishment of a New International Order" (1997). Both countries emphasized the increasing importance of the Southern countries (and their interaction) in the shaping of the multipolar world: "numerous developing countries and the Movement of Non-Aligned Countries are an important force that promotes multipolarization and the establishment of a new international order" (1997). This situation should not lead to the appearance of a new hegemon, which would contradict relations based on "mutual respect, equality and mutual advantage." There is indeed an explicit rejection of taking a hegemonic position: "All countries, large or small, strong or weak, rich or poor, are equal members of the international community. No country should seek hegemony, engage in power politics or monopolize international affairs" (1997).

In this sense, the BRICS challenge the temptation of coming back to a new bipolar system, as suggested by Kagan, and interpret the new international system differently. Importantly, Parag Khanna (2008a) recovered also the use of the term "Second World" and placed it in a new context in which the possibility of a sole hegemon is rejected (Khanna, 2008 b). In this case, Khanna does not refer to the countries of the former socialist bloc but to an emerging space occupied by countries which do not fit categorizations based on dichotomies such as rich and poor, developed and underdeveloped or postmodern and premodern. The Second World countries interact with the so-called Big Three (USA, the EU and China), as the most important global powers. Contrary to Kagan, the Western/non-Western distinction is mitigated in Khanna's account; the conditions for a new hegemon do not exist, and particularly the Second World countries gain major relevance in the shaping of the multipolar order. Khanna (2012) attributes three main characteristics to the Second World countries: They do not expect leadership from the Big Three but want to gain influence and promote their national interests; they aspire to become global players through strategically forging new regional power relations; and they search for alternative modes of governance and economic ordering which differ from those dominant in the West. Khanna denominates these countries 'swing states' due to their capacity to determine which one of the powers of the Big Three will be decisive and, at the same time, to promote their own interests in their interrelations with the three global superpowers.

The dynamic between the Big Three and the swing states reflects better the dynamics of the multipolar world. However, some precisions must be made. The BRICS are to a higher degree considered as a global actor moving beyond the idea of trade-related and economic coalitions. It gives China a prominent role due to its relation with other swing states, some of them, like India or Brazil, having the potential to become superpowers. The BRICS enhance in any case a new regional dynamic, since each member country becomes a sort of "representative" of its region and remains a regional leader (Kulikov, 2015). The BRICS summits (Durban in South Africa, Fortaleza in Brazil, Ufa in Russia) are used as platforms to strengthen and expand cooperation and to reinforce regional leaderships. This means that the lack of a global hegemon is not incompatible with the existence of regional hegemonies or even with the development of China as hegemonic power within the BRICS, which have led some authors to critically claim that it does not make sense to talk about BRICS when China is the only emerging market that matters (O'Brien, 2016). Furthermore, the autonomy of swing states must not be overemphasized by ignoring the way in which regional and global relationships are constitutive in shaping national interests (Agustín, 2016).

Therefore, the multipolar world must be reconsidered in the light of the decline of the US hegemony as well as the interplay between the Big Three, emerging superpowers, swing states and the resulting regional dynamics. Rejecting the possibility of reediting a new bipolar system or the existence of a sole hegemon, the concept of "interdependent hegemony" aims to catch the mutually constitutive relations between all the global and regional powers. Interdependent hegemony can be defined in the following terms:

> First of all, as a dialectic interdependent relationship between the existing constellations of international order and the emerging powers in terms of mutual opportunities, constraints and challenges, and secondly, as constitution of alliances based on regional collaboration in order to contain and overcome hegemony derived from one national power only (Li and Agustín, 2014: 55).

The shift from hegemony to interdependent hegemony captures the dynamic existing between the Big Three and the Second World, in which swing states play a more determinant role. Li (2016) depicts the concept of "interdependent hegemony" as the opportunities, constraints and challenges derived from the existing world order. It implies that global capitalism is entering into a stage of varieties of capitalism, where anti-Western alliances are a counterbalance rather than the emergence of an alternative hegemony. This is reflected in the strategic and even opportunistic foreign policy assumed by nation-states in order to strengthen and expand their influence without the intention of forming a historical bloc. In the context of interdependent hegemony, together with the incapacity of the US to recover its hegemonic role (without denying the US primacy and dominance), the BRICS countries are far away from constituting an alternative hegemonic project. However, one must not ignore the fact that those countries possess historical legacies of contestation against Western hegemony (Ünay, 2013) and that stressing the multipolar order is conceived as the most efficient way of avoiding or diminishing US attempts for global hegemony and the way of favoring the development of regional hegemonies. The context of interdependent hegemony enables the relationship between the Big Three and swing states in new terms. I propose, in this regard, a conceptual framework to analyze bilateral relations which takes interdependent hegemony into consideration. After identifying the country's role as global or regional superpower or swing state, three questions must be addressed: 1) the international positioning towards other Northern and Southern countries and whether the relationship is conceived in terms of conflict or cooperation; 2) the economic model and how it conditions the relationship between countries and whether relationships or dependence are generated; 3) the development of a political and economic model which can inspire or be followed by other countries. I summarized these issues in Table 1.

Analyzing interdependent hegemony
Which role – as global or regional power or as swing state?
Which position towards countries of the North and towards countries of the South?
Which economic model – how it depends or enhances dependence on other economies (supplies, investment…)?
Which capacity of influence of (or willingness to be influenced by) the economic and political model?

Table 1: Analyzing interdependent hegemony (author's own elaboration).

I argue that analyzing bilateral relationships within this framework can shed light on the strategies carried out by different countries using the opportunities and experiencing the constraints of the multilateral order. The election of one global superpower, China, and a swing state, Venezuela, responds to the need of understanding complex relations which avoid simplified analyses based only on economic relations or the opposition (or not) to the US. The intention is to integrate all these aspects and understand how they operate in the deployment and shaping of national and regional interests. The focus is put on Venezuela, more specifically on how its relationship with China influences the country.

International Positioning: With or Against the US

In September 2005, the Chinese President, Hu Jintao, introduced the concept of "world of harmony" (Zhao, 2008), derived from traditional Chinese thinking, which consists of the centrality of harmony to ensure the peaceful coexistence of different civilizations. It means the assumption of a consultative style in international relations rejecting unilateralism and hegemonic ambitions. In this context, China proposed a "new model of major-country relations" to avoid confrontation and conflict and respect each other's interests through a win-win cooperation. China thus sees the possibility of gaining recognition as superpower on par with the US, while the latter is more reticent to make acknowledgments, which would benefit Chinese national interests and the leadership of the Chinese Communist Party the most (Pickrell, 2015). Thus the US has opted for addressing concrete problems instead of forging a broad global partnership (Glaser and Hindel, 2015) as became evident during the official visit of President Xi Jinping to the US in September 2015 when President Barak Obama did not want to subscribe to such partnership.

Furthermore, the China-US relationship must be understood in the context of interdependent hegemony where there is no strong conflict between two blocs, but the way of redefining the global order is quite different. Quansheng Zhao (2015) does not hesitate in characterizing the relation between both countries as a win-win situation and not as a zero-sum competition. It is due to the economic interdependence between both countries (with China needing direct investment and consumption to fuel its manufacturing sector and the US, the Chinese market and manufacturing) and the pragmatic goals set by China avoiding ideological formulations. This explains why the relations between both countries tend to be cooperative, although it does not eradicate areas of contention. However, it cannot be expected that China-US disagreements will evolve in form of direct rivalry or confrontation due to their understanding of the mutual beneficial possibilities offered by their partnership (Wallerstein, 2016).

The assumption of the Chinese "peaceful development" as foreign strategy should strengthen the cooperative approach towards the US. Nonetheless, it must be noted that international cooperation can entail a more contentious approach, thinking of countries whose relationship with the US cannot be characterized as harmonic or peaceful. Likewise, the expansive "peaceful development of China" to areas, which traditionally have been of US interest, could shift the approach from cooperative to competitive or even contentious. The concerns provoked by the Chinese strategy towards Latin America are a clear example of that. The increasing concern about Chinese influence in the Latin American region was evident under the Bush administration when Congressman Dan Burton, the Republican chairman of the sub-committee on the Western Hemisphere, claimed that: "It's extremely important that we don't let a potential enemy of the US become a dominant force in this part of the world" (in Hawksley, 2006). Particularly the threat was perceived since center-left and left governments where in charge in a considerable amount of countries. Although the Obama administration has attempted to reduce the conflictual relations with certain Latin American countries, that does not apply to the case of Venezuela.

The relationship between the US and Venezuela has been controversial and hostility has only intensified since Nicolás Maduro entered office in 2013. In 2015 the US declared Venezuela a national security threat, presenting a list of sanctioned Venezuelan officials. This action was characterized by Maduro as an "imperialist threat" and interpreted as an interference in Venezuelan domestic politics where there was a strong confrontation between government and opposition which questioned Maduro's democratic legitimacy. One year later Obama renewed the executive order since Venezuela constituted an "unusual and extraordinary threat to the national security and foreign policy of the United States" (in PressTV, 2016). This tightening happened at the same time as a determined diplomatic effort made by the US to normalize relations with Cuba. It is due to the attempts of Venezuela in the latest years of expanding its influence in the Latin American region both economically and ideologically. As swing state, Venezuela uses the new context of interdependent hegemony to strengthen its opposition to the US and obtain a better international positioning through its regional influence and relationships with the BRICS countries, as in the case of China. In this regard, Venezuela can be considered as a swing state, since, as other countries in Latin America, it has diminished its dependency on the US through negotiating with other regions such as Asia or the Middle East. Also, attempts have been made to strengthen its international positioning by means of its natural, human, political and economic resources. In this regard, oil and the appeal to Bolivarianism and socialism as well as Nuestra América have been the main features of its regional and global strategy. This implies that there are competing economic interests for Venezuelan resources between the US and China (but also other Second World countries) and Venezuela uses its value as an "emergent market" to expand its political influence.

From the election of Hugo Chávez in 1999, the Venezuelan government showed its intention to reject capitalist policies and set up a counterhegemonic project (Lander, 2004), consisting of the configuration of a new constitutional framework and public policies. The formulation of a counterhegemonic project was defined more precisely by the assumption of socialism, in particular the so-called socialism for the 21st century, and the impetus for new regional cooperation in search for expanding Venezuelan influence and the consolidation of an interdependent Latin American region. In this sense, beyond national politics, the Venezuelan counterhegemonic project is most often referred to at the international level and against the US. Of the main regional organizations Venezuela is involved in (UNASUR, ALBA, CELAC) only ALBA possesses a counterhegemonic intentionality since it is, at least in its rhetoric, an attempt to replace neoliberal principles of competitiveness and free trade with those of complementarity and solidarity. Besides, it assumes an anti-imperialist vision and reclaims the defense of the interests of the popular classes against the dominant national elites.

The characterization of ALBA as counterhegemonic relies, mainly, on two aspects: Its opposition to the Free Trade Area of the Americas which is contested by the need of articulating a socialist project, and its attempt to connect subaltern classes beyond the nation states. The latter has been fostered through transnational processes in ALBA and creating "counter hegemonic democratic politics of scale" (Muhr, 2010) which become institutionalized through the ALBA Social Movements Council. The Council connects local, national and regional dynamics and integrates and structures civil society as part of the organizational structure. Despite this innovative process to constitute a counterhegemonic agency, the scope of the first issue, the articulation of a socialist project, must be assessed. Firstly, the definition of socialism is not satisfactorily addressed (Alaniz, 2013), which can also be said of the Bolivarian conception of socialism. Its understanding is rather close to a new humanism in which values such as freedom, social justice, equality or participation prevail. Secondly, the socialist project is very tightly attached to the figure of Hugo Chávez, as chavismo, which makes its continuity (or a clearer definition) more difficult. Thirdly, ALBA has relied economically on Venezuelan economic contributions, which invested $150 million to initiate it and has continued as the economic engine. None of the other members could overtake that position, while Venezuela is immersed in a serious economic and political crisis. Finally, neither in Venezuela nor in any other ALBA member states have policies turned into a rupture with some of the neoliberal principles or opened up the path to a clearly differentiated economic alternative.

These aspects question the counterhegemonic nature or development of ALBA as a regional organization. Indeed, it can be said that "counterhegemonic" in the context of interdependent hegemony implies, at best, the opposition towards a contrary project, in this case the US, rather than the shaping of an alternative project or, in other words, the formation of a new historical bloc. But, since US hegemony is declining and ALBA in itself does not entail an alternative hegemony, it is rather understood in terms of antagonist positioning. Although UNASUR or CELAC do not have such a strong ideological standpoint as ALBA, Venezuela uses its influence in these organizations to promote its national interests and expand its vision for the region. Returning to the US declaration of Venezuela as a national threat, the Venezuelan Foreign Minister Delcy Rodríguez took over the pro tempore presidency of UNASUR in April 2016. Rodríguez took the opportunity to criticize the imperial role played by the US in the South American region and how its real intentions were disguised as noble intentions. She indeed connected the origins of UNASUR with the search for more independence against exterior (meaning US) interference and warned that the risk still existed: "Before UNASUR, the region lost decades during which imperialist forces tried to thrust us back to the dark ages ... but this does not mean that we face huge and terrible attempts against the sovereignty of our nations" (in Telesur, 2016). Albeit the capacity of influence by Venezuela in UNASUR, due to the diversity of ideologies and political interests of its members, is less than in ALBA, the Venezuelan government attempts to shape a regional agenda and identity which reflect and assume its national concerns and positioning. In other words, through ALBA, being the most influential member, or trough UNASUR, in cooperation with other countries, Venezuela reproduces a conflictual international framework, fixing a division between South American countries and the US. The separation based on the opposition between independence vs. interference does not lead to a counterhegemonic formation as such.

The expansion of the conflictual framework is easily applicable to China from the Venezuelan perspective which follows the principle formulated by Chávez: "Our North is the South". The Chinese "peaceful development" strategy is likewise accommodated to the South American region. The strong antagonist position defended by Venezuela against the US should be incompatible with the cautious position taken by China in favor of cooperation between both superpowers. However, China has avoided being identified with the anti-imperialist rhetoric while its financial support has contributed to sign the programs of ALBA governments (Ellis, 2013). On the other hand, the Venezuelan government has no problem in including China as part of the Southern countries against the US, also counting on China as a socialist ally (sharing a common political and economic model).

The relationship between Venezuela and China shows the complexities of interdependent hegemony. While the two superpowers (China and the US) maintain cooperative relations, susceptible to contention but not as a desirable scenario, Venezuela as swing state reinforces its regional position in cooperation with relative governments (as in ALBA) or with countries with similar interests (as in UNASUR). Furthermore, Venezuela can assume an antagonist position against the US and consider itself as China's ally without creating conflicts between the two superpowers, except concerns and suspicions about the role the superpower can play in the region and how it would affect the national interests. The US is not capable of acting as hegemon in Latin America and, at the same time, China has no interest in challenging the US. Venezuela, on the other hand, is not capable of articulating a counterhegemonic project against the US but uses the spaces of conflict and cooperation in the context of interdependent hegemony.

Economic Model: Diversification or Dependency?

Looking at the increasing relevance acquired by energy in global economy, the relationship between China and Venezuela cannot solely be reduced into economic terms. Venezuela is one of the largest oil export countries, amounting to 90% of the overall exports, and the US continued being its biggest export market. However, the US oil imports have decreased in recent years. Hugo Chávez announced a strategy of marked diversification to avoid strong dependence on the US and indeed the exports have been reduced considerably, but still the US is the main exporter. As part of diversification, the intensification of trade relations between Venezuela and China has been remarkable but, as mentioned, insufficient to replace the US' role. There are thus different aspects at stake regarding energy, particularly oil. China maintains its strategy of "peaceful development" and its competition with the US in the Latin American market with special interest in Venezuela. Venezuela, on the other hand, rejects the "hostile imperialism" but its exportations rely mostly on the US, which, despite considering Venezuela a "national security threat", does not affect the economic relations significantly. This scenario is interesting seen from the context of interdependent hegemony since there is a calculated balance between political and economic strategies and how to keep existing economic relations but, at the same time, trying to modify them using the options opened up by the mutating global order. I take here the Venezuelan position to account first for the implications of the increasing relations with China, and later relating them to the existing Venezuelan economic model and how it adapts or changes within this new framework.

Focusing on the international positioning, Venezuela's foreign policy aspired to be counterhegemonic, particularly through the antagonist relations against the US, but in any case tended to strengthen interdependent hegemony through a major regional impetus and its diversification of alliances. It would be expected that a similar diversification could be found both in terms of market, searching for other partners to reduce the dependency of the US, and economy, elaborating a viable new economic strategy beyond oil dependence (Petras, 2010). The turn to China and other partners (India, Russia) makes the intention of diversifying markets clear but this decision in itself does not entail a diversified economy.

In his first visit to China since President Maduro took office in 2013, he described the relationship with China as an "example of how relationship can be developed on the principles of mutual benefits and shared profits" (noticias24, 2013). This description would create cooperation between equal partners and a win-win situation. However, there is an important difference that must be noted: whilst Venezuela attempts to diversify its exportation to reduce the dependency of the US, China aims to diversify supply, especially after the supply uncertainty provoked by the financial crisis. This asymmetry has raised the question of Venezuela replacing US dependency by a Chinese one. Some critiques have pointed out, for instance, that Venezuela's market diversification is not as profitable since it continues with the same levels of export as the US or the EU would be and this indicates that the incomes would have decreased with around 2-3% of the GDP (Altag, 2013). The losses are bigger in relation to other countries such as Cuba where friendly relations prevail and the market prices are lower. On the other hand, China does not want, at least directly, to enter into conflicts with the US due to a favorable attitude towards Venezuela's regime. However, the increasing relations with Venezuela show that China has extended reasons to enter into these beyond the possible contention with the US due to Venezuela or the possible punishment by the US that could seriously weaken the Venezuelan economy. Indeed, one might interpret in the following manner: that China's strategy of diversification does not aim "to carry out a punitive action against the United States (as Venezuela might), but to be prepared in the event of a punitive action on the part of the United States" (Corrales, 2010: 118). If that be true, the "mutual benefits and shared profits" are based on two kinds of diversification which reflect different interests: Export-supply, punitive-back-up strategy. The former allows both countries to develop their own economic models, with their strengths and weaknesses, whereas the latter allows for carrying out different political-diplomatic strategies in their relation with the US, facing or avoiding contention.

The relationship between China and Venezuela can, in these terms, be considered as interdependent since there is a mutual need from both sides but without forgetting that such a relationship is not symmetrical. The loan-for-oil agreements have different consequences for both countries. The Venezuelan government, especially due to the increasing political and economic crisis after Maduro took office, has used the Chinese loans to improve the material conditions of the country through programs aimed towards the weakest sectors of the population. Investment in this kind of social policy, as for instance the production of 13,000 units of residential houses for low-income people, reinforces its connection with its most loyal supporters and tries to counteract the critiques of the political opposition. China, on the other side, secures its long-term supplies and access to the Venezuelan fuel oil and, at the same time, it reduces the risk of lending through the intervention of the China Development Bank (CDB), which signs the agreements. Indeed, the intervention of the CDB and the establishment of its office in Caracas are interpreted as an attempt at closer monitoring of Venezuelan expenditures and even more influence in politics (Myers, 2014), although the latter must be very subtle or indirect action due to the Chinese strategy of non-intervention. The asymmetry becomes evident not only due to the fact that China has become Venezuela's largest foreign creditor but also in the way in which the loans-for-oil structure is used by China as a way of protection against the economic or political worsening of Venezuela, or a hypothetical deterioration in their trade and investments relations (Ferchen, 2014).

Despite its trade, or even investment, diversification, Venezuela has experienced strong difficulties to diversify its economic model. The relationship with China has only accentuated its dependence of commodities, since the Chinese loans are primarily repaid with shipments of oil. When the Bolivarian government, as well as other South American governments, advocates for a "progressive extractivism", meaning that the economic benefits are regulated by the state in order to formulate social policies and to improve the living conditions of the most vulnerable popular groups, the fact that the basis for the economic model still relies on extractivism is, however, not questioned. Maristella Svampa has identified a new economic period that she calls "commodities consensus", emphasizing both ruptures and continuities with the Washington consensus. The existence of extractive projects oriented toward exportation explains why both progressive and conservative governments (in other words, against or in favor of neoliberalism) share the same economic background. The commodities consensus is "built on the idea that there is –tacit or explicit- agreement about the irrevocable or irresistible character of the current extractivist dynamic, resulting from growing global demand for raw materials" (Svampa, 2015: 67). Obviously, the intervention of the state makes a considerable difference in relation to the Washington consensus, but the so-called progressive extractivism shows its limitations in terms of avoiding the "dependence on natural resource extraction (the 'new extractivism') and primary commodity exports ('reprimarization')" (Petras and Veltmeyer, 2014: 119).

Ariel M. Slipak (2014) connects the idea of "new extractivism" as the ground for the commodities consensus with the increasing role of China in Latin America. According to him, the shift from the Washington consensus to the commodities consensus misses the important role played by China. He proposes to talk about the Beijing consensus to account for the strategy adopted by the Latin American governments, whether conservative or progressive, of increasing trade relations with China and its investments. The Chinese path would be the only possibility for development in the Latin American region whilst the South-South cooperation is only a rhetoric means to hide the reproduction of subordination of center-periphery dependence. Agreeing with Slipak in terms of the major influence and fast expansion of China in the continent, the existence of a Chinese consensus must be nuanced. The influence of China reinforces the existing extractivist model, which certainly impedes the development of a diversified economy and strengthens the Latin American countries' dependence of such a model, but its use by the governments as a source for their domestic legitimation and for financing social programs is still necessary within the progressive extractivist paradigm. Furthermore, the increasing economic dependence on China is still not comparable to the one on the US, so there is a situation of coexistence rather than replacement.

That is the case of Venezuela where the features of the commodities consensus are recognizable in its economic model as well as the increasing dependence on the Chinese investments and loans; although that does not mean independence from US trade relations. The Venezuelan government also deploys its relation with China in order to offer a domestic alternative to the economic and political crisis and to foster regional cooperation from a Southern perspective. The diversification of the market has not led to a diversification of the economy since the extractivist approach remains intact. The confluence of these complicated balances between the need for diversification and the existing dependence of the US and China shows the possibilities and constraints of Venezuela to develop its economic and trade potential in the context of interdependent hegemony.

Ideal Economic Model

In the last section, I look at the capacity of a country to project an economic and political model, which can be found inspiring by other countries. It is not only about the direct influence on other countries' politics and economics but rather the projection of a model, which is attractive enough to attempt its implementation and adaption. It is important to show how interdependent hegemony operates in that one swing state follows a model originated in another swing state or in one of the Big Three: China (which is not related with the hegemonic powers in former global orders), the US and the EU. This notion is quite close to that of "soft power", since one country finds another respectable or admirable (and its values and culture attractive), but it must be emphasized that beyond trust and admiration, there is also a perception that such a model, like the Chinese, could be beneficial in its adaption to another national reality, in this case Venezuela. The founder of the concept of "soft power", Joseph Nye (2015) is indeed skeptical about China's soft power strategy due to the still predominant negative opinion about China and the Chinese nationalism. However, Nye recognizes that China is viewed more positively in Latin America and Africa, although he attributes that to the lack of territorial disputes and human rights concerns. This explanation, however, reflects a conceptualization of the global world which reduces the importance of the emerging powers and the increasing role of swing states and is still more focused on the need of trust for the traditional powers (the US and the EU). The new dynamics in the context of interdependent hegemony are thus ignored, as is China's influence in other countries and how those countries perceive such an influence and adapt the "Chinese model".

With an economic model (derived from the commodity crisis) and a political model (with strong confrontations with the opposition) at a crossroad, Venezuela does see in China a potential global ally and economic support, but also an inspiring model which can lead Venezuela towards an alternative economic model. Back in 1982, the first "Special Economic Zones" (SEZs) were created on the Chinese coast which implied the development of a mixed economy, fostered by Deng Xiaoping, in some concrete areas and the shaping of China's Socialist Market Economy, established officially in 1993. It is not surprising that Venezuela looks at China's economic model as a way of diversifying the productive model, having until now been able only to diversify trade relations. In an unstable political situation, with oppositional majority in the National Assembly, Maduro claimed that "the main challenge of the Revolution is to boost a productive economic model" (in El Universal, 2016). The possibility of re-establishing close cooperation with the US, at least under the Bolivarian government, seems improbable. China's path to market economy is presented as an attractive possibility for several reasons: It enhances continuity in exploring cooperation with China; it offers a diversified productive model; and it enables Venezuela to maintain the identity of its project as socialist, at the discursive level.

The SEZs are a main factor in explaining China's economic success, since they "tested the market economy and new institutions and became role models for the rest of the country to follow" (Zeng, 2015: 4). The SEZs, as in the Chinese case, contribute to industrialization and, at the same time, they attract foreign direct investments and create jobs with flexible labor contracts. China launched SEZs as part of its "going Global" program and as a part of its integral "soft power" approach in the political and economic arena (Thomas, 2013). In their analysis of China's new overseas SEZs, Bräutigam and Xiaoyang assess the three roles that China's state-sponsored economic relationships can play: strengthening resource security; enhancing political relationships and soft power; and boosting commercial opportunities for national firms abroad. The authors are inclined to understand China's strategy as driven mainly by soft power and commercial forces, whilst they do not consider resource security as a decisive factor. Looking at the "Doing Business" ranking in 2008, made by the World Bank, Bräutigam and Xiaoyang stress that the fact that China has dropped projects proposed for Venezuela and Algeria (those ranked among the worst business environments) pointed to a commercial interpretation. However, it must be noticed that a major part of China's interest in Latin America is due to the decision of diversifying its market and strengthen its resource security. The recent turn to Venezuela and the increasing investment in the region would confirm that all three factors are intertwined.

In April 2015, the Venezuelan government announced its comprehensive plan for the creation of SEZs with the goal of attracting foreign and national investments in order to promote integral development and export-oriented production. According to the Vice-President of Planning, Ricardo Menéndez: "When each of these zones is decreed, there will be an integral development plan, where we are going to have a component linked to production, seeking foreign and national investment in order to achieve a level of development and procure and export base" (in Koerner, 2015). As for the firms committed to the operations in the SEZs, most of them are Chinese and contributed with $2 billion in contracts to manufacturing and construction projects. There is a double Chinese influence in the Venezuelan model, so to speak: On the one hand, the Venezuelan government presents China's Socialist Market Economy as an economic model to follow and adapt, and on the other, such application is carried out mostly with Chinese investment.

When the Vice-President Jorge Arreaza inaugurated the I Seminar on SEZs, with the participation of more than 130 national and Chinese firms, he emphasized that the creation of SEZs was part of a larger strategy to change the economic model. This change aims to overcome capitalism and to "deepen the economic model headed towards Bolivarian socialism, which is our socialism, which differs or resembles maybe in many aspects from other socialist experiences but which is our particular, national, chavista, formula to pursue economic development" (in Ofensiva Económica, 2015). This affirmation makes it clear that the creation of SEZs is framed as not entirely contradictory to the Bolivarian socialist model and, besides that, it is connected with other socialist projects, particularly the Chinese one. Overcoming dependence on oil, it should be compatible with the socialist principles. In this sense, it can be claimed that China's market socialism is deployed by the Bolivarian government above all as an inspiring model which can be applied by Venezuela. The intervention of the state (which can be one of the features) should be representative of the renewed socialism. But as mentioned, beyond the ideological connection stressed by the Venezuelan government, the dependence on Chinese investments continues to increase. Therefore, some criticism (María and Elasady, 2015) is raised on the difficulty of developing an alternative to neoliberalism, since China's reasons for investments are similar to the US', not based on international cooperative socialism or workers' solidarity but rather on profit and capital accumulation.

All in all, Venezuela aspires to change its productive model within its socialist project. The appeal to China's socialism is used to defend the validity of its own version of socialism and, besides, to point out that there is a model to be followed from the emergent powers, and not from the US. It strengthens the idea of interdependent hegemony and how different political alliances are shaped and how a "non-Western" economic model can become influential in the global world. However, Venezuela takes an uncritical stand on China's socialist market economy and, even more, does not mention how its economic influence through investment can affect the Venezuelan economic model and increase its dependence on China. The reference to China as an ideal economic model does not aim to make Venezuela follow the Chinese model but rather to introduce a strategic framework in which the government justifies its measures aimed to attract foreign investment, while the possibility of changing the productive model still remains unclear. This paradoxical situation also illustrates the functioning of interdependent hegemony in which Venezuela needs to diversify its productive model and be more independent of US economy, but this can only be achieved through acquiring a new international dependence, on China, which enables it to leave its national dependence on oil.

Conclusion: Interdependency with Dependency?

In August 2015, a Venezuela-China Commission met in Caracas in order to strengthen cooperation and sign new agreements. The Venezuelan President, Nicolás Maduro, emphasized the importance of creating an alternative against the "rentier capitalism" which could be achieved with the support of China. Maduro was very incisive in highlighting the advantages offered by Venezuela, from qualified manpower to natural resources and geopolitical influence. But, above all, he stressed that Venezuela is an independent and sovereign country, which he described in the following terms: "We don't need to consult anyone in the world in order to move forward the way we want to move forward. Independence is the best guarantee that Venezuela possesses to open up paths of development everywhere" (in Noticias Venezuela, 2015). This statement raises an important question on the possibility of being independent in the context of interdependent hegemony.

Wallerstein (2013) claims that the relation of the BRICS countries to the non-BRICS countries in the South can be characterized as sub-imperial, or even imperial, since they reproduce the patterns of the US. This idea must be nuanced. Venezuela, or more properly the Venezuelan government, plays a strategic role as swing state. In order to be "independent", it attempts to reduce its dependency from the US and to challenge the US hegemony, Venezuela searches for new political alliances with other swing states and with China, as one of the Big Three. This strategic movement leads Venezuela to a more independent position at the same time as interdependency is strengthened in order to avoid dependency or a sole country hegemony, as it happened with the US. However, Wallerstein's warning about reproducing a new regional hegemony or dependency must be taken seriously. Indeed, the Venezuelan government, using its strategic regional and global position, may be reinforcing its independency but is also shaping new dependent relations. That is what makes the context of interdependent hegemony much more complicated than a world led by a sole hegemon or a world divided into two ideological blocs.

My attempt to conceptualize a framework to account for interdependent hegemony responds to the need for catching complex and subtle intertwined regional and global dynamics in the absence of a sole hegemony, but not to the lack of intentions of playing a bigger role in the world order (or, in other words, to recover or to avoid global hegemony). The interest in considering the relationship between an emerging global power, like China, and a swing state whose influence is more regional, like Venezuela, is that it allows us to identify combined relations of independency, dependency and interdependency. It is not a comparative analysis but rather an analysis of two countries and their relationships, which are mutually constitutive and influence the countries' interests and strategies. I have identified three dimensions, which define the context of interdependent hegemony: International positioning, economic model and political and economic influence. The first reflects the position assumed by the countries and how they affect the development of a multipolar world. The second and third can look similar but the economic model refers to the national model and trade and economic relations between countries, whereas the political and economic influence goes one step beyond this in order to consider whether the national model can influence other countries, which try to follow or adapt to it. I summarize the characteristics of China and Venezuela's characteristics in this regard in Table 2.

The context of interdependent hegemony		
	Venezuela	**China**
Global and regional role	Swing state – regional influence in LA	Big global and regional player
International positioning	Conflictual relations against the US Political alliances with the Southern countries	Non-conflictual relations with the US Harmonic relations with the Southern countries
Economic model	Neo-extractivism – exportation of commodities Dependent on investment and loans (from the US and China)	Diversified strategy of importation Dependent on supply of energy (from different countries)
Political and economic influence	Bolivarian Socialism Opening markets while maintaining state control SEZs as diversification model	Socialist Market Economy Market economy with state control SEZs as soft power

Table 2: The context of interdependent hegemony in the cases of Venezuela and China (author's own elaboration).

China's influence and increasing power in Venezuela is unquestionable in economic terms and also in the attraction generated by its economic and political model (deployed as soft power and as an alternative to "Western" capitalism), but it is still dependent on natural resources which partly explains why it needs cooperation with Venezuela. This does not mean that Venezuela is reduced to a position of a dependent country, at least not exclusively. Venezuela uses its alliance with China strategically to stress its positioning against US dominance, and it can even undertake projects aspiring to become counterhegemonic attempts in regional organizations such as ALBA. However, the visible limitations of the productive model entail a trade diversification, in which China as an ally reduces the economic dependency on the US, and an economic diversification, in which Venezuela needs the investment of Chinese firms to develop an alternative model, like that of SEZs. In this sense, the Venezuelan government does not only promote foreign investment but also refers to China and its Socialist Market Economy as an ideological way-out to overcome the economic crisis through a productive model which is claimed to be socialist. Through this strategic use of the reference to the Chinese model, the government emphasizes the relevance of socialism, without problematizing the differences between both countries or the Chinese turn towards market economy, in order to legitimate Bolivarian socialism. In conclusion, the context of interdependent hegemony opens up a global scenario of alliances and strategies which strengthen the multipolar order and make us rethink not only the North-South relations, but also the concepts of dependency and independency. The context of interdependent hegemony does not deny the existence of new situations of dependency, but rather explains and understands them in the light of interdependence and the incapacity of the existing global powers to become hegemon.

References

Agustín, Óscar García. 2016. "Reconfiguring Political Alliances and the Role of Swing States: The Strategy of Bolivia and Its Relations with the BRICS." In Steen Fryba Christensen and Xing Li, eds. *Emerging Powers, Emerging Markets, Emerging Societies*. London: Palgrave Macmillan.

Alaniz, María. 2013. "Socialismo del siglo XXI y ALBA. La política de Hugo Chávez y la prensa venezolana (2005-2006)." *Debates Urgentes*. 2(3): 131-156.

Altag. 2013. "Pdvsa pierde fuertes ingresos por ventas de petróleo a China e India." Altag, November 20. Available at http://www.altag.net/pdvsa-pierde-fuertes-ingresos-por-ventas-de-petroleo-a-china-e-india/ [Accessed on August 30, 2016].

Bissio, Beatriz. 2015. "De Bandung a los BRICS: dos estilos, un objetivo." *Alai*. 39: 23-26.

Bräutigam, Deborah and Tang Xiaoyang. 2012. "Economic statecraft in China's new overseas special economic zones: soft power, business or resource security?" *International Affairs*. 88(4): 790-816.

Bruckmann, Monica and Theotonio Dos Santos. 2015. "Por una agenda estratégica de América Latina." *Alai*. 39: 1-6.

Corrales, Javier. 2010. "China and Venezuela's Search for Oil Markets." In Alex E. Fernández Jilberto and Barbara Hogenboom, eds. *Latin America Facing China: South-South Relations beyond the Washington Consensus*. Oxford: Berghahn Books.

El Universal. 2016. "Maduro aims to guide Venezuela to a productive model in three years." *El Universal*. January 6. Available at http://www.eluniversal.com/nacional-y-politica/160106/maduro-aims-to-guide-venezuela-to-a-productive-model-in-three-years [Accessed on August 30, 2016].

Ellis, Evan. 2013. "The Strategic Dimension of Chinese Engagement with Latin America." *Perry Papers Series*. 1. William J. Perry Center for Hemispheric Defense Studies. Washington DC.

Ferchen, Matt. 2014. "Crude Complications: Venezuela, China, and the United States." *Carnegie-Tsinghua*. October 23. Available at http://carnegietsinghua.org/publications/?fa=56996 [Accessed on August 30, 2016].

Glaser, Bonnie and Hindel Hannah. 2015. "A Tale of Two Documents: US and Chinese Summit Readouts." *The Jamestown Foundation*. October 19. Available at http://www.jamestown.org/single/?tx_ttnews[tt_news]=44495&tx_ttnews[backPid]=7&cHash=17e73ee54b65135140357755dfef99eaf#.Vxu5qXq8pIY [Accessed on August 30, 2016].

Hawksley, Humphrey. 2006. "Chinese influence in Brazil worries US." *BBC News*. April 3. Available at http://news.bbc.co.uk/2/hi/americas/4872522.stm [Accessed on August 30, 2016].

Houtart, Francois. 2015. "Proyectos anti-hegemónicos pero anti-sistémicos." *Alai*. 39: 27-29.

Kagan, Robert. 2008. The Return of History and the End of Dreams. New York: Knopf.
Khanna, Parag. 2008a. The Second World: Empires and Influence in the New Global Order. New York: Longman.

Khanna, Parag. 2008b. "Waving Goodbye to Hegemony." *New York Times*. January 27. Available at http://www.nytimes.com/2008/01/27/magazine/27world-t.html?_r=0 [Accessed on August 30, 2016].

Khanna, Parag. 2012. "Surge of the 'Second World'." *The National Interest*. 119: 62-69.

Kirton, John J. 2005. "Explaining the BRICS Summit Solid, Strengthening Success." *International Organisations Research Journal*. 10(2): 1-29.

Koerner, Lucas 2015. "Venezuela Moves Forward with Special Economic Zones to Attract Investment in Development." *Venezuela Analysis*. April 3. Available at http://venezuelanalysis.com/news/11313 [Accessed on August 30, 2016].

Kulikov, Valery. 2015. "The Struggle for a Multipolar World is Getting Intense." *NEO*. July 8. Available at http://journal-neo.org/2015/07/08/the-struggle-for-a-multipolar-world-is-getting-intense/ [Accessed on August 30, 2016].

Lander, Edgardo. 2014. "Venezuela: la búsqueda de un proyecto contrahegemónico." In Ana Esther Ceceña, ed. *Hegemonías y emancipaciones en el siglo XXI*. Buenos Aires: CLACSO, 110-127.

Li, Xing. 2016. "From "Hegemony and World Order" to "Interdependent Hegemony and World Reorder." In Steen Fryba Christensen and Xing Li, eds. *Emerging Powers, Emerging Markets, Emerging Societies: Global Responses*. London: Palgrave Macmillan.

Li, Xing and Agustín, Óscar García. 2014. "Constructing and Conceptualizing 'Interdependent Hegemony' in an Era of the Rise of the BRICS and Beyond." In Xing Li. *The BRICS and Beyond: The Political Economy of the Emergence of a New World Order*. Farnham: Ashgate.

María, Eva and Wael Elasady. 2015. "U.S. presses its advantage with Venezuela." *Socialist Worker*. April 9. Available at https://socialistworker.org/2015/04/09/us-presses-its-advantage-with-venezuela [Accessed on August 30, 2016].

Muhr, Thomas. 2010. "Counter‐hegemonic regionalism and higher education for all: Venezuela and the ALBA." *Globalisation, Societies and Education*. 8(1): 39-57.

Myers, Margaret. 2004. "China's Unlikely Partnership with Venezuela." *The International Relations and Security Network*. August 4. Available at https://www.files.ethz.ch/isn/187963/ISN_182309_en.pdf [Accessed on August 30, 2016].

Noticias24. 2013. "Maduro: Venezuela y China mantienen una 'relación ejemplar' sobre el 'beneficio mutuo'." *Noticias24*. October 3. Available at http://www.noticias24.com/venezuela/noticia/197883/transmiten-entrevista-a-nicolas-maduro-realizada-durante-su-visita-a-china/ [Accessed on August 30, 2016].

Nye, Joseph. 2015. "The Limits of Chinese Soft Power." *Project Syndicate*. July 10. Available at https://www.project-syndicate.org/commentary/china-civil-society-nationalism-soft-power-by-joseph-s--nye-2015-07?barrier=true [Accessed on August 30, 2016].

O'Brien, Matt. 2016. "China is the only emerging market that matters." *The Washington Post*. March 29. Available at https://www.washingtonpost.com/news/wonk/wp/2016/03/29/china-is-the-only-emerging-market-that-matters/ [Accessed on August 30, 2016].

Ofensiva Económica. 2015. "Zonas Especiales y de Desarrollo Estratégico construirán el 'Sistema Socialista Productivo'." *Ofensiva Económica*. January 19. Available at http://www.vicepresidencia.gob.ve/ofensiva-economica/zonas-especiales-y-de-desarrollo-estrategico-construiran-el-sistema-socialista-productivo [Accessed on August 30, 2016].

Noticias Venezuela. 2015. "Maduro China Venezuela Convenios." You Tube. August 6. Available at https://www.youtube.com/watch?v=OurXLTCQQuc [Accessed on August 30, 2016].

Papa, Mihaela. 2014. "BRICS' Pursuit of Multipolarity: Response in the United States." *Fudan Journal of the Humanities and Social Sciences*. 7(3): 363-380.

Petras, James. 2010. "U.S.-Venezuelan Relations: Imperialism and Revolution." *Dissident Voice*. January 5. Available at http://dissidentvoice.org/2010/01/u-s-venezuelan-relations-imperialism-and-revolution/ [Accessed on August 30, 2016].

Petras, James and Henry Veltmeyer (2015). *Extractive Imperialism in the Americas: Capitalism's New Frontier*. Leiden: Brill.

Pickrell, Ryan (2015). "The Tipping Point: Has the U.S.-China Relationship Passed the Point of No Return?" *The National Interest*. October 26. Available at http://nationalinterest.org/feature/the-tipping-point-has-the-us-china-relationship-passed-the-14168 [Accessed on August 30, 2016].

PressTV (2016). "US declares Venezuela a 'threat', renews sanctions against Caracas." *PressTV*. March 6. Available at: http://www.presstv.ir/Detail/2016/03/06/454168/national-emergency/ [Accessed on August 30, 2016].

Russian-Chinese Joint Declaration on a Multipolar World and the Establishment of a New International Order. 1997. Available at http://www.fas.org/news/russia/1997/a52--153en.htm [Accessed on August 30, 2016].

Slipak, Ariel. 2014. "América Latina y China: ¿cooperación Sur-Sur o 'Consenso de Beijing'?" *Nueva Sociedad*. 250: 102-113.

Svampa, Maristella. 2015. "The 'Commodities Consensus' and Valuation Languages in Latin America." *Alternautas*. 2(1): 49-59.

Telesur. 2016. "New UNASUR President Warns of Imperialist Threats to Region." *Telesur*. April 23. Available at: http://www.telesurtv.net/english/news/New-UNASUR-President-Warns-of-Imperialist-Threats-to-Region-20160423-0020.html [Accessed on August 30, 2016].

Thomas, Darryl C. 2013. "China's Foreign Policy Toward Africa from the Bandung Conference to the Twenty First Century (1955–2011)." In Seifudein Adem, ed. *China's Diplomacy in Eastern and Southern Africa*. Farnham: Ashgate, 215-232.

Ünay, Sadik. 2013. "Reality or Mirage?: BRICS and the Making of Multipolarity in the Global Political Economy." *Insight Turkey*. 15(3): 77-94.

Wallerstein, Immanuel. 2013. "Whose Interests are Served by the BRICS?" May 1. Available at http://iwallerstein.com/interests-served-brics/ [Accessed on August 30, 2016].

Wallerstein, Immanuel. 2016. "The BRICS – A Fable for Our Time." January 1. Available at http://iwallerstein.com/the-brics-a-fable-for-our-time/ [Accessed on August 30, 2016].

Zeng, Douglas Zhihua. 2015. "Global Experiences with Special Economic Zones – With a Focus on China and Africa." *The World Bank*. February 2015.

Zhao, Quansheng. 2015. "China, the US, and the Transition of Power: A Dual Leadership Structure in the Asia-Pacific." In Jean-Marc F. Blanchard and Simon Shen, eds. *Conflict and Cooperation in Sino-US Relations. Change and Continuity, Causes and Cures*. New York: Routledge.

Zhao, Suisheng. 2008. "China rising. Geo-strategic thrust and diplomatic engagement." In Suisheng Zhao, ed. *China-US Relations Transformed: Perspectives and Strategic Interactions*. London: Routledge.

Domestic Reactions to China's Presence in Three Latin American Countries: Brazil, Nicaragua and Venezuela

Fidel Pérez Flores[1] *& Daniel Jatobá*[2]

Abstract: China's increasing presence in several Latin American countries is having different effects on national political arenas, probably making room for new specific cleavages. This article is an exploratory study with the purpose of identifying political reactions to China's growing economic presence in three differently sized Latin American countries (Brazil, Venezuela and Nicaragua). Our analytical perspective considers China-related issues as part of the foreign policy agenda in Latin American countries and, in turn, foreign policy issues as a phenomenon that can be observed like any other public policy issue. That is, a realm where actors inside or outside the state use political resources and energy to advance their own preferences. In analyzing the diverse circumstances generated by China's economic presence in each of the selected cases, we hope to contribute to studies on the politicization of foreign policy in Latin American countries.

Keywords: Foreign Policy Analysis, Politicization, China's economic presence, Brazil, Nicaragua, Venezuela.

Introduction

China's increasing presence in several Latin American countries is having different effects on national political arenas. Impacts derived from China's relevance as commercial partner, investor, and international lender for social and infrastructural projects are visible not only throughout the formation of a new axis of power in Latin America, but are also increasingly making room for new specific domestic cleavages. In this exploratory study, our purpose is to identify political reactions to the growing Chinese presence in three Latin American countries: Brazil, Venezuela and Nicaragua. They have contrasting characteristics in almost every aspect except that relations with China have become a salient feature of their foreign policy agenda.

We also intend to expand current analytic efforts on the emergence of new global players to a more intensive overview on the degree to which foreign relations are internalized as part of the domestic political struggles. Then, our analytical perspective takes China-related issues as part of the foreign policy agenda in Latin American countries and, in turn, foreign

[1] Fidel Pérez Flores, PhD in Political Science, Associate Professor at the Institute of International Relations, University of Brasília, Brazil. E-mail: ofidel@gmail.com
[2] Daniel Jatobá, PhD in Political Science, Associate Professor at the Institute of International Relations, University of Brasília, Brazil. E-mail: danieljatoba2008@gmail.com

policy issues as a phenomenon that shall be observed like any other public policy issue. That is, a realm where actors inside or outside the state mobilize political resources and energy to advance their own preferences.

The article starts by reviewing salient arguments about the rise of China and its impacts on Latin America, noticing that too little attention has been paid to how domestic forces react or accommodate to the growing presence of Chinese interests inside their countries. Then, we present theoretical arguments about how public policy – and foreign policy as a particular instance of it – often operates according to dynamics of politicization which imply the existence of conflict arenas where different projects and interests are at stake. In this sense, this text is part of a growing amount of literature acknowledging the theoretical and empirical artificiality of considering the state as a single unit model regarding foreign policy issues.

In the third section, we present evidence of how Chinese interests are leading to the creation of more or less intensive political arenas in three Latin American countries: Venezuela, Nicaragua and Brazil. In all of these cases, China (and Chinese companies) is an important partner either for trade, investment, financial accords or infrastructure projects. Notwithstanding, they are also very different regarding their territorial dimensions, economic structure, sociopolitical cleavages and, as we shall see, the ways in which the Chinese presence is politicized. Those differences allow us to identify, in a variety of circumstances, the ways in which the growing importance of China for Latin American economies is having an impact on the domestic political arenas.

1. The Growing Presence of China in Latin American Countries

Global attention to China's rise in scholarly literature has an important subset of questions related to the specific impact on Latin America, focusing primarily on economic aspects or geopolitical implications. Most accounts of the recent economic ties between China and Latin American partners state that its growing dynamism began in the first half of the past decade (Ferchen, 2011; Holland and Barbi, 2010; Vadell, 2011). Latin American countries mainly export oil, gas, minerals and agricultural products to China. Latin America imports manufactured goods from China. Chinese companies are partners in joint ventures with local private or state owned firms, frequently on infrastructural projects or the extraction of natural resources. China's financial institutions also act as a lender, often in relation with contracts for energy exports, or as a means to finance Chinese imports. Because of China's importance to sustain Latin American countries' economic growth, these links are viewed as a longstanding trend connected to changes in the global political economy (Vadell, 2011). But there are also arguments linking that trend to a boom of heavy industries inside China that will not necessarily last forever (Ferchen, 2011). In any case, Chile, Brazil, Argentina, Ecuador, Colombia, Peru, Bolivia and Cuba are identified as the countries where China has concentrated its commercial interests and investments in the region (Holland and Barbi, 2010; Vadell, 2011) – given China's energy interests, an important oil-producer like Venezuela should also figure on this list.

There is also a debate concerning the impact of China on the way in which these Latin American countries develop ties with the global economy. On the one hand, there are those who view the relation as a positive complementarity and, on the other, those who think that a North-South dependency pattern is being settled between Latin America and China[3]. A win-win cooperation discourse is primarily used by the Chinese government when describing its policy toward Latin America (People's Republic of China, 2008). It is echoed by policymakers, scholars and observers who emphasized a set of opportunities for both sides. On the other hand, more critic assessments include warning remarks about a renewed pattern of core-periphery dependency links in which Latin American countries specialize in exporting commodities while imports from China are mostly value-added manufactured goods (Bernal-Meza, 2015; Ferchen, 2011; Vadell, 2011).

Others see important consequences to the current equilibrium of economic powers in the region should a trend in Chinese foreign investment in Latin America be maintained. In this case, Brazil is appointed as the main loser of regional influence (Holland and Barbi, 2010). As for the effects on the internal economic structure, Brazil and other countries with significant levels of industrialization (such as Argentina and Mexico) are also depicted as experiencing serious damage derived from the challenge posed by Chinese manufactured goods. This is not the case for countries such as Chile or Peru, having a less significant industrial sector to be worried about. On the contrary, their commodities-led exports profile is a very positive feature for their relations with China in the short run (Vadell, 2011).

Among all this rich literature exploring structural trends in Latin America related to the global rise of China, no great attention is dedicated to how it is having an impact on the political realm inside those countries. In a study on cooperation and assistance for

[3] For Ferchen (2011), both sides shared the basic assumption that China's growing development is necessarily related to an equally growing need for commodities in Latin America and elsewhere, but he contends that this assumption is wrong and could lead to misleading expectations in the long term.

development activities of China in Latin America, Adriana Abdenur and Danilo de Souza Neto (2013) report that local NGOs and communities are basically feeling excluded from decision-making processes in projects financed by Chinese funds. Conflicts between Chinese companies, indigenous groups and local authorities on environmental, fiscal and labor issues in Peru and Ecuador are also mentioned. The authors also make the case for a more intense debate about the issues raised by Chinese assistance policies between governmental officials, private investors and civil society organizations involved in so-called South-South cooperation schemes.

Omar Bonilla (2014) has a more detailed account of how the search for oil in Ecuador, in which Chinese companies participate as partners, is having an impact on indigenous communities neighboring oil camps. For him, abuse of labor conditions imposed by Chinese extractive companies is at the core of emerging conflicts in the region. Javier Vadell (2011) reports that, in 2010, as a consequence of the boom of Chinese manufactured goods imports, Brazil's and Argentina's governments took a common stand to protect industrial sectors threatened by Chinese products. As part of these bi-national articulations, there is certainly a domestic chapter to be told about how local industrial associations turn on the political arena to influence their governments' attitudes in situations where the relations with China are perceived more as a threat than as an opportunity.

Independently of the effectiveness of these specific moves or the responses adopted by China, what interests us in this article is the identification of political conflicts arising as a consequence of China's growing presence in Latin America. In the following sections, we present three cases, three countries in which China-related issues are having an impact on the domestic political arena, although with very different intensities and patterns of mobilization among relevant political actors.

2. The Politicization Agenda: Seeing Foreign Policy as a Public Policy

It seems important to stress that the phenomenon of politicization transcends its occurrence in the foreign policy realm, or a country's international relations, more broadly speaking. We define politicization as a political phenomenon which always occurs when, in a specific political arena, there are social actors who have conflicting preferences about a specific issue and these actors mobilize organizational resources, or simply behave politically, in order to influence public policies. In this sense, what we call politicization refers to political disputes around some public policy, around which relevant political actors mobilize to put pressure on the public arena. Following our research interest in politicization, we assume that: firstly, changes in foreign policy/international relations may generate internal political effects; secondly, foreign policy is to be taken as a public policy, like many others; thirdly, domestic actors may have divergent preferences about specific foreign policy issues; fourthly, specific issues may generate different levels and modalities of politicization; and, finally, we assume that actors usually form coalitions according to their preferences, but these coalitions do not necessarily match with preexisting political cleavages.

In other words, politicization is a process of inserting a public issue into an arena of disputes among actors with divergent and/or convergent preferences. Of course not all public issues generate dynamics of politicization. That is, in a given context some themes and decisions may generate disputes of greater intensity, while others may have a less conflictive pattern of actors' accommodation. We may estimate the intensity of each political actor by inferring it from its behavioral and organizational political investment to affirm some preference. What are the dynamics that influence different intensities of these actors' preferences and modes of acting politically? What are the main thematic issues politicized by the main relevant actors under analysis in a specific political arena? How do specific actors define their interests around a public issue and how do they form coalitions to pursue these preferences? These are some of the main issues of interest to us in our current joint researches.

Following Elmer Shattschneider (1960), politics means conflict. Therefore, it would be impossible to understand politics without analyzing the content of prevailing political disputes and how they structure political arenas as well as the actors' behaviors and coalitions. For him, the creation of factions, parties and other political groups is an essential part of politics, and their political struggles may set diverse coalitions and configurations of the public arena around specific issues. These dynamics generate changes in power relations as well as winners and losers. Additionally, the author points to the frequent hierarchization of different kinds of conflicts by actors. That is, in any society we may have many different conflicts of interests and which of them are to gain priority in the public agenda is also a matter to be disputed among these conflicting interests' actors.

Another source of theoretical inspiration comes from Torcuato Di Tella (2003), who defines the political game as the coalitions built among actors who have different preferences and behaviors around public issues. He develops categories to analyze the coalition building processes, as for example the concept of affinity, which may vary from partial affinity, when actors converge only in one specific issue, until total affinity, the limit condition of political identity around a whole set of issues. The opposite situation, i.e. no affinity at all, is referred to as the concept of antagonism, which may also be characterized as partial when actors diverge only in one specific issue, or total: the limit condition when actors clash in all relevant issues. He also admits the possibility of having punctual affinities, particularly when actors diverge on most issues but have convergent preference in one issue or have a common political antagonist to be faced by the coalition. In any case, coalition patterns are of central interest to our research agenda: How are they formed and transformed? Which coalitions are more time lasting and which have a more tactical meaning? And how do they relate to broader existing political cleavages in a political arena? These are some additional interrogatives that guide research on the politicization of public policies.

In the same context, the concept of political cleavage is of special interest because it allows theoretically social divisions that acquire political relevance to connect with their role in structuring the coalition-building processes. Alan Zuckerman (1975) once published an extensive theoretical analysis of the concept, where he found a recurrent meaning of political cleavages as specifically deep and long-term divisions within a political society. Instead, we prefer not to be so restrictive with the concept's content and, consequently, we admit the validity of the concept even when applied to particular conjunctures, and not necessarily anchored in pervasive and preexisting divisions within societies.

Another topic refers to the empirical question of what kinds of issues are more frequently politicized in a particular political society. It is reasonable to admit that different issues may mobilize the main actors with diverse degrees of intensity. Some authors cited by Zuckerman have explored religious, ethnical, regional, class, and also foreign policy political cleavages, such as Seymour Lipset and Stein Rokkan (1967), Robert Dahl (1965) and Hans Daadler (1966).

All this literature feeds our theoretical and empirical investigations, as well as the theoretical model of Theodore Lowi (1964), who identifies how different characteristics of public policies may influence different modalities of arenas elected by actors to advance their policy preferences. In his view, we may find three kinds of public policies according to their effects: distributive, regulatory and redistributive policies. The first one is characterized by the possibility of dividing the public resources in individual shares to favor specific actors or sectors. Consequently, a distributive public policy tends to create diverse political coalitions based on the principle of mutual non-interference. The second category is applied to those policies that have the power to change rules that, by definition, do not allow the disentanglement of benefits and costs. These regulatory policies generate coalitions based on the logic of the interest groups, which trying to put rules in their favor while disputing the content with other groups. The third kind of public policy is the redistributive one, described as having the capacity to affect the sharing of benefits and costs among entire different social classes or segments. As a consequence, it tends to generate the broadest and most polarized political coalitions.

The approach defended here stands in defense of an interdisciplinary dialogue with other thematic literatures (e.g., executive-legislative relations, bureaucracies, representative and participatory institutions, legislative studies, political parties, social movements etc. Some of the references are commonly cited in the Brazilian case (e.g., Lima 2000 and 2013). Salomón and Pinheiro (2013) and Milani and Pinheiro (2013) advance a proposal of intense dialogue with neoclassical realists such as Gideon Rose (1998), Randall Schweller (2004) and Fareed Zakaria (1998), as well as other theorists of foreign policy analysis such as Christopher Hill (2003), Helen Milner (1997) and Lisa Martin (2000). In the next section, we present a three-case exploratory study of domestic reactions to China's presence in Brazil, Nicaragua and Venezuela with these research interests in mind.

3. Domestic Reactions to China's Presence in Three Cases: Nicaragua, Venezuela and Brazil

3.1 Nicaragua: small country, big politicization

Despite the absence of diplomatic relations, the presence of China in Nicaragua has launched an intensive wave of political contestation around the construction of an inter-oceanic canal by Chinese businessman Wang Jing. This project has raised huge expectations as a tool to foster economic development, but communities surrounding the projected canal route, as well as environmentalist organizations, are making visible a political movement against it. As in the case of Venezuela, to be seen in the following section, this conflict follows for the most part the patterns of confrontations between government and opposition, but it seems to have brought to the political arena a set of actors that would not have been mobilizing against the government if the Canal project had not been announced.

The project has an estimated cost of around US$50 billion, which is more than four times the Nicaraguan GDP in 2014[4]. A 50-year concession was given to the Hong Kong Nicaragua Development Investment Group (HKND), renewable for another 50 years. According to a draft of the project released by the company, the construction should be finished in 2019, including complementary facilities: a bridge for the Pan-American highway over the canal, a ferry, power generating and transmission facilities, cement plants, a free-trade zone, tourist hotels and an airport (HKND Group, 2014: 14).

Defined as "the largest civil operation in history, requiring the excavation of approximately 5,000 Mm3" (HKND Group, 2014: 16), it implies a projected 715Mm3 freshwater dredging in the Nicaragua Lake segment in order to reach the minimum depth required to receive ships larger than those intended to transit across the expanded Panama Canal. Aside with salinization risks and massive reallocation of peasant communities, these are the main motivations for the intensive street mobilization that took a prominent position among political issues in this Central American country.

Since the 19th century, Nicaragua expected to be the place where an inter-oceanic canal would be built. Before the inauguration of the USA East - West railroad in 1869, it was easier to go across Nicaragua (or Panama) than to take the difficult, longer and dangerous journey across the U.S. mid-west territories, at the time poorly populated (Folkman, 2001). The canal was finally constructed in Panama at the beginning of the 20th century, but it remained as a pervasive illusion conceived by economic and political elites as a possible solution to the country's historical problems (Baltodano, 2015). President Daniel Ortega and other government officials emphasize the scenarios of prosperity that the inter-oceanic canal would bring, including job creation during and after the construction, significant poverty reduction, and economic growth rates around 12% in 2018[5].

The anti-canal side insists that it is still not clear what the environmental costs are, notably regarding the impact of the Nicaragua Lake dredging and salinization. After two years of research, the British firm Environmental Resource Management (ERM) presented to the

[4] According to World Bank data, Nicaraguan GDP was US$11.81 billion in 2014. See http://data.worldbank.org/country/nicaragua. [Accessed on 5 June 2015]

[5] For prospects about progress for economic growth, job creation and poverty eradication, see "Unida Nicaragua Triunfa" n. 101, 9/07/2013 (http://www.tortillaconsal.com/nicaragua_triunfa_101.doc). [Accessed on 5 June 2015]

government the results of its environmental impact studies on May 31, 2015[6]. The government called for public consultations on it in September, but they were held in a single session where no anti-canal voices where invited. Also, the full version of the ERM studies was effectively never made public.[7] NGOs and local communities argue that the canal is equivalent to a death sentence for the Nicaragua Lake, which is the greatest freshwater reservoir in Central America[8]. The policy for land expropriations needed for the canal is another highly conflicting issue. According to bill 840, which regulates the concession to the HKND Group, current owners will be paid their property on a cadastral value basis, allegedly far below market prices. Expropriation being compulsory, it has spread the fear that thousands of people will be submitted to forced displacement.

Around 50 street protests against the canal have been counted by activists until October 2015. Peasant communities, ecologists, human rights organizations, NGO's and opposition political parties are prominent participants. Additionally, they have built common organizational platforms to amplify their voice and coordinate action. Two important coalitions of this kind are: The National Council for the Defense of the Land, the Lake and National Sovereignty; and the Cocibolca Group. Rather than being led by established political parties, they are the expression of how political tensions arise in direct reaction to the would-be most major infrastructural project ever built by a Chinese company in Latin America.

President Daniel Ortega had comfortably secured reelection in 2011 with 63% of the vote, followed by the Independent Liberal Party (PLI – 31%) and the Liberal Constitutional Party (PLC – 6%). Ortega and his party, the Sandinist National Liberation Front (FSLN), have been ruling the country all along the 1980s, as a consequence of a leftist revolutionary movement which overthrew Dictator Anastasio Somoza from power in 1979. Having lost the presidential election in 1990, the FSLN experienced a period of internal splits and ideological reorientations until they returned to the Presidency in 2007. Ortega's recovery was the result of a combination of persistent ties with active social organizations, controversial pacts with

---

[6] See "Muestran en foto estudios de impacto ambiental del canal". In Confidencial, June 1, 2015 (http://www.confidencial.com.ni/archivos/articulo/21908/muestran-solo-en-foto-estudios-de-impacto-ambiental-del-canal). [Accessed on 5 June 2015]

[7] See "Urgen estudio independiente del canal". In Confidencial, September 26, 2015 (http://confidencial.com.ni/urgen-estudio-independiente-del-canal/). [Accessed on 5 October 2015]

[8] See, for example, "Temen crisis de agua por Gran Canal", La Prensa, September 30, 2014. (http://www.laprensa.com.ni/2014/09/30/nacionales/213823-temen-crisis-de-agua-por-gran-canal-temen-crisis-de-agua-por-gran-canal). [Accessed on 5 October 2015]

former enemies, and deep divisions among other competitive political forces. As a President, he has been able to increase his popularity by implementing a myriad of focused social programs and strengthening ties with relevant sociopolitical actors (such as the business class and the Catholic church). Nevertheless, this new decade of Ortega in power has also been marked by criticisms of democratic setbacks, the undermining of check-and-balance mechanisms and serious attempts to limit the space for political contestation.[9] Opposition parties, such as the Movement of Sandinista Renovation (MRS), the PLI, and the Liberal Party Alliance (PAL), which are in the process of building a National Coalition for Democracy, have publicly supported the anti-canal movement. Nevertheless, it has been done more as sympathizers and supporters rather than as leading organizations.

The Academy of Science of Nicaragua (ACN) is another resonant voice expressing serious concerns about the way in which the government is conducting the process. Jorge Huet-Perez, ACN's vice-president, signed an editorial in the journal *Science* calling for a reconsideration of the project (Huete-Perez et al., 2015) and, in 2014, the academy published a book with arguments from a diversity of academic backgrounds expressing critical assessments of different aspects of the project (Academia de Ciencias de Nicaragua, 2014).

Anti-imperialists and sovereignty claims are characteristic of massive protests against the canal. Anti-Chinese wall writings are easily seen across public spaces near the projected canal zone. President Daniel Ortega is often depicted as a traitor and Chinese investors as contemporary imperialistic agents substituting traditional Uncle Sam emissaries. According to a report from the Nicaraguan Center for Human Rights (CENIDH), an organization sympathetic to the anti-canal coalition, this project has raised the most intensive opposition among the infrastructure plans in the country. For this NGO, the canal was responsible for a significant increase in political violence and repression during 2014 (CENIDH, 2015: 3–5).

In spite of this mobilization, the pro-canal side is, by no means, small. And perhaps not even a minority. Of course, the governing party, the Sandinista Front of National Liberation (FSLN), and its militants and sympathizers, strongly support the inter-oceanic plans. The business community gathered around the COSEP, the most politically relevant productive sectors' organization in the country, after denouncing the risks for private property and sovereignty concerns, was invited by Wang Jing to visit China in November 2014 to get more

[9] For further analyses of the contemporary Nicaraguan political process, see: Martí i Puig (2013a); Martí i Puig (2013b); Perla and Cruz-Feliciano (2013); and John A. Booth et. al. (2015).

involved in the process. After the trip, José Adan Aguerri, COSEP's president, said that the canal project deserved the benefit of the doubt.[10] Other businessmen have, on several occasions, expressed their interests in embracing the opportunities associated with the Grand Canal. On the other hand, according to a poll conducted by the Latin American Public Opinion Project (LAPOP) in 2014, 72% of Nicaraguans have positive expectations for job creation once the construction of the canal begins, 51% think it will boost national development, 43.4% are worried about environmental impacts, but, at the same time, 91.3% are against expropriations as regulated by bill 840. This poll also showed that FSLN supporters are more likely to be enthusiastic about the Canal and less worried about environmental impacts (Coleman, 2015).

Canal debates are also impinged by a skeptical approach among critics. The question of whether the Canal will be constructed at all is nourished by a bundle of facts and speculations. First of all, the figure of the main HKDN shareholder, Wang Jing, is surrounded by doubts and incomplete information[11]. It is known that he has made his fortune in the telecom sector, but little ground of experience is recognized in infrastructural projects. Questions also arise about how exactly the canal construction will be financed. Wang Jing's plan is to attract international investors. Nevertheless, in October 2015, the Bloomberg Billionaires Index showed that he has lost 84% of his net worth in the context of Chinese equity markets shocks in August 2015[12]. How could he convince investors of joining the Canal risks with such a personal performance?, some ask.

But for canal critics, this kind of uncertainty about the canal is no reason to relax. On the contrary, it could be a serious indication that the real danger is not the Canal itself, but the variety of side-projects that are contemplated by the same 50-year concession awarded to Mr. Wang. According to this logic, even if the canal never becomes a reality, it will still be a myriad of infrastructure projects that can take advantage of the generous regulations now legally conceded to Chinese investors (Baltodano, 2015). For these activists, it is sufficient to

---

[10] See the interview with Carlos F. Chamorro "El canal y los empresarios: COSEP otorga con entusiasmo el "beneficio de la duda" as part of the program *Esta semana*, broadcasted in November 2013, available at: https://www.youtube.com/watch?v=UNBu83-3bng. [Accessed on 5 June 2015]

[11] See "La 'telaraña' de Wang Jing y la conexión militar con China". In: Confidencial, November 03, 2014 (http://confidencial.com.ni/la-telarana-de-wang-jing-y-la-conexion-militar-con-china/). [Accessed on 5 June 2015]

[12] See "This Chinese Billionaire Has Lost More Than Glasenberg in 2015". In Bloomberg, October 1, 2015 (http://www.bloomberg.com/news/articles/2015-10-02/china-billionaire-with-canal-dream-confronts-biggest-loss-of-15). [Accessed on 5 October 2015]

continue the struggle against a model of foreign cooperation allegedly pernicious to national sovereignty and human rights.

3.2 The Venezuelan case: government/opposition politicizing axis

China is an important political issue in Venezuela as long as the opposition forces perceive that relation as a central piece of a foreign policy that they completely reject. For this reason, the politicization of the Chinese presence in Venezuela follows current patterns of government/opposition tensions. Nevertheless, specific features of the growing importance of China as a foreign financial alternative for the Venezuelan state has raised direct criticism. Lack of transparency and fear of losing sovereignty are at the center of the arguments.

China-Venezuela relations became more intensive around 2008. Oil exports and joint ventures in oil production were a central driven-force in the process, but cooperation branches were also established in a variety of infrastructure projects and technical domains, including the military. One of the reasons for this bilateral intensification was the Venezuelan search for alternative markets for its oil exports, until now heavily concentrated in the United States. The anti-imperialistic goals of the Hugo Chavez government should be accompanied with a consequent oil policy intended to reduce ties with the western superpower. At the time, agreements signed with China regarding oil sales were always explained as a footstep towards a gradual increase in exports[13]. In addition, it was also then that China intensified its search for energy and commodities in Latin America and other developing countries.

In domestic politics, 2007 was the year of the electoral awakening of opposition parties in Venezuela. In December of that year, they were able to defeat Chavez in a referendum proposed to modify 69 constitutional articles, seen by the government as a fundamental step towards the transition to a "21th Century-Socialism". This important victory enhanced opposition factions that see the electoral arena as the only viable battlefield to be explored,

[13] In 2008, according to Petroleum of Venezuela (PDVSA), 250 thousand oil barrels per day were sent to China, which represented already a significant upgrade compared to 49 thousand b/d in 2005. At the time, it was often stated that the goal was to send one million b/d in 2015 (See: "Acuerdo de cooperacion tecnologica con China", in El Universal, April 06, 2008; "Ramirez afirma que 'China es el principal socio petrolero de Venezuela", in El Universal, December 29, 2012). In September 2015, during a visit to China, President Nicolas Maduro of Venezuela declared that oil exports to China were about 700 thousand b/d and reaffirmed that the purpose is to send one million b/d (See: "Maduro: China y Venezuela estamos más unidos que nunca¨. In: El Universal, September 02, 2015 (http://www.eluniversal.com/economia/150902/maduro-china-y-venezuela-estamos-mas-unidos-que-nunca). [Accessed on 5 October 2015]

after the failed attempt to overthrow Chavez with a coup d'état in 2002, a general strike in 2002/2003 and electoral boycott in the 2005 Legislative elections. In 2008, the fragmented landscape of opposition parties and movements was partially successful in building electoral fronts to support common candidates in regional contests after a pact signed in January. In June 2009, they restructured its coalition under the Democratic Unity Roundtable (MUD), which is still the main oppositional front in Venezuela.

Despite the notorious heterogeneity of its members, MUD has been able to maintain itself as a reasonable cohesive organization for electoral purposes. As part of a set of arguments rejecting different aspects of the Chavez and Maduro administrations, condemnations to foreign policy are unanimous among MUD members. In their general principles for the 2012 presidential election (Mesa de la Unidad Democratica, 2012), Chavez' foreign policy is depicted as a conflictive one, seeking non-pacifist geopolitical alliances, intervening in internal affairs of several countries, and using oil as a blackmail tool in international politics.

At the core of the relation the Venezuelan government has built with China is a loans-for-oil arrangement through which Venezuela has access to state credits via the China Development Bank, while Venezuelan oil barrels are shipped to China on a long-term basis as a way of payment. Those credits are transferred to the Venezuelan Development Bank (BANDES) from which they are transformed into special funds, such as the so-called Fondo Chino (Chinese Fund).

These special funds have been specially targeted by opposition actors, spreading denunciations about governmental mismanagement by avoiding parliamentary accountability and maintaining Chinese credits out of official public debt records. Congressman Miguel Angel Rodriguez, elected as a MUD candidate in 2010, has been a leading voice in that respect. In November 2011, using a PDVSA internal report, he claimed that the oil-for-loans deal with China is destabilizing the state owned oil company finances. He also raised doubts about whether these oil barrels are in fact being sold to China at market prices or whether they are shipped at lower rates, as has been suggested in the PDVSA documents. Finally, Rodriguez also exposed the mechanism through which Chinese funds are kept outside normal audit mechanisms: while these foreign resources are transformed into funds through the

BANDES, the government does not need to include them as part of the national treasury and, as a consequence, they remain safe from Legislative oversight[14].

During the 2012 presidential contest, opposition candidate Henrique Capriles Radonsky defended, in his electoral program, approved by all parties in the coalition, the notion that the relation with China has been characterized by the signature of non-transparent contracts exchanging oil for loans to be used for purposes not related to the oil industry (Mesa de la Unidad Democratica, 2012). Radonsky also publicly condemned Executive directives allowing the exploitation of gold mines by Chinese companies arguing that Venezuelan resources should no more be surrender to foreign countries[15]. Other voices on the opposition side have made similar claims, comparing the relation with China to classical imperialistic abuse in which a powerful country takes over the natural resources of a weaker one with the collaboration of the national government[16]. Current president Nicolas Maduro and prominent members of his cabinet often have to repeatedly disqualify opponents as "liars" and reaffirm the important role that China is playing in projects of national development[17].

The most traditional and politically relevant entrepreneurships' organization in the country – the *Federación Venezolana de Cámaras de Comercio y Producción, FEDECÁMARAS* – has publicly complained about the fact that that Chinese investors find relatively greater facilities in the country compared to the support that the Maduro's administration has given to national investors. The private sector's position in relation to

[14] See: "Pdvsa desatendió pagos al Fisco por presión del Fondo Chino" in El Universal, November 11, 2011 (http://www.eluniversal.com/economia/111111/pdvsa-desatendio-pagos-al-fisco-por-presion-del-fondo-chino). [Accessed on 5 June 2015]. See also the original press conference where congressman Rodriguez made this denunciation at "Miguel Angel Rodriguez denuncia fraude con Fondo Chino (parte 2)", at https://www.youtube.com/watch?v=sWNyN4kyvsc. [Accessed on 5 June 2015]

[15] See: "No entregaremos nuestros recursos a otros países", in El Universal, September 23, 2012 (http://www.eluniversal.com/nacional-y-politica/120923/no-entregaremos-nuestros-recursos-a-otros-paises). [Accessed on 5 June 2015]

[16] See, for example, the national secretary of the First Justice party, Tomas Guanipa, who directly suggests that the Venezuelan government is offering the country to "Chinese imperialism" in spite of its incisive rhetoric against "US imperialism". In "Guanipa critica endeudamiento de Venezuela con el Fondo Chino", El Universal, July 21, 2014. (http://www.eluniversal.com/nacional-y-politica/140721/guanipa-critica-endeudamiento-de-venezuela-con-el-fondo-chino). [Accessed on 5 June 2015]

[17] "Maduro: Oposición miente sobre acuerdos con China", in El Universal, July 24, 2014. (http://www.eluniversal.com/nacional-y-politica/140724/maduro-oposicion-miente-sobre-acuerdos-con-china). [Accessed on 5 June 2015]

China seems to follow its prevailing opposition during Chávez's administrations[18]. Recent statements of the vice-president of the organization, Carlos Larrazábal, also raise frontal criticisms of the relations with China, especially the compensated trade attached to the Chinese loans[19].

On the other side, some opposition leaders and newspaper columnists recognize that China's loans-for-oil scheme is not evil per se, given the current fiscal crisis and provided that it is conducted in a transparent way (Santos, 2012). This leaves the following question: would the growing presence of China not be interrupted by an eventual electoral transition of power in Venezuela? The positive answer is reinforced by the apparent structural dependency of the Venezuelan state – not only the current Venezuelan administration (Chavez-Maduro).

Notwithstanding, there are some issues in the China-Venezuela bilateral relations that are less politicized. For example, military cooperation, oil-related joint ventures, technical and agricultural cooperation, etc. For these issues, our research has found less evidence of oppositional criticism. In conclusion, this difference in the political behavior of opposition forces suggests that the nature of the issue impacts on its greater/lower political contest.

3.3 The Brazilian case: complex economy and sector-specific mobilization

In the case of Brazil, we see a much less public mobilization on China-related issues and mostly concentrated in economic sectors. In our observations, what we have found is predominantly a sector-oriented pattern of collective organization, instead of the patterns we have observed in the previous cases, in which the issue is contested in the political arena. In relation to China's growing economic presence in Brazil, Brazilian social actors such as entrepreneurships, by far the more organized social sector in terms of Brazil-China relations, seem to be following the suggestion implied in the formula repeatedly uttered by Chinese authorities; namely that China's presence in Latin America is to be treated as "business only".

It seems that Brazilian economic sectors have learned from recent experiences, mainly in the negotiations that intended to create a Free Trade Area for Americas (FTAA, 1995-2005) and, to a lesser extent, in the earlier successful creation of the Southern Cone Common Market (MERCOSUR, 1990-1994). In addition, they present a de-centralized politicization

[18] See "*Fedecámaras: Gobierno promueve la inversión china y no la nacional*". In: La Patilla, August 7, 2015 (http://www.lapatilla.com/site/2015/08/07/fedecamaras-gobierno-promueve-la-inversion-china-y-no-la-nacional/). [Accessed on 5 October 2015]

[19] See "*Carlos Larrazábal: En Venezuela el Gobierno está trancado*". In: FEDECÁMARAS official website (http://www.fedecamaras.org.ve/detalle.php?id=3133). [Accessed on 5 October 2015]

dynamics probably due to the much more complex economic structure that we encounter in the Nicaragua and Venezuela cases.

Notwithstanding, we are still exploring the possible spaces through which the private sectors are advancing their own interests in terms of favorable foreign relations with the Asian giant. We are quite curious to find this hypothesized pattern in Brazil, as long as a great amount of our analytical concern with politicization comes from relatively well established literature produced on the Brazilian foreign policy politicization. According to these researches, the simultaneous processes of globalization, economic opening and democratization have exposed Brazil’s foreign policy to more assertive postures from a plurality of social actors (Lima, 2000), which, consequently, have eroded the traditional centrality of the Ministry of Foreign Affairs in the decision-making process (Milani and Pinheiro, 2013). As a result, this literature points to the need for understanding foreign policy as a public policy like any other (Salomón and Pinheiro, 2013).

Would China-Brazil expanding economic relations not be included in this broadly alleged process of increasing domestic politicization of the Brazil’s foreign policy? Or do they occur but the existing politicization follows a more informal and maybe direct path until the Brazilian authorities? Although we still do not have a simple answer to these intriguing questions, we will suggest some topics related to the phenomenon that we are interested in through this research in progress.

The government-entrepreneurships relations in Brazil deserve special attention as they have a long-established pattern of complex sectoral dialogue. In this country, we find an uncommon strength of employers’ organizations – namely the federation’s states industrial organizations, such as FIESP, FIERGS, FIESC, FIE/PR and FIE/MG or the Industries’ National Confederation (CNI), in the industrial sector, and the Agriculture’s National Confederation (CNA), Agribusiness Brazilian Association (ABAG) and the Brazilian Cooperative’s Organization (OCB).

The entrepreneurships’ abovementioned political learning of the private sector, to which we referred above, comes especially from the FTAA negotiations. One good example is the fact that the private sector founded new mechanisms of coordination, as the Brazilian Entrepreneurships’ Coalition (CEB). It was created and supported by the CNI after the Cartagena Second Ministerial Summit of the Americas in 1996, when the industrial sector perceived the high costs of non-mobilizing around the FTAA negotiations, once in the

America's Entrepreneurships' Forum the US private sector had showed notable activism and high convergence with the United States government (Santana, 2001).

By creating CEB, the private sector intended to react against the governmental centralization of the access of them to the FTAA negotiation. In order to participate in the America's Entrepreneurships' Forum, they even depended on a discretionary invitation made by Brazil's Ministry of Foreign Relations (Jatobá, 2011). Since then, CEB has gained institutional stability and is actually an important coalition space for the industrial sector, gathering more than 170 members among companies, associations, federations, and other representatives of the industrial sector linked to CNI. Their main role is to follow international negotiations, exert pressure, though not necessarily by fully transparent means, over the Brazilian authorities and decision-makers. A similar sectoral organization is found in the agriculture sector: the three sectoral organizations (CNA, ABAG and OCB) created, in February of 1999, the Permanent Forum of Agricola International Negotiations, also in the context of the FTAA negotiations (Carvalho, 2003).

This complex sectoral organization style is also present in a more specific example, directly related to the economic relations of Brazil and China. In 2004, the Brazil-China Entrepreneurship Council (Conselho Empresarial Brasil-China) was created, gathering about 70 of the most important companies of the two countries. The council has a strong actuation in what relates to the bilateral economic relations, promoting entrepreneurships' meetings and thematic seminars, elaborating reports and sharing economic data, and, most importantly, advancing the private sector's interests *vis-à-vis* Brazilian and Chinese authorities. Their main strategies are to represent the associates' interests and increase their internal coalition, besides promoting their research and information policies. It therefore makes sense that the Council has central companies involved in Brazil-China trade and investment relationships in its portfolio.

It seems important to stress that it was only after China's entrance to the World Trade Organization (WTO) in December of 2001 that a trade boom between the two countries started. According to Albuquerque (2014: 108), despite the fact that the bilateral relation was classified by the successive administrations of the presidents Itamar Franco (1992-1994) and Fernando Henrique Cardoso (1995-2002), it was only during the Lula government (2003-2010) that bilateral relations gained momentum, following a significant growth of trade and investment in a context of diplomatic emphasis on South-South relations.

During that president's mandate, however, a good moment to analyze would be in 2004 when Brazil recognized China as a state-market – a decision with many concrete consequences that was made by the president without any broad public circulation of the issue. When it was publicly announced by the Ministry of Development, Industry, and Commerce, and the Ministry of Agriculture, these two authorities revealed that China's authorities wanted Brazil to take this stance, but it was only made possible after new trade and investments agreements were established[20]. The decision made in 2004 is still to be regulated, and for this reason it is possible to find some questioning – or politicizing actions, we should say – mainly by the industrial sector, fearful of negative impacts of low-cost Chinese manufactured goods in the Brazilian market. In 2004, the private sector protested, especially one of the strongest industrial organizations, the FIESP. Since then, FIESP has repeatedly put pressure on Brazil's government to review the decision of accepting China as a market economy. Since the protests of the private sector did not produce concrete results during the Lula administration, the FIESP tried to improve their opposition in the beginning of President Dilma Rousseff's first term[21].

Meanwhile, however, even such an important decision by the government, made inside the governmental cabinets, did neither generate public reactions as we perhaps could have expected among political parties nor any parliamentary coalition, as we could expect, at least in the political opposition. The by far most questioning move we found was a technical consultation inside the Chamber of Deputies, about the procedural correctness of the measure – that is, it was mainly of a technical character and, moreover, had no higher public visibility at all[22].

Nevertheless, the Brazilian case seems to reinforce the idea that the strong and growing economic presence of China in the continent had indirect political effects, as long as it helped

---

[20] "Brasil aceita China como economia de mercado", BBC-Brasil.com, November 12, 2004 (http://www.bbc.com/portuguese/reporterbbc/story/2004/11/041112_jintao.shtml). [Accessed on 5 June 2015]

[21] See, for example, "Fiesp pede ao governo que não considere China como economia de mercado", O Globo, February 22, 2011.(http://oglobo.globo.com/politica/fiesp-pede-ao-governo-que-nao-considere-china-como-economia-de-mercado-2820036#ixzz3pVBiRKOV). [Accessed on 5 June 2015]

[22] The technical consult was promoted in November 18, 2004, by the representative Carlos Melles (of then Liberal Front Party, PFL, now Democrats' Party, DEM) in the Deputy's Chamber's Foreign Relations Commission. Actually, we think that his action does not deserve much more than a footnote. The consult and the public servant's response, concluding for the procedural correctness of the measure as it was taken by government, may be found at the Commission's website.

to maintain favorable conjuncture conditions for Brazil to reach important, though not so high, levels of economic growth during the 2000s and elevate levels of social policies' expenditures. Nonetheless, this possible supportive role of China in Brazil's growth and social expenditures has not left us with any evidence in the other two cases, in the sense that even though China was important to the Lula's and Dilma's administrations public policies, this fact did not motivate the opposition to politicize the issue.

Final Remarks

This text was intended to present an exploratory study of the different domestic political reactions to the growing economic presence of China in three differently sized countries of Latin America – Brazil, Nicaragua and Venezuela. In our search for evidence of the politicization of China-related issues in the foreign policy agendas of the three analyzed countries, we also found three different ways of interaction with existing political cleavages and coalitions, as well as contrasting levels of intensity of the politicization itself.

In Nicaragua, the presence of China restructures the existing political cleavages and gives new dynamics to both parliamentary and extra-parliamentary forces. It is generating a broad social coalition against the mega construction of the Canal. Therefore, it is an interesting case of how a massive, although singular, presence of a China-funded investment may have cross-societal impacts in terms of its domestic politicization.

In Venezuela, the already existing strong political cleavage between government and opposition incorporates China more as another issue of their political clashes. The highly polarized Venezuelan political arena phagocytes the economic presence of China, as long as it became an important source of foreign capital inflows which otherwise could be very difficult for the Maduro government to attract.

In Brazil, the presence of China is apparently diluted into specific sectoral effects. Their respective politicization movements, which are formed and conducted by the private sector along the axis defensive-offensive commercial interests, are deepening the already existing organizational structure. It becomes clear that these traditionally strong business groups are even more conscious of the need to advance their interests not only by making business, but also through permanent contact with government authorities and decision-makers.

Beyond the pure identification of the politics resulting from the intersection between Chinese interests and Latin American foreign policy agendas, questions arise about the consequences of this politicization for the future of the China - Latin America agenda in more general terms and whether the political dynamics observed in Brazil, Venezuela and Nicaragua are to be seen in similar settings in other cases. Naturally, we are not able to offer a complete answer here, but it is at least essential to begin by recognizing the phenomenon as it manifests itself in three very different situations. Are the modalities of politicization founded in these three cases to be characterized as three specific patterns for further research on how China's presence in Latin America interacts with domestic political arenas? To what extend are these domestic-level dimension disputes to be considered as an important factor in explaining successes and failures of the now highly diversified agenda of China - Latin America relations? We hope to have settled initial steps in that direction.

References

Abdenur, Adriana Erthal and de Souza Neto, Danilo Marcondes. 2013. "Cooperación china en América Latina. Las implicaciones de la asistencia para el desarrollo." *Íconos-Revista de Ciencias Sociales*. 47: 69–85.

Academia de Ciencias de Nicaragua. 2014. *El Canal Interoceánico Por Nicaragua: Aportes Al Debate*. Managua: Academia de Ciencias de Nicaragua.

Albuquerque, José Augusto Guilhon de. 2014. "Brazil, China, US: a triangular relation?" *Revista Brasileira de Política Internacional*. 57(Special Edition): 108–120.

Baltodano, Mónica. 2015. "El impacto jurídico de la concesión canalera." *Confidencial*. 15 June. Available at: http://confidencial.com.ni/archivos/articulo/22011/el-impacto-juridico-de-la-concesion-canalera [Accessed on 5 October 2015].

Bernal-Meza, Raúl. 2015. "China - Latin America relations – the Latin American perspective: 'China and Latin American Relations: The win-win rhetoric'." International Workshop: China-Latin America Relations – Emerging powers in the Global System, International Workshop: China-Latin America Relations – Emerging powers in the Global System, Aalborg University.

Bonilla Martínez, Omar. 2014. "La geopolítica petrolera China en Ecuador y el área andina." *World Tensions/Tensões Mundiais*. 10. Available at: http://search.ebscohost.com/login.aspx?direct=true&profile=ehost&scope=site&authtype=crawler&jrnl=19835744&AN=97330070&h=TVKu2yWarT85aDf8X421tF54xpf%2BWLvTYijkRAKYjfG2OzuLt5ohNk%2BaR%2F%2F5dHy93uabAP60VY4Mqst5G3XULw%3D%3D&crl=c [Accessed on 22 August 2015].

Booth, John, Wade, Christine and Walker, Thomas. 2015. *Understanding Central America: Global Forces, Rebellion, and Change*, 6th ed. Philadelphia: Westview Press.

Carvalho, Maria Izabel Valladão de. 2003. "Estruturas domésticas e grupos de interesse: a formação da posição brasileira para Seattle." *Contexto Internacional*. 25(2): 363–401.

CENIDH. 2015. *Derechos Humanos En Nicaragua 2014*. Managua: Centro Nicaraguense de Derechos Humanos. Available at: http://www.cenidh.org/recursos/40/. [Accessed on 5 October 2015].

Coleman, Kenneth. 2015. *What Do Nicaraguans Thinks about President Ortega's Interoceanic Canal*. 112. Available at: http://www.vanderbilt.edu/lapop/insights/IO912en.pdf [Accessed on 5 October 2015].

Daalder, Hans. 1966. "Parties, Elites and Political Developments in Western Europe". In LaPalombara, J. and Weiner, M., eds. *Political Parties and Political Development.* Princeton, N.J.: Princeton University Press.

Dahl, Robert. 1965. *Political Oppositions in Western Democracies*. New Haven: Yale University Press.

Di Tella, Torcuato. 2003. *Actores Y Coaliciones: Elementos Para Una Teoría de La Acción Política*. Buenos Aires: Instituto Torcuato Di Tella / PNUD.

Ferchen, Matt. 2011. "As relações entre China e América Latina: impactos de curta ou longa duração." *Revista de Sociologia e Política*. 19(1). Available at: http://www.scielo.br/pdf/rsocp/v19s1/08.pdf [Accessed on 5 June 2015].

Folkman, David. 2001. *La Ruta de Nicaragua*, Fundacion Vida, Managua.

Hill, Christopher. 2003. *The Changing Politics of Foreign Policy*. London: Palgrave Macmillan.

HKND Group. 2014. "Nicaragua Canal Project Description." Available at: http://hknd-group.com/upload/pdf/20150105/Nicaragua_Canal_Project_Description_EN.pdf [Accessed on 5 June 2015].

Holland, Márcio and Barbi, Fernando. 2010. "China na América Latina: uma análise da perspectiva dos investimentos diretos estrangeiros". In Baumann, R. ed. *O Brasil e Os Demais BRICs. Comércio e Política.* Brasília: CEPAL/IPEA.

Huete-Perez, Jorge, Meyer, Axel and Alvarez, Pedro. 2015. "Rethink the Nicaragua Canal." *Science*. 347(6220): 355–355.

Jatobá, Daniel. 2011. *Democracia, Política Externa e Integração Regional: Um Estudo Comparativo das Trajetórias de Argentina e Brasil*. PhD Thesis. Rio de Janeiro: Instituto de Estudos Sociais e Políticos da Universidade Estadual do Rio de Janeiro (IESP/UERJ).

Lima, Maria Regina Soares de. 2000. "Instituições democráticas e política exterior." *Contexto Internacional*. 22(2): 265–303.

Lima, Maria Regina Soares de. 2013. "Relações internacionais e políticas públicas: a contribuição da análise de política externa." In Marques, E.C. and Faria, C.A.P. de. eds. *Política Pública Como Campo Disciplinar*. São Paulo: Ed. UNESP.

Lipset, Seymour and Rokkan, Stein. 1967. "Cleavage Structures, Party Systems and Voter Alignments." In Lipset, S.M. and Rokkan, S. eds. *Party Systems and Voter Alignments*. New York: Free Press.

Lowi, Theodor. 1964. "American business, public policy, case-studies, and political theory." *World Politics*. 16(4): 677–715.

Martí i Puig, Salvador. 2013a. "Nicaragua 2011: hegemonía sandinista y erosión de la accountability." In Alcántara Sáez, M. and Freidenberg, F. eds. *Elecciones Y Política En América Latina 2009-2011*. Cidade do México: IFE/Miguel Ángel Porrúa.

Martí i Puig, Salvador. 2013b. Nicaragua: la consolidación de un régimen híbrido." *Revista de Ciencia Política (Santiago)*. 33(1): 269–286.

Martin, Lisa. 2000. *Democratic Commitments: Legislatures and International Commitments.* Princeton, N.J.: Princeton University Press.

Mesa de la Unidad Democratica. 2012. "Lineamientos para el programa de gobierno de unidad nacional (2013-2019)".

Milani, Carlos Roberto Sanchez and Pinheiro, Letícia. 2013. "Política externa brasileira: desafios de sua caracterização como política pública." *Contexto Internacional*. 35(1): 11–41.

Milner, Helen. 1997. *Interests, Institutions and Information, Domestic Politics and International Relations.* Princeton, N.J.: Princeton University Press.

People's Republic of China. 2008. "China's Policy Paper On Latin America And The Caribbean." Available at: http://china.usc.edu/chinas-policy-paper-latin-america-and-caribbean [Accessed on 5 June 2015].

Perla, Héctor and Cruz-Feliciano, Héctor. 2013. "The Twenty-first-Century Left in El Salvador and Nicaragua: Understanding Apparent Contradictions and Criticisms." *Latin American Perspectives.* 40(3): 83–106.

Rose, Gideon. 1998. "Neoclassical realism and theories of foreign policy." *World Politics*. 51(1): 144–172.

Salomón, Mônica and Pinheiro, Letícia. 2013 "Análise de Política Externa e Política Externa Brasileira: trajetória, desafios e possibilidades de um campo de estudos." *Revista Brasileira de Política Internacional*. 56(1): 40–59.

Santana, Helton. 2001. "Grupos de Interesse e a Política Externa Brasileira para a ALCA." *Contexto Internacional*. 23(1): 167–196.

Santos, Miguel Ángel. 2012. "Cuentos del Fondo Chino." *El Universal*, Caracas, 2 September. Available at http://www.eluniversal.com/opinion/120902/cuentos-del-fondo-chino [Accessed on 5 June 2015].

Schattschneider, Elmer Eric. 1960. *The Semisovereign People: A Realist's View of Democracy in America*. New York: Holt, Rinehart and Winston.

Schweller, Randall L. 2004. "Unanswered threats: a neoclassical realist theory of underbalancing." *International Security.* 29(2): 159–201.

Vadell, Javier. 2011. "A China na América do Sul e as implicações geopolíticas do consenso do pacífico." *Revista de Sociologia e Política.* 19(1): 57–79.

Zakaria, Fareed. 1998. *From Wealth to Power*. Princeton, N.J.: Princeton University Press.

Zuckerman, Alan. 1975. "Political Cleavage: A Conceptual and Theoretical Analysis." *British Journal of Political Science*. 5 (2): 231–248.

Promoting Renewable Energy or Environmental Problems? Environmental Politics and Sustainability in Sino-Brazilian Relations

Malayna Raftopoulos[1] *& Marieke Riethof*[2]

Abstract: China is now Brazil's largest trade and investment partner, with Brazil's exports dominated by primary products such as iron ore, soy and crude oil. China and Brazil have also become major players in international environmental debates as emerging powers, reflecting their contribution to carbon emissions and their vulnerability to climate change and environmental disasters such as droughts, floods, deforestation, landslides and pollution. In environmental terms, Brazil's exports to China have led to changes in land use focused on export agriculture, the construction of infrastructure in vulnerable areas such as the Amazon region and a growing need for cheap, renewable energy to fuel transport, consumption and industrial development. In the context of these intensifying trade and economic connections between Brazil and China, this article examines the environmental dimensions of this relationship, focusing in particular on the contradictions created by renewable energy production. Paradoxically, given Brazil's key role in the international climate change debate, one of the most controversial aspects of the country's development agenda is the promotion of renewable energy as evidenced in the conflicts around hydro-electric power generation. The latter have provoked protests against the dams' social and environmental effects among local communities and international environmental groups. Little studied compared to the more well-known aspects of Sino-Latin American relations, such as infrastructure and trade, the article argues that Chinese involvement in hydropower in Brazil reinforces an increasingly unsustainable domestic development agenda, as reflected in the asymmetry between arguments about the general benefits of hydropower and the negative effects on local communities.

Keywords: Hydroelectric dams, Renewable energy, Brazil, China, Environmental politics

Introduction

In 2014, the Federal Republic of Brazil and the People's Republic of China celebrated the 40th anniversary of their diplomatic relations. Despite the distance, cooperation between China and Brazil has grown remarkably closer since the two countries first established diplomatic ties in 1974. President Jiang Zemin's visit to Brazil in November 1993 and the subsequent creation of a formal strategic partnership marked a milestone in Sino-Brazilian relations. Since the end of the Cold War, building strategic partnerships has been a key dimension of Chinese

[1] Dr Malayna Raftopoulos is an assistant professor in Latin American Studies at Aalborg University. She is also an associate research fellow at the Institute of Latin American Studies, University of London, the Human Rights Consortium, University of London and the Centro Latino Americano de Ecología Social, Uruguay. E-mail: Raftopoulos@cgs.aau.dk
[2] Dr Marieke Riethof is a lecturer in Latin American politics at the University of Liverpool. E-mail: M.Riethof@liverpool.ac.uk

diplomacy. While China's strategic partnerships were originally limited to Brazil, Russia and the United States in the 1990s, this policy has now expanded considerably (Zhongping and Jing, 2014). Despite this, China's relationship with Brazil remains of great importance; since 2003 and under the leadership of the Partido dos Trabalhadores (Workers' Party, PT) government, Sino-Brazilian relations have intensified and deepened, developing into a fully-fledged strategic partnership. As Haibin notes,

> Both countries share the identity of major developing states, leading regional players, and big potential roles in world affairs. Based on these common identities and forward-looking thinking, both countries developed a comprehensive cooperative path (2010: 185).

In economic terms, from 2009 onwards Chinese demand for Brazilian exports has increased dramatically, reaching US$30 billion in 2010 (Fearnside and Figueiredo, 2015: 9). Furthermore, China has become Brazil's largest trading partner with trade dominated by primary products such as iron ore, soy products and crude oil, surpassing both the United States and the European Union (Haibin, 2010). Until the late 2010s, Chinese demand for natural resources pushed up the price of commodities to record-high levels that greatly benefitted the Brazilian economy. Within the context of intensifying economic and political relations between Brazil and China, this article examines the environmental dimensions of this relationship, while one arena in which Brazil and China have begun to deepen their comprehensive strategic partnership is in climate change and renewable energy production.

While Sino-Latin American relations offer opportunities for increased political cooperation and coordination and economic, technical and scientific collaboration, they also pose a number of complex challenges, including the social and environmental impacts of Chinese trade and investment patterns. As Ignacio Frechero notes, "a key point in the contemporary China-Latin America relations is to analyse both the opportunities and challenges that this rising power entails to the region" (2012: 141). As economic ties between Brazil and China have strengthened they have also become increasingly asymmetric given that Brazil's exports to China have consisted primarily of natural resources and agricultural products. Chinese investments have also become essential for environmentally and socially sensitive sectors such as hydroelectric power generation. China's strong demand for natural resources and energy is therefore changing the landscape of Latin American territories, threatening ecosystems and the sovereignty of local communities over their natural resources and land. These problems suggest that Chinese investment may not offer a legitimate alternative to the extractivist model of development currently in place but rather reinforces the problems associated with reliance on the primary sector (Ibid., 2012: 147). The conflicts regarding renewable energy in Brazil illustrate that 'energy resources can promote as well as limit sustainable and substantive development' (Logan and McNeish, 2015: 291-2) while existing inequalities reinforce the positive and negative effects of natural resource exploitation.

This article analyses the environmental dimensions of Sino-Brazilian relations, arguing that the asymmetrical economic relationship between China and Brazil has reinforced the unsustainable nature of Brazil's natural resources boom. As part of a strategy known as neo-extractivism, many Latin American countries have come to rely on natural resources exports, particularly under progressive governments, often justified by the argument that the export revenues will finance social development. As the first section argues, despite the promise of high revenues, the neo-extractivist model is mired with social, environmental and political contradictions. This article contributes to the debate on the neo-extractivist model's sustainability by demonstrating that this debate should no longer be limited to traditional extractivist activities such as mining and oil production. Paradoxically, in the case of hydropower renewable energy production is based on water as a renewable source but simultaneously leads to irreversible damage to local communities and Amazonia as one of the world's most significant natural environments. Secondly, in spite of their asymmetric relationship, Brazil and China as major developing powers have developed shared interests in international climate change policy, energy and mitigation through investments in renewable energy, resulting in increasing levels of Chinese investment in the sector, despite the economic downturn. Thirdly, while hydro-electric power is at the centre of both countries' energy agenda, the conflicts surrounding the construction of hydro-electric dams underline the contradictions between the search for sustainable energy sources, economic development and the rights of affected communities, reflecting the contradictions of neo-extractivism elsewhere in the region. Although China's economic relationship with Latin America has not caused these problems, the article concludes that the intensifying economic relationship between China and Brazil has reinforced the existing contradictions, as evident in the uneven distribution of the negative and positive effects of hydropower's expansion in Brazil's Amazon region.

Neo-Extractivism and Its Social-Environmental Contradictions

The rise of China as a major player in the global capitalist economy has provided new opportunities for economic development and capitalist expansion through its continuous search for new market frontiers and commodities. High demand for natural resources among both industrialised and newly-industrialised countries has allowed natural resource exploitation to become both politically acceptable and a legitimate development strategy implemented over alternative concepts of development (O'Toole, 2014). China's economic diplomacy channels have opened up direct access to much needed natural resources essential for it to sustain its economic growth and achieve its goal of modernisation. As an important source of raw materials, food and natural resources, China has increasingly focused its attention on Latin America as it seeks to replace non-renewable resources that have already been depleted within its own borders. However, sustained economic growth, particularly within the areas of natural resource development, has inevitably created environmental pressures, as the Brazilian case illustrates.

Recognised as a highly bio-diverse country, Brazil contains ecological zones of both regional and global importance such as the Atlantic and Amazon rainforests, and the Pantanal tropical wetlands. On both a national and global level, Brazil like many other countries in Latin America, faces the challenge of reconciling development with sustainability. But Brazil's natural heritage is under serious threat from oil and gas extraction, mining, logging, soy production and expanding infrastructure such as hydroelectric dams. While natural resources offer an opportunity for economic growth and development, historically their presence has been a source of conflicting political, social and economic dynamics for Latin America (McNeish and Borchgrevink, 2015: 2). For most of the twentieth century, development based on extraction was blamed for widespread poverty, recurrent economic crises and political instability as well as environmental problems. As Schmink and Jouve-Martín explain,

> Latin America's historical dependency on natural resources, both for local livelihoods and to supply an evolving global market, has made environmental issues central in policy debates and in widespread contests over the meaning and use of natural species and habitats, carried out against the region's persistent legacy of inequality (2011: 3).

Although the resource-dependent development path has gained momentum in the last decade, debates on the developmental, social and ecological implications of the intensification of extractivist activities have continued in Brazil as well as the rest of the continent (Buchardt and Dietz, 2014). Throughout its history, the region has experienced widespread contestations over the distribution, access to and control over natural resources as social-environmental concerns have been subordinated to economic growth.

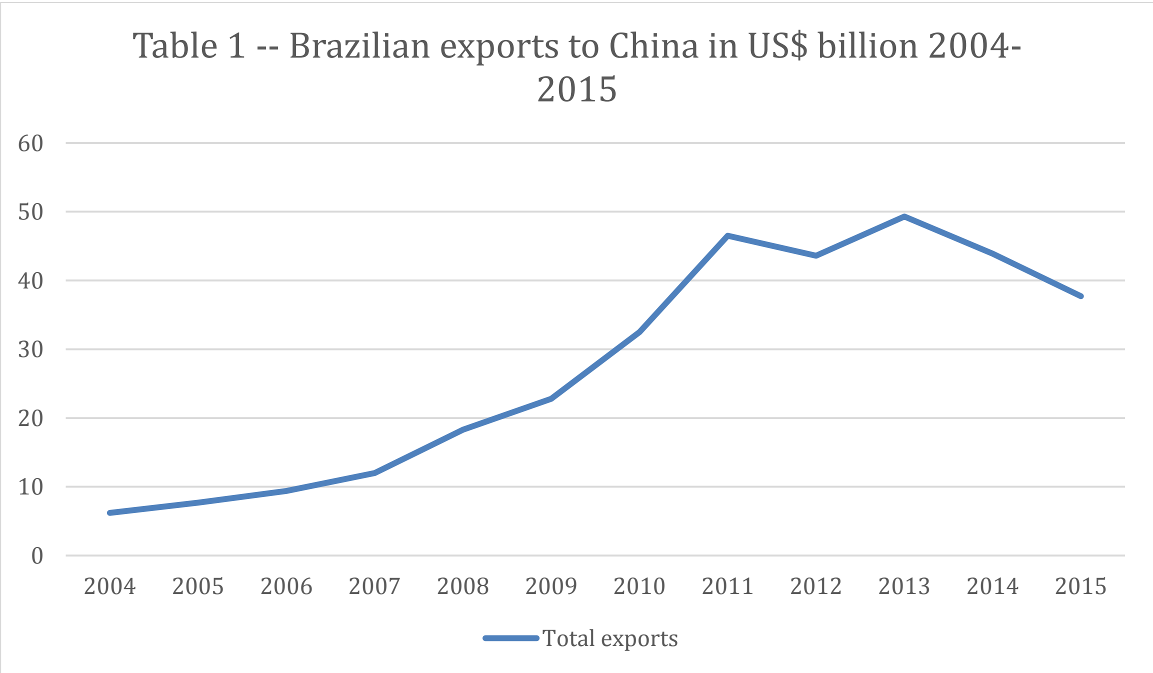
Following several decades of hyper-inflation and stagnation, the Brazilian economy turned a critical corner at the end of the twentieth century, beginning a new cycle of economic growth. Between 1994 and 1998, Brazilian governments introduced a stabilisation policy based on economic openness and privatisation, resuming its search for a new pattern of development. Since the beginning of the twenty-first century, Brazil has pursued a development strategy aimed at strengthening its global commercial insertion through the export of primary commodities (Saad-Filho, 2012: 134). Its economic success during this period was based on the primarisation and the diversification of its exports, including industrialised agriculture and the exploitation of natural resources, supported by a favourable global markets as well as the government's proactive pursuit of greater autonomy though a more active state role in the economy. Although originally initiated by the Fernando Henrique Cardoso governments (1995-2002), it was under president Luiz Inácio Lula da Silva (2003-2009) that the policy of South-South cooperation was most actively pursued, with Brazil viewing its relationship with China as an opportunity to advance its development agenda and position within the global power hierarchy (Christensen, 2012). Furthermore, Brazil's leaders hoped that the country would be elevated to first-world status as a result of the resource boom and high levels of economic growth. However, since the recent downturn in the global commodity markets as a result of China's slowing economy and the beginning of its "new normal" phase, Brazil's status elevation remains uncertain.

As a consequence of the global surge in demand for raw materials, neo-extractivism became the cornerstone of growth-oriented development policies in Latin America at the turn of the twenty-first century, despite growing evidence of its limited contribution to national development. As Brand explains,

> Extractivism is not just the activity of resource extraction but a development model, which organizes – on the basis of the exploitation and marketing of resources for export – the political, socio-economic and cultural relations within the respective country or region: the economy and class structures, gender relations, the state and public discourse (2013: 3).

Furthermore, while extractivism previously referred to activities that involved extracting, such as in mining, oil and gas, the term is now often used to refer to the accelerated pace of natural resource exploitation at an industrial level and the construction of mega-projects and infrastructure intended to make full use of natural resources (UNHRC, 2015). Latin America's progressive governments have both intensified natural resource extraction and created a new type of extractivism that bears a "progressive stamp" (Gudynas, 2010: 3). Under the framework of neo-extractivism, regulation of the appropriation of resources and export duties and taxes has increased, contracts renegotiated and surplus revenue redirected to social programmes such as the state assistance programme for the poor, Bolsa Família. However, even under its contemporary guise where the state plays a much more active role, neo-extractivism does not substantially change the current structure of accumulation and move away from a productivist appropriation of nature. Although it was hoped that the rise of the left and centre-left in Latin America would lead to a transition away from extractivist activities towards a more sustainable type of development, these governments have in fact continued to maintain classic extractivism, albeit with a progressive twist (Gudynas, 2010). As Gudynas (2010: 4) notes, the progressive governments of the region have replaced the old extractivist discourse that pointed toward exports or the world market with one that points to globalization and competition. This change in discourse has been reflected in Brazil, where under the Partido dos Trabalhadores government, the country has also radically reoriented its agricultural production towards monoculture exports and is rapidly becoming a mining powerhouse, opening up new sites and processors. However, the recent slowdown in the global economy has underlined the problematic nature of neo-extractivist development strategies given changes in global prices and demand, sharpening the social, environmental and political problems associated with the model as the structure of Brazil's exports illustrates.

Brazil's increasing reliance on a small number of agricultural and natural resource exports has exposed the country's vulnerability to fluctuating global commodity prices and, in particular, the changing fortunes of the Chinese economy. Between 2004 and 2011 Brazil's economic boom was built on the diversification of export products, with a specific emphasis on natural resources and manufactured goods. As Table 1 shows, exports to China increased exponentially from the mid-2000s, peaking in 2013 and declining after that, reflecting lower demand for Brazil's exports. Despite the decline in demand, China has continued to serve as Brazil's largest export destination, followed by the EU, South America and the US. While the volume of Brazilian exports signals the economic significance of trade with China, the nature of these exports reveals an asymmetric relationship. The growing importance of China as Brazil's largest trading partner has coincided with a shift away from manufactured exports towards agricultural products and natural resources (Wilkinson and Wesz Junior, 2013: 250). Pereira and de Castro Neves (2011: 4) observe that Sino-Brazilian relations have therefore come to resemble the classic unequal North-South trading relationship rather than an equal partnership between emerging powers as the "South-South" label suggests. To illustrate this dynamic, three major export products have dominated Sino-Brazilian trade since the mid-2000s: soy (32% of the country's exports to China in 2015), iron ore (23%) and petroleum (14%) (Ministério de Desenvolvimento/SECEX, 2016). Conversely, Brazil's imports from China have centred primarily on consumer goods such as electronics and cars in addition to capital and manufactured goods. Although Brazil continues to be a major industrial producer and exporter, this asymmetrical relationship has increased the political significance of the agricultural and natural resource sectors compared to industry while also heightening social-environmental contestation.



Source: Ministério de Desenvolvimento/Secretaria de Comércio Exterior (2016). "Intercâmbio comercial brasileiro: China".

Each of Brazil's major export products has become associated with an array of social, environmental and even political problems. Firstly, in 2009 Brazil became the world's second largest soy exporter after the US, with 56% of soy exports destined for China for that year (Nature Conservancy, 2011: 7-9). Soy production has contributed to unsustainable changes in land use – a major cause of climate change – resulting from the expansion of soy production, often facilitated by Chinese investment (Wilkinson and Wesz Junior, 2013: 255), as well as road and storage construction in vulnerable areas. Secondly, Brazil's mining production quadrupled between 2005 and 2011 before declining again in response to falling global demand. In 2014, three-quarters of Brazilian total mining exports consisted of iron ore, a sector dominated by the former state-owned company Companhia Vale do Doce (IBRAM, 2015: 14; IBRAM, 2016: 1). The remote locations of most iron ore operations have necessitated road and railroad construction in environmentally sensitive areas to transport the goods to the nearest ports. The environmental implications of iron ore mining in Brazil became global news in November 2015 when a mining dam burst in the state of Minas Gerais, creating one of the country's largest environmental disasters. Thirdly, Brazil's oil exports increased by 36% between 2013 and 2014, with the US as the country's largest export destination and China its second-largest market (EIA, 2015: 4). Dominated by the part state-owned company Petrobras, the Brazilian oil sector has become highly politicized as a result of the corruption scandal in which many of Brazil's prominent politicians have been involved. The corruption investigation, titled Operação Lava Jato (Operation Car Wash), has contributed to one of the country's worst political crises. Consequently, the prominent role of these three major export products not only illustrates their economic significance for Brazil but also that the country's political and environmental fortunes have become intricately linked with natural resources.

Despite the range of social, environmental and economic problems, as well as the left's critical stance on extractivist enclave economies in the past, neo-extractivism has become "a part of South America's own contemporary version of development, which maintains the myth of progress under a new hybridization of culture and politics" (Gudynas, 2010: 13). Engaging with a modernization discourse based on continual progress through scientific and technological innovation – particularly with respect to consumption potential – for Latin American government's neo-extractivism presents an opportunity to bring about long-term structural improvements through substantial investment in infrastructure and education (Unmüßig, 2012). Yet alongside this model of growth based on extractivism and redistribution, problems traditionally associated with the curse of natural resource development remain, such as authoritarianism and disputes over the profits of nature. Acosta argues that large-scale natural resource extraction has led to the "emergence of paternalist states, whose influencing capacity is tied to their political capacity to negotiate a greater or lesser share of the rents from mining or the oil industry" (2013: 75). Moreover, the large revenues associated with extraction often unleash high levels of violence and repression in the extractive enclaves as multinational companies and governments seek to guarantee the supply of natural resources though the opening up of remote frontiers and networks of connectivity. The networks that support neo-extractivism are essential to ensuring the continual flow of personnel, equipment and in particular energy, and are supported by the Initiative for the Integration of Regional Infrastructure in South-America, the latter being set up to ensure greater commercial and social integration (Gudynas, 2010; Hochstetler, 2013: 42-3).

As the concept of neo-extractivism overtakes sustainable development as the new leading strategy in political discourse, lingering and persistent problems associated with previous agendas prevail. As Brand argues,

> The dominant paradigm of economic and social development becomes problematic given the impossibility of the business-as-usual scenario and the globalization of resource-intensive Western production and consumption patterns. Also, the neoclassical argument that prices for products do not reflect the "true" environmental costs is often used (2012: 29).

Therefore, while Brazil's outward commitment to green energy and sustainable development should theoretically mean adhering to its principles of equity, participation and environmental valuation, its mega hydroelectric dam projects appear to directly contradict these key principles (Bratman, 2015). Moreover, the concept of green economy appears to be – like the concept of sustainable development – "an oxymoron which intends to bundle different, partly contradictory, interests and strategies, and gives them a certain legitimacy and coherence" (Brand, 2012: 29). While a development model based on natural resources and agriculture continues to be attractive for Latin American governments, despite falling prices and intensifying political problems, Chinese trade and investment have contributed to deepening Latin America's unsustainable reliance on primary products.

Having depleted the resources of its Asian neighbours, the Amazon basin has become China's main supplier of natural materials. According to Ratliff (2012: 217), "above all, China wants to invest in production, domestic transportation, and the international shipment to China of Latin America's natural resources and commodities"; a strategy translated into multi-billion dollar investment plans in infrastructure development in Brazil's most ecologically sensitive regions. Although the Amazonian region has a long history of exploration and exploitation dating back to the 1600s, its industrialisation is increasingly facing opposition as the world's attention concentrates on climate change and the ecological crisis. The intensification of raw material extraction and natural elements, including minerals, energy carriers, forest and agricultural goods has profound social, environmental and territorial consequences for Brazil. The ecological effects include soil depletion, deforestation, decline in biodiversity and freshwater contamination. Moreover, the strengthening of Brazilian agribusiness has impacted profoundly on domestic politics and resulted in the weakening of environmental regulation, policies and safeguards (Hochstetler, 2013: 42; Ray et al., 2015). While the expropriation of extensive lands from local communities for activities such as mining, timber extraction, infrastructure projects and agricultural production has always been associated with the industrialisation of the Amazon, Chinese investment and finance in these areas has created new opportunities for further expropriation.

Brazil and China's relationship is not only constructed on economic interests but also represents a concrete expression of South-South development cooperation, although this relationship is not without its difficulties, particularly when it comes to their asymmetrical trading relationship. In particular, the Brazilian government has focused its efforts on attracting Chinese capital for large-scale investment in infrastructural projects such as ports, airports, highways, railways and energy as well as oil exploration. China has become one of the largest exporters of capital over the last two decades. Cordeiro Pires (2015) argues that Chinese investments are based on two rationales: firstly, to guarantee the continuous supply of raw materials and food needed to sustain the country's economic growth; and secondly, to promote business opportunities for Chinese companies that produce durable consumer goods, are involved in information and technology or provide energy. Generally, Chinese investments in raw materials and food tend to be in developing countries while efforts to promote Chinese companies focus on developed countries where China is not only looking for access to markets but also "an environment that favors the development of research and technical innovation centers" (Cordeiro Pires, 2015: 253; Ratliff, 2012). With Brazil's vast natural resources, including agricultural land, raw materials, and hydroelectric capacity, as well as its ability to offer China a manufacturing base to supply national and regional markets particularly given the extraction and production of commodities (Cordeiro Pires, 2015; Fearnside and Figueiredo, 2015), China's increasing interest in Brazil is unsurprising. These shared interests now include climate change, energy security and renewable energy, which explains China's motivation to invest in renewable energy projects in Latin America.

Climate Change and Environmental Cooperation between Brazil and China

The announcement of the Ten-Year Action Plan for Cooperation in 2012 by President Dilma Rousseff and President Wen Jiabao strengthened their political ties, thereby deepening bilateral relations and cooperation between China and Brazil. Since 2012, the strategic partnership between the two countries has "evolved towards the "global" level" and Sino-Brazilian relations have made considerable progress in the areas of politics, trade and science and technology (Cordeiro Pires, 2015: 243). International political cooperation between China and Brazil has focused on shared objectives such as strengthening the global power of developing countries in multilateral institutions and emerging powers' right to pursue economic development (Dauvergne and Farias, 2012: 906-8). In fact, their relationship is not purely economic but also has political and geo-strategic dimensions (Altemani de Oliveira, 2010; Cardoso, 2012: 40), based on a shared desire to enhance the global economic position of major developing countries and their role in multilateral institutions. For Brazil, strengthening the position of developing countries within multilateral institutions continues to be an important foreign policy principle (Guilhon Albuquerque, 2003: 268). Particularly during the Lula governments (2003-2009), but less so during the Dilma Rousseff administrations (2010 onwards), Brazil has focused on building South-South relations through 'multilateralism, bilateral relations, and informal mechanisms of cooperation' (Almeida, 2009: 175). Similarly, for China a core foreign policy goal involves 'promoting South-South cooperation, bringing about a more just and equitable multilateral trading regime and ensuring a bigger say and greater role in decision-making for developing countries in international trade and financial affairs' (Hu cited in Ratliff, 2012: 216; Cheng, 2006: 505, 510). In terms of the international environmental and climate change agenda, both countries have also begun to coordinate their position in international climate change talks, particularly since 2009.

As two of the world's leading emerging powers, Brazil and China are now coordinating their moves in the international arena through forums such as the G20, G77, BRICS and the BASIC (Brazil, India, South Africa and China) group. As Cordeiro Pires comments, with China now the world's largest producer of greenhouse gases, "China, the "grey giant," when standing next to Brazilian the “green giant,” has greater leverage compared to when standing alone” (2015: 246). Both countries have therefore become major players in international climate change talks as emerging powers; however this is also a recognition of their vulnerability to climate change and environmental disasters such as droughts, floods, deforestation, landslides and pollution. They not only share concerns about climate change vulnerability, their policies are also driven by energy security requirements and the need to reconcile environmental policy with economic development priorities. Since COP15 in Copenhagen in 2009, the major developing countries have increasingly coordinated their position in international climate change negotiations through the BASIC group (Harris, 2011: 11), initially rejecting binding carbon emissions targets for the emerging powers to a greater (India and China) or lesser (Brazil and South Africa) extent (Hochstetler and Milkoreit, 2014). Since 2009 both Brazil and China have gradually shifted their position towards a greater acceptance of the responsibility of major developing countries for carbon emissions, leading to voluntary commitments in the run-up to COP21 to cut carbon emissions by 2025 and 2030, as expressed in bilateral agreements with the US (White House, 2015a, 2015b) and their Intended Nationally Determined Commitments (INDCs) submitted ahead of the negotiations.

Up to the mid-2000s, Brazil’s perspective on international environmental policy also emphasised the national interest, defined as the right to economic development, including the exploitation of natural resources. This view translated into an emphasis on national sovereignty over natural resources and on developing countries’ common but differentiated responsibilities regarding the climate change agenda. In recent decades this perspective has shifted, particularly following the Earth Summit in Rio in 1992. Brazil’s involvement in developing the Clean Development Mechanism (CDM) in the 1990s signalled a commitment to climate change mitigation, thereby explaining the country’s focus on supporting financial and technical compensation for climate change policies and adaptation in developing countries (Johnson, 2001: 182). In 2009 the Brazilian government committed itself to a unilateral and voluntary reduction of carbon emissions and began shifting its position in climate change talks away from the traditional emphasis on developing countries’ differentiated responsibilities. The country has also made significant progress in combating deforestation and has become a model for renewable energy use in the National Climate Change Plan, all of which have informed Brazil’s decision to shift to a more proactive commitment to global environmental action in order to develop a leadership role in this area (Riethof, 2016a). In recent international climate change talks – for example Copenhagen, Durban and Paris – Brazil has demonstrated more flexibility concerning the common but differentiated responsibilities principle while continuing to resist calls to add major developing countries to Annex 1. These strategies reflect the country's ambition to take a leading role in global climate change policy and to serve as a model of green development and renewable energy in the developing world.

In China's case the principle of common but differentiated responsibilities has also driven the government's national and international climate change policy. While accepting the multilateral climate change framework of the UNFCCC (UN Framework Convention on Climate Change), China has consistently rejected binding emissions targets for developing countries, insisting on the principle that developed countries should bear primary responsibility due to their historic contribution to climate change (Harris, 2011: 2). Similar to Brazil, China's economic development priorities, including energy security, appear to override concerns about sustainability and climate change (Ibid.: 8-10). However, China's position as a major contributor to carbon emissions and concerns about growing domestic consumption levels has increased international pressure on the country to address climate change (Rong, 2010: 4583-4). This international pressure and the country's vulnerability to the negative effects of climate change have resulted in voluntary commitments to carbon emissions reductions and a bilateral climate change agreement with the US in the run-up to COP21 in 2015 (Jayaram, 2015: 223). Moreover, according to Moore (2011: 149, 152), development and environmental priorities do not automatically clash, as "China's policy on climate change is best understood as a collection of policies calculated to pursue other interests, but which have co-benefits for the reduction of greenhouse gas emissions". Jayaram (2015: 225) argues that the area where China has made most progress is renewable energy, which Moore (2011: 152-3) explains as resulting from Chinese concerns about energy security and the country's dependence on energy imports. Consequently, "the key point about China's policies to promote energy efficiency and renewable energy, usually seen as part of its climate change policy, is that they accomplish broader [development and security] goals" (Moore, 2011: 153). For China the responsibility of developed countries for climate change also translates into the latter's obligation to provide technical and financial support for developing countries for climate change mitigation and adaptation (Balme, 2011: 49). This combined commitment to renewable energy and energy security helps explain China's drive to invest in hydro-electric power generation in Brazil.

Sino-Brazilian Relations and the Struggle for Renewable Energy: The Case of Hydropower

Renewable energy has become increasingly important as world leaders seek to reduce the rate of climate change whilst simultaneously increasing energy supplies through the use of renewable natural resources. Since the energy shortages in 2001, Brazil has shown a renewed interest in energy-generation and in the search for additional and diversified energy sources. This energy deficiency provided the Brazilian government with "a window of opportunity to pursue energy development projects despite their environmental and social costs" (Carvalho, 2006: 248). Furthermore, increasing domestic oil production and mining as well as Brazil's expanding agricultural sector have placed growing pressure on energy resources as demand outstrips capacity. The extractive boom and prioritisation of mining, hydrocarbons and soy production in Brazil has also contributed to the speeding up of energy infrastructure projects. In 2014, Brazil was the eighth-largest consumer of energy in the world, with total primary energy consumption almost doubling in the last decade because of its sustained economic growth (EIA, 2015). The high proportion of renewable energy use in Brazil has also allowed the government to argue that the country can meet its climate change commitments by increasing renewable energy use alongside reducing deforestation.

Under the Clean Development Mechanism, Brazil has become one of the main destinations for funds to build large hydroelectric dams to deliver renewable energy with low greenhouse gas emissions. Designed to assist developing countries achieve sustainable development while enabling developed countries to achieve their emissions reduction targets set under the Kyoto Protocol, Brazil has embraced CDM as a means of pursuing its energy-generation plans while maintaining its international commitment to reduce global carbon emissions. Although the Amazon River has been considered as a potential source to generate energy since the late 1960s, under the banner of green energy, the Brazilian government has expanded considerably its plans for hydroelectric dams as its tries to meet its rapidly rising energy demands. Brazil's 2011-2020 energy expansion plan called for 48 additional large dams to be built in the next decade, 30 of which would be in the legal Amazon region. This would be the equivalent of an average rate of one dam every four months (Fearnside, 2012). While Brazil's hydropower potential is the third largest in the world behind China and Russia, the relatively flat Brazilian Amazon is less suited to hydropower given that this form of energy production requires an elevation gradient. Therefore, the hydroelectric plants will require large and shallow reserves (Finer and Jenkins, 2012). The large distances between the main producers and consumers – the wealthier states in the southeast of Brazil – have meant that the expansion of renewable energy production also requires the construction of transmission networks, affecting local communities and the environment.

As a result of Brazil's potential for hydropower expansion, a key aspect of Brazil's development policy involves reducing its dependence on energy imports and utilising its untapped hydropower of around 180,000MW. In order to satisfy demand, Brazil needs to add around 6,000MW each year for the next decade to its installed generating capacity of 121,000MW (Economist, 2013). Carvalho argues that despite the environmental and social costs associated with hydroelectric dams and Brazil's tumultuous political context, large-scale energy development continues to dominate the policy process because of the potential gains, both economic and strategic, associated with energy development as well as Brazil's patrimonial politics that "affords the dominant coalitions much better access to key decision makers and resources (financial and personnel)" and allows them to pursue agendas over long periods of time (2011: 247). In addition to these factors, the emergence of the green energy model has provided Brazil with a legitimate means of pursuing its energy-generation plans by incorporating, under the guise of green energy, its hydropower potential into its development strategy. Moreover, this pursuit for "green energy" has been supported on a global level by multilateral institutions such as the World Bank which has significantly increased its funding for dam construction and now considers hydroelectric energy to be a critical part of its clean energy matrix (Bratman, 2015) Yet, the green economy, the current global economic model developed in response to the tensions between environmental protection and economic development, remains based on raw extraction (Gudynas, 2010). Furthermore, the green economy has provided another way to turn nature into a source of profit by creating a new market for green technologies, goods and services.

It is within this discourse of clean energy strategies that Brazil has positioned itself as a global leader in hydroelectric energy, with the increasingly important role of Chinese investment in infrastructure, production and technology. Although there are no comprehensive statistics available detailing Chinese investments in Brazil (Ratliff, 2012: 217), the available information indicates that it has become China's second-largest investment destination in Latin America after Venezuela since the mid-2000s. The bulk of Chinese investment in Latin America has targeted the energy sector – particularly the oil industry but also renewables – and infrastructure, such as roads, railroads and ports (Gallagher and Myers, 2014). In 2012, 60% (US$ 2.6 billion) out of a total of US$ 4.3 billion worth of Chinese investments in Brazil was destined for the energy sector, including renewable energy and oil. In the same year, the Chinese company State Grid invested US$492 million in electricity transmission networks to link the large Amazonian hydro-electric dams to the national grid. As part of an international consortium State Grid also bid successfully to construct transmission lines for the Teles Pires hydro-electric complex in the states of Pará and Mato Grosso, with the consortium now controlling "the rights to more than 10,000 kilometers of transmission lines in the country" (Cote, 2014: 19). Chinese investment was not restricted to hydro-power as Astroenergy invested US$350 million in solar energy production in the northeastern state of Ceará (CBEC, 2014: 10-14). In 2013 China's investment in the energy sector comprised 43.9% of total investment, centring on oil and electric energy (Ibid.: 14). The China National Petroleum Corporation and the China National Offshore Oil Corporation bid as part of an international consortium for the exploitation of the pre-salt Libra oil field in October 2013. Echoing the June 2013 mass demonstrations in major Brazilian cities, the Libra auction sparked protests in Rio de Janeiro organised by trade unions and social movements as well as legal challenges to the selling off of the country's oil reserves (Braathen, 2015).

Even though oil is more important than electricity for bilateral trade, financial and technological investment in Brazil's renewables sector matches China's own energy policy, which has focused on reducing dependency on energy imports while diversifying energy sources (Koch-Weser, 2015: 26). Chinese demand for electricity-intensive materials such as aluminium are contributing to this surge in demand for electricity and are also a key driver behind Brazil's hydroelectric expansion plans in Amazonia. The severe droughts that Brazil suffered in 2014 and 2015 have also highlighted the vulnerability of the renewable energy sector to climate change, underscoring the need for further investment in dams and transmission networks. For these reasons, and despite the global economic downturn, Chinese investment in Latin America increased substantially in 2015, with investments in Brazil in oil, soy processing, infrastructure and hydropower (Myers, Gallagher and Yuan, 2016: 2). In 2015, following a visit of the Chinese Prime Minister Li Keqiang to Brazil, China Three Gorges Corporation bought two hydroelectric plants in Brazil as part of a US$ 53 billion investment package. These initiatives will likely lead to continued Chinese funding for Brazil's renewable energy projects, one of the most controversial aspects of the country's development agenda as evident from the large number of conflicts around hydro-electric power generation. While hydropower is widely accepted as a cleaner source of energy than fossil fuels, it comes at the cost of endangering biodiversity and indigenous livelihoods.

Renewable energy promises benefits such as a sustained supply of energy for economic and social development as well as reducing dependence on energy imports and fossil fuels. Chinese investment in the renewable energy sector in Brazil has increased in recent years, reflecting both countries' shared interest in enhancing their energy security by diversifying energy sources. However, dam construction projects are fraught with conflicts about their social environmental sustainability, as expressed in the domestic and international protests against dams such as Belo Monte, Rio Madeira, Teles Pires and São Luiz do Tapajós in the Amazonian region. Following President Lula da Silva's announcement of the Growth Acceleration Programme in 2007, the Rio Madeira Complex was listed as a high priority infrastructural project. Despite the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) originally opposing the approval of the preliminary license, the Madeira dam project was later agreed after the Ministry of the Environment caved under presidential pressure. As a sign of the government's displeasure at opposition to its hydroelectric dam projects, the head of the licensing department was immediately replaced and the IBAMA divided into two agencies, essentially paralysing many of its activities (Fearnside, 2014). Worryingly, this highlights how susceptible the system is to political pressure and has led to a number of precedents that fundamentally weaken the safeguard process for future dams.

Despite questions about consultation procedures and the social and environmental sustainability of large dam projects, the Brazilian government has highlighted the Rio Madeira hydro-electric complex in the state of Mato Grosso and the Belo Monte and São Luiz do Tapajós dams in the state of Pará as a cornerstone of Brazil's economic strategy since 2007 (Ministério de Minas e Energia, 2015: 84-88). After years of delays and under political pressure, the licensing for hydroelectric dams has been accelerated despite significant opposition. The Belo Monte Dam was finally approved by Congress and the Senate in July 2005 but challenges to the project's legality continue, as human rights violations and lacking consultation procedures have provoked significant protests by a wide-ranging domestic and international coalition of indigenous communities, the national Movimento dos Atingidos por Barragens (MAB, or Movement of People Affected by Dams), socio-environmentalist and human organisations (Fearnside, 2006: 20-23; Instituto Socioambiental, undated). Critics of hydro-electric dams, such as the NGO Instituto Socioambiental, have pointed out that the project is a prelude to further dam construction in the region, spreading the impact to other communities living in the area (Instituto Socioambiental, 2015; Fearnside 2006). At the same time, the construction process has created a frontier culture in the region, with people moving to the nearby city of Altamira in the hope of obtaining construction and related jobs. According to Assis da Costa Oliveira (2015: 140-1), the construction process has created an increasingly explosive social situation with rising incidences of sexual harassment, violence, homicide and human trafficking. Due to the dam's impact on river levels, local communities have experienced more extreme water level fluctuations than usual as well as flooding, leading to displacement and the destruction of livelihoods. These effects indicate that dam construction is likely to have longer-term, and possibly irreversible, implications for the region which have not been resolved by mitigation strategies proposed by the government and the construction consortiums.

Apart from the direct and indirect effects of dam construction on local communities and the environment, measures to mitigate and compensate for these impacts also appear to have failed to address the concerns of those affected by dams. These issues underline the anti-dam coalition's argument that their substantive concerns have not been addressed or resolved as a result of inadequate consultation processes (Riethof, 2016b; Instituto Socioambiental, 2015: 48-53). According to the MAB although the dam had started operating in 2016 several local – in many cases forcibly displaced – communities still had no access to a functioning sewerage system while indigenous rights continued to be violated (MAB, 2016a). A 2015 report by the NGO Instituto Socioambiental details the local impacts of the Belo Monte dam, focusing in particular on the effects of displacement, pressure on public services provision, and safety concerns among urban and rural communities (Instituto Socioambiental, 2015). The report demonstrates that some of the promised improvements funded by the Norte Energia consortium which owns the dam project have not delivered the desired outcomes. In the case of indigenous communities, a significant proportion of the investment to mitigate the negative impacts of the dam was spent purchasing boats, engines and petrol, leading the report to conclude that this money had created clientelistic relations between the consortium and the communities. The report also found increased consumption of processed foods while child malnutrition had risen by 127% between 2010 and 2012 (Ibid., 2015: 19, 21). Members of local fishing communities mentioned how during the construction process explosions, chemicals as well as the physical destruction of nature affected the fish stocks. Their forced displacement meant that these communities no longer had access to their traditional fishing grounds without having access to alternative livelihoods (Ibid., 2015: 18). Local groups, particularly women's movements in Amazonia, have also protested in urban areas such as Altamira and Belém against the rising cost of electricity (MAB, 2016b), indicating that hydro-power expansion has focused on powering development in wealthier parts of Brazil rather than increasing local access to electric power.

The Belo Monte protests led by indigenous and other local communities, environmentalists, labour and human rights activists have not been targeted exclusively at Chinese involvement but more generally at the neglect of the affected communities' rights, including appropriate compensation and consultation. However, in 2015 and in the midst of protests and debates about whether the Belo Monte Dam should receive an operating license given the violations of indigenous rights (Instituto Socioambiental, 2015), State Grid won a contract to construct and maintain a transmission line connecting the dam to the national grid (Xinhua, 2015). The company's involvement in Belo Monte became controversial when the construction consortium attempted to negotiate a partial authorisation to start construction in early 2015, before the dam's operating license had been approved. The Brazilian media also reported that the company intended to hire 10,000 Chinese workers, which would not have been permissible according to Brazilian labour legislation (Borges, 2015). The Belo Monte case illustrates the uneven impact of dam construction, framed in government discourses as producing development for Brazil as a whole. Mirroring Latin American debates about neo-extractivism's generalised benefits versus the local costs, we can find a similar dynamic in struggles against hydroelectric dams, with the added dimension of dams producing renewable energy. Whereas local communities have often suffered the negative effects, they have not necessarily benefited or received adequate compensation for their losses.

Conclusion

This article has explored how economic and political relations between Brazil and China have shaped the distribution of the positive and negative impacts of Brazil's recent commodity boom. The environmental dimensions of Sino-Brazilian relations have been little studied thus far, and when they have they have generally focused on the environmental effects of soy trade and road construction, such as deforestation, transport and land use changes. With the bulk of Chinese investment now destined for the energy sector – both fossil fuels and renewables – this article argues that the social and environmental effects of the asymmetrical relationship between Brazil and China is not only found in the export and infrastructure sectors but also increasingly in renewable energy projects. The latter, particularly hydro-electric power, has supported China and Brazil's search for alternative energy sources and their efforts to reduce carbon emissions associated with the export sector. However, large dam projects and linked construction processes, such as transmission networks and facilities for workers, have infringed on the rights of the local population. As a result of dam projects, local communities have faced problems such as flooding, pollution, land invasions and the influx of large numbers of people attracted by the dams' employment prospects. Meanwhile, reports on projects such as Belo Monte (Instituto Socioambiental, 2015) have detailed how basic services such as health, sanitation, education and energy for the affected communities continue to fall short of the wider benefits of hydropower for the Brazilian economy. The conflicts and controversies surrounding hydro-electric dams therefore illustrate the paradoxical relationship between environmental protection, the expansion of renewable energy, and the socio-economic development agenda in Latin America.

Although the expansion of hydroelectric power has been based on the exploitation of the supposedly renewable natural resource of water rather than the extraction of minerals and hydrocarbons, the construction and operation of hydroelectric dams has become associated with irreversible damage to the environment and communities living in the vicinity of the megadams. The debate on the sustainability of Latin America's neo-extractivist model is therefore highly relevant to the debates about the renewable energy sector. Under Latin America's progressive governments, neo-extractivist development strategies, reinforced by the global commodity boom lasting up to the late 2000s, allowed politicians to argue that there was a trade-off between the wider benefits of natural resource revenues, often reinvested in social programmes, and the localised interests of affected communities. In addition, together with the reduction of deforestation rates in Brazil, the expansion of hydropower has also supported Brazil's climate change agenda, juxtaposing the arguments about the environmental benefits and damage caused by the dams. Despite the politicisation of natural resources and Brazil's prominent position in international climate change debates, the country's economy remains highly reliant on nature and the exploitation of natural resources as the trends in trade and investment with China demonstrate. While the socio-environmental controversies surrounding Brazil's energy sector cannot be attributed solely to the intensifying political and economic connections with China, this relationship has reinforced the unsustainable dimensions of Brazil's export boom as well as the uneven distribution of its costs and benefits.

Bibliography

Acosta, Alberto. 2013. "Extractivism and Neoextractivism: Two Sides of the Same Curse." In Miriam Lang and Dunia Mokrani, eds. *Beyond Development: Alternative Visions from Latin America*. Amsterdam: Transnational Institute.

Almeida, Paulo R. de. 2009. "Lula's Foreign Policy: Regional and Global Strategies." In Joseph L. Love and Werner Baer, eds. *Brazil under Lula: Economics, Politics, and Society under the Worker-President*. New York: Palgrave Macmillan.

Altemani de Oliveira, Henrique. 2010. "Brasil e China: Uma nova aliança não escrita?" *Revista Brasileira de Política Internacional*. 53(2): 88-106.

Balme, Richard. 2011. "China's Climate Change Policy: Governing at the Core of Globalization." *Carbon & Climate Law Review*. 1(5): 44-56.

Borges, André. 2015. "Sem licença, State Grid tenta atalho para iniciar obras em Belo Monte." *O Estado de São Paulo*, 25 February.

Braathen, Einar. 2015. "Passive Revolution? Social and Political Struggles Surrounding Brazil's New-Found Oil Reservoirs." In John-Andrew McNeish, Axel Borchgrevink and Owen Logan, eds. *Contested Powers: The Politics of Energy and Development in Latin America*. London: Zed.

Brand, Ulrich. 2013. "Austria & Germany: Energy Policy and Resource Extractivism: Resistances and Alternatives." In Marlis Gensler, Rosa Luxemburg and Stiftung Brussels, eds. Energy Policy and Resource Extractivism: Resistances and Alternatives. Available at http://www.rosalux.eu/fileadmin/user_upload/reader-en-extractivism-tunis2013.pdf [Assessed on March 5, 2016].

Brand, Ulrich. 2012. "Green Economy—The Next Oxymoron? No Lessons Learned from Failures of Implementing Sustainable Development." *Gaia*. 21(1): 28–32.

Bratman, Eve. 2015. "Passive Revolution in the Green Economy: Activism and the Belo Monte Dam." *International Environmental Agreements*. 15(1): 61-77.

Burchardt, Hans-Jürgen and Kristina Dietz. 2014. "(Neo-)extractivism – A New Challenge for Development Theory from Latin America." *Third World Quarterly*. 35(3): 468-486.

Cardoso, Daniel. 2013. "China-Brazil: A Strategic Partnership in an Evolving World Order." *East Asia*. 30(1): 35-51.

Carvalho, Georgia O. 2006. "Environmental Resistance and the Politics of Energy Development in the Brazilian Amazon." *Journal of Environment and Development*. 15(3): 245–268.

Cheng, Joseph Y.S. 2006. "Latin America in China's Contemporary Foreign Policy." *Journal of Contemporary Asia*. 36(4): 500-528.

Conselho Empresarial Brasil-China (CEBC). 2014. "Boletim de Investimentos Chineses no Brasil, 2012-2013." Available at http://www.cebc.org.br/sites/default/files/boletim_de_investimentos_-_final_0.pdf [Accessed on March 30, 2016].

Cordeiro Pires, Marcos. 2015. "Notes on the Brazil-China Strategic Partnership." In Adrián Bonilla Soria and Paz Milet García, eds. *Latin America, the Caribbean and China: Sub-regional Strategic Scenarios*. Available at http://flacso.org/sites/default/files/Documentos/libros/secretaria-general/Latin%20America%20the%20Caribbean%20and%20China.pdf [Accessed on March 2, 2016].

Costa Oliveira, Assis da. 2015. "Violência social e Belo Monte: O dito e não dito nas condicionantes." In Instituto Socioambiental, ed. *Vozes do Xingu: Coletânea de artigos para o Dossiê Belo Monte*. São Paulo: Instituto Socioambiental.

Cote, Chris. 2014. "State Grid's Bold Leap: Chinese Investment in Brazil's Transmission Sector." In Margaret Myers and Lisa Viscidi, eds. *Navigating Risk in Brazil's Energy Sector: The Chinese Approach*. Washington DC: Inter-American Dialogue.

Dauvergne, Peter and Déborah B.L. Farias. 2012. "The Rise of Brazil as a Global Development Power." *Third World Quarterly*. 33(5): 903-917.

Energy Information Administration (EIA). 2015. "Brazil: International Energy Data and Analysis." Washington DC: EIA. https://www.eia.gov/beta/international/analysis.cfm?iso=BRA [Accessed on March 8, 2016].

Fearnside, Phillip M. 2014. "Brazil's Madeira River Dams: A Setback for Environmental Policy in Amazonian Development." *Water Alternatives*. 7(1): 256-269.

Fearnside, Phillip M. 2006. "Dams in the Amazon: Belo Monte and Brazil's Hydroelectric Development of the Xingu River Basin." *Environmental Management*. 38(1): 16-2.

Fearnside, Phillip M. and Adriano M.R. Figueiredo. 2015. "China's Influence on Deforestation in Brazilian Amazonia: A Growing Force in the State of Mato Grosso". Available at http://philip.inpa.gov.br/publ_livres/2015/Fearnside_&_Figueiredo-China_impact_on_MT_deforestation-BU-Working_paper.pdf [Accessed on March 3, 2016].

Finer, Matt and Clinton N. Jenkins. 2012. "Proliferation of Hydroelectric Dams in the Andean Amazon and Implications for Andes-Amazon Connectivity." *PLoS One*. 7(4): e35126.

Frechero, Ignacio. J. 2012. "The Return of the Dragon: China's Transformation and Its New International Role and Expansion in Latin America." In Xing Li and Steen F. Christensen, eds. *The Rise of China and the Impact on Semi-Periphery and Periphery Countries*. Aalborg, Denmark: Aalborg University Press.

Gallagher, Kevin P. and Margaret Myers. 2014. "China-Latin America Finance Database." Inter-American Dialogue. Available at http://www.thedialogue.org/map_list [Accessed on April 13, 2016].

Gudynas, Eduardo. 2010. "The New Extractivism of the 21st Century: Ten Urgent Theses about Extractivism in Relation to Current South American Progressivism." *Americas Program Report*. Washington, DC: Center for International Policy.

Guilhon Albuquerque, José A. 2003. "Brazil: From Dependency to Globalization." In Frank O. Mara and Jeanne A.K. Hey, eds. *Latin American and Caribbean Foreign Policy*. Lanham: Rowman and Littlefield.

Haibin, Niu. 2010. "Emerging Global Partnership: Brazil and China." *Revista Brasileira de Política Internacional*. 53 (special edition): 183-192.

Harris, Paul G. 2011. "Diplomacy, Responsibility and China's Climate Change Policy." In Paul G. Harris, ed. *China's Responsibility for Climate Change: Ethics, Fairness and Environmental Policy*. Bristol: Policy Press.

Hochstetler, Kathryn. 2013. "South-South Trade and the Environment: A Brazilian Case Study." *Global Environmental Politics*. 13(1): 30-48.

Hochstetler, Kathryn, and Manjana Milkoreit. 2014. "Emerging Powers in the Climate Negotiations." *Political Research Quarterly*. 67(1): 224-235.

Hurrell, Andrew and Sandeep Sengupta. 2012. "Emerging Powers, North-South Relations and Global Climate Politics." *International Affairs*. 88(3): 463-484.

Instituto Brasileiro de Mineração (IBRAM). 2016. "Comércio externo: Saldo balança mineral brasileira 2012-2015." Brasília: IBRAM.

Instituto Brasileiro de Mineração (IBRAM). 2015. "Relatório anual IBRAM, Julho 2014 – Maio 2015." Brasília: IBRAM.

Instituto Socioambiental. 2015. "Dossiê Belo Monte – Não há condições para a Licença de Operação." São Paulo: Instituto Socioambiental. Available at https://www.socioambiental.org/sites/blog.socioambiental.org/files/dossie-belo-monte-site.pdf [Accessed on April 10, 2016].

Instituto Socioambiental. Undated. "Especial Belo Monte: A polêmica da usina de Belo Monte." Instituto Socioambiental. Available at http://www.socioambiental.org/esp/bm/hist.asp [Accessed on April 11, 2016].

Jayaram, Dhanasree. 2015. "A Shift in the Agenda for China and India: Geopolitical Implications for Future Climate Governance." *Carbon & Climate Law Review*. 9(3): 219-230.

Jímenez, Carla, 2015. "Investimentos da China no Brasil vão de trem transcontinental a Petrobras." *El Pais Brasil*, 19 May. Available at http://brasil.elpais.com/brasil/2015/05/19/politica/1432059277_211030.html [Accessed on April 12, 2016].

Johnson, Ken. 2001. "Brazil and the Politics of the Climate Change Negotiations." *Journal of Environment and Development*. 10(2): 178-206.

Koch-Weser, Iacob. 2015. "Chinese Energy Engagement with Latin America: A Review of Recent Findings." Inter-American Dialogue Report. Available at http://1m1nttzpbhl3wbhhgahbu4ix.wpengine.netdna-cdn.com/wp-content/uploads/2015/05/IAD9783ChinaLAweb.pdf [Accessed on April 11, 2016].

Logan, Owen and John-Andrew McNeish. 2015. "From the King's Peace to Transition Society." In John-Andrew McNeish, Axel Borchgrevink and Owen Logan, eds. *Contested Powers: The Politics of Energy and Development in Latin America*. London: Zed.

McNeish, John-Andrew and Axel Borchgrevink. 2015. "Introduction: Recovering Power from Energy – Reconsidering the Linkages between Energy and Development." In John-Andrew McNeish, Axel Borchgrevink and Owen Logan, eds. *Contested Powers: The Politics of Energy and Development in Latin America*. London: Zed.

Ministério de Desenvolvimento, Secretaria de Comércio Exterior. 2016. "Intercâmbio comercial brasileiro: China." Available at http://www.mdic.gov.br//sitio/interna/interna.php?area=5&menu=576 [Accessed on April 11, 2016].

Ministério de Minas e Energia (MME), Secretaria de Planejamento e Desenvolvimento Energético. 2015. *Plano decenal de expansão de energia 2024*. Brasília: MME/PPE.

Moore, Scott. 2011. "Strategic Imperative? Reading China's Climate Policy in Terms of Core Interests." *Global Change, Peace & Security*. 23(2): 147-157.

Movimento dos Atingidos por Barragens. 2016a. "Belo Monte já gera energia, mas problemas continuam." Available at http://www.mabnacional.org.br/noticia/belo-monte-j-gera-energia-mas-problemas-continuam [Accessed on May 11, 2016].

Movimento dos Atingidos por Barragens. 2016b. "Mulheres atingidas denunciam alto preço da luz no Pará." Available at http://www.mabnacional.org.br/noticia/mulheres-atingidas-denunciam-alto-pre-da-luz-no-par [Accessed on May 11, 2016].

Myers, Margaret, Kevin Gallagher and Fei Yuan. 2016. "Chinese Finance to LAC in 2015: Doubling Down." Inter-American Dialogue, China-Latin America Report. Available at http://1m1nttzpbhl3wbhhgahbu4ix.wpengine.netdna-cdn.com/wp-content/uploads/2016/02/Dialogue-LoansReport-v4-lowres-1.pdf [Accessed on March 30, 2016].

Nature Conservancy. 2011. "An Overview of the Brazil-China Soybean Trade and its Strategic Implications for Conservation." Available at http://www.nature.org/ourinitiatives/regions/southamerica/brazil/explore/brazil-china-soybean-trade.pdf [Accessed on April 11, 2016].

O'Toole, Gavin. 2014. *Environmental Politics in Latin America and the Caribbean: Introduction*. Liverpool, UK: Liverpool University Press.

Pereira, Carlos and João de Castro Neves. 2011. "Brazil and China: South-South Partnership or North-South Competition?" Policy Paper no. 26. Washington DC: The Brookings Institution.

Ratliff, William. 2012. "China and Latin America: What Sort of Future?" In Manuela Nilsson and Jan Gustafsson, eds. *Latin American Responses to Globalization in the 21st Century*. Basingstoke: Palgrave Macmillan.

Ray, Rebecca, Kevin P. Gallagher, Andres Lopez and Cynthia Sanborn. 2015. "China in Latin America: Lessons for South-South Cooperation and Sustainable Development." Available at http://www.bu.edu/pardeeschool/files/2014/12/Working-Group-Final-Report.pdf [Accessed March 15, 2016].

Riethof, Marieke. 2016a. "Brazil and the International Politics of Climate Change: Leading by Example?" In Michaela Coletta and Malayna Raftopoulos, eds. *Provincialising Nature: Multidisciplinary Approaches to the Politics of the Environment in Latin America*. London: ILAS.

Riethof, Marieke. 2016b. "The International Human Rights Discourse as a Strategic Focus in Socio-Environmental Conflicts: The Case of Hydro-Electric Dams in Brazil." *International Journal of Human Rights*, forthcoming.

Rong, Fang. 2010. "Understanding Developing Country Stances on post-2012 Climate Change Negotiations: Comparative Analysis of Brazil, China, India, Mexico, and South Africa." *Energy Policy*. 38(8): 4582-4591.

Saad-Filho, Alfredo. 2012. "Neoliberalism, Democracy and Development Policy in Brazil." In Ben Fine, Chang Kyung-Sup, and Linda Weiss, eds. *Developmental Politics in Transition: The Neoliberal Era and Beyond*. Basingstoke: Palgrave Macmillan.

Schmink, Marianne and José Ramón Jouve-Martín. 2011. "Contemporary Debates on Ecology, Society and Culture in Latin America." *Latin America Research Review*. 46 (special edition): 3-10.

United Nations Human Rights Council (UNHRC). 2015. Report of the Special Rapporteur on the Rights to Freedom of Peaceful Assembly and of Association, A/HRC/29/25. Available at: http://www.ohchr.org/EN/Issues/AssemblyAssociation/Pages/AnnualReports.aspx [Accessed on March 15, 2016].

Unmüßig, Barbara, Wolfgang Sachs and Thomas Fatheuer. 2012. "Critique of the Green Economy - Toward Social and Environmental Equity." Available at https://www.boell.de/en/content/critique-green-economy-toward-social-and-environmental-equity [Accessed on March 10, 2016].

The Economist. 2013. "Dams in the Amazon: The Rights and Wrongs of Belo Monte". May 4. Available at http://www.economist.com/news/americas/21577073-having-spent-heavily-make-worlds-third-biggest-hydroelectric-project-greener-brazil [Accessed on March 8, 2016].

The White House, Office of the Press Secretary. 2015a. "U.S.-China Joint Presidential Statement on Climate Change." Available at https://www.whitehouse.gov/the-press-office/2015/09/25/us-china-joint-presidential-statement-climate-change [Accessed on April 11, 2016].

The White House, Office of the Press Secretary. 2015b. "U.S. Brazil Joint Statement on Climate Change." Available at https://www.whitehouse.gov/the-press-office/2015/06/30/us-brazil-joint-statement-climate-change [Accessed on April 11, 2016].

Wilkinson, John and Valdemar João Wesz Junior. 2013. "Underlying Issues in the Emergence of China and Brazil as Major Global Players in the new South-South Trade and Investment Axis." *International Journal of Technology Management & Sustainable Development*. 12(3): 245-260.

Xing, Li and Steen Fryba Christensen. 2012. "The Rise of China and the Myth of a China-led Semi-periphery Destabilization: The Case of Brazil." In Xing Li and Steen F. Christensen, eds. *The Rise of China and the Impact on Semi-Periphery and Periphery Countries*. Aalborg, Denmark: Aalborg University Press.

Xinhua. 2015. "China's State Grid Builds 'Electricity Super Highway' in Brazil." *Xinhua*, August 4. Available at http://news.xinhuanet.com/english/2015-08/04/c_134480636.htm [Accessed on April 11, 2016].

Zhongping, Feng and Huang Jing. 2014. "China's Strategic Partnership Diplomacy: Engaging with a Changing World." Available at http://fride.org/download/wp8_china_strategic_partnership_diplomacy.pdf [Accessed on March 3, 2016].