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The Lure of Chinese State Capitalism in Latin America: Influence, Investments and Imports

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by

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ABSTRACT OF THE DISSERTATION

The Lure of Chinese State Capitalism in Latin America:

Influence, Investments and Imports

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Professor John A. Agnew, Chair

This work proposes and explains a political-economic concept, defined here as the neoliberal-dirigiste continuum, which offers an explanation of the manner in which Chinese capital and Chinese State Capitalism have been invested and received in different ways across the distinct geographies and countries in Latin America over the last three decades. While bilateral trade is one measure used to gauge the attractiveness of the Chinese state capitalist model in targeted Latin American economies, foreign direct investment (FDI) and economic aid/assistance by Chinese firms and Chinese government actors are other mechanisms through which Chinese economic engagement in the region can be assessed. This dissertation employs a mixed-methods approach to developing a Chinese economic engagement framework given particular and distinct Latin American foreign policies. The *geographic variation* of the success of recent Chinese economic activity (particularly foreign investment) in nine targeted Latin

American economies (Colombia, Chile, Peru, México, Brazil, Argentina, Ecuador, Bolivia and Venezuela) is examined in order to understand Chinese economic actors' engagement in the region compared with that of European and US economic actors.

The dissertation of Thomas Peter Narins is approved.

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To Vishnu, Mom and Dad
Thank you for challenging me to do better and go farther

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Chapter 1 - Introduction

This work proposes and explains a geographic concept, defined here as the *neoliberal-dirigiste continuum,* which offers a political-economic explanation of the manner in which Chinese capital and Chinese capitalism have been invested and received in different ways across distinct geographies and countries in Latin America over the last three decades. While (1) bilateral trade is one measure used to gauge the attractiveness of the Chinese state capitalist model in targeted Latin American economies, (2) foreign direct investment (FDI) and (3) economic assistance by Chinese firms and Chinese government actors are other mechanisms through which Chinese economic engagement in the region can be assessed.

This project considers these three economic measures cumulatively to not merely construct a Latin American foreign policy framework spanning from the *practical* to the *ideological* as has been done by scholars in political science (See e.g. Gardini & Lambert 2011) but also to highlight the *geographic variation* of the success of recent Chinese economic activity (particularly foreign investment) in nine targeted Latin American economies: Colombia, Chile, Peru, México, Brazil, Argentina, Ecuador, Bolivia and Venezuela.

In general terms, *all* of these countries have historical legacies of centralized government (often in the form of military dictatorships) where economic decision making was made by elites who, often in collaboration with US and European government and business interests, prepared and sold resources for profit to key actors located at the center of the world economy. By directing resources and value out and away from their particular country, Latin American governments helped create an economic dependence between Latin America and both the EU and the US. This primarily involved the movement of basic or primary resources from Latin America to the center/advanced countries in the world economy. This historical legacy of

economic dependency brought on by European and US collaboration with Latin American elites is the main political-economic *unifying factor* that characterizes Latin America as a region today.

This work, however, while acknowledging this historical unity, also seeks to differentiate and distinguish the very real variation that exists across nine contemporary Latin American economies. More specifically, the overarching goal here is to offer a new tool: the *neoliberal-dirigiste continuum*, which uses the geographic variation of political economic policies of individual countries as the basis for assessing the degree to which Latin American countries have pursued economic relations with Chinese economic actors. At one end of the continuum exists an adherence to *neoliberal* economic principles (upholding open, free trade, low tariff barriers for trade and investment along with less government intervention and regulation in business). The opposing end of the continuum represents those countries that exhibit *dirigiste*[1] principles (those economies where the central government has a clear and strong say in the direction of the economy as opposed to simply having a regulatory role). While the modern US government, through its publically promoted policies of limited government intervention in the global economy, has come to epitomize the ideals of neoliberalism, it was the French government after World War II that decided to engage in significant state-directed investments. This, in turn, inspired the term used to describe a government that plays a very clear directing role in its country's economic policies - the opposing binary to neoliberal economics.

In more concrete terms, the nine Latin American economies selected and examined here have different trade and investment policy frameworks based on their political-economic and geographic orientations. In relation to Chinese economic engagement with these economies – a clear geographic pattern has emerged with respect to Chinese FDI. Those Atlantic facing economies (in general) have tended to attract more Chinese investment than those economies on

[1] From the French *diriger* – "to direct"

the Pacific. While part of the explanation for this – at one level – can be attributed to the resource complementarity, diversity of products and the market size of larger economies (i.e. Brazil and Argentina), the political ideologies of the leadership of each country also plays a key role in determining a country's economic engagement with Chinese actors. Leaders espousing populist and socialist visions as alternatives to US neoliberal policies, such as leaders in Venezuela, Argentina, and to a lesser extent Brazil and appear to find dealing with a system where the Chinese Communist Party helps to streamline financing and investment to be incredibly appealing. Part of this appeal or allure relates to these economies' dissatisfactions or unmet development promises with regards to their engagements with and within the prevailing Western-designed global economic system. The neoliberal-dirigiste continuum, then, is a tool meant to highlight and explain these geographically rooted differences.

The Neoliberal-Dirigiste Continuum

In general terms, the first four countries listed on the continuum are geographically situated on the Pacific Ocean. These countries also: 1) have relatively open trade and investment policies, 2) are economies that have benefitted from China's recent increased demand for energy, food and mineral resources (with the exception of México), and 3) operate using a political-economic framework that privileges relatively less government intervention in international trade and investment. Brazil, lying in the middle of the continuum, exhibits a mix of cautionary and engaged policies with regards to: its engagement with the current neoliberal model of international economy, as forwarded by the US and Europe on the one hand, and its ability to supply Chinese economic actors with low-end natural resources and high-end sophisticated products on the other hand. The final four economies on the continuum – Argentina, Ecuador, Bolivia and Venezuela – have demonstrated a general willingness to entertain and adopt certain

dirigiste principles for the simple reason that the leaders of these economies believe that state directed economic policies *work better* than those of the neoliberal world order. Figure 1 presents a graphical representation of this neoliberal-dirigiste continuum.

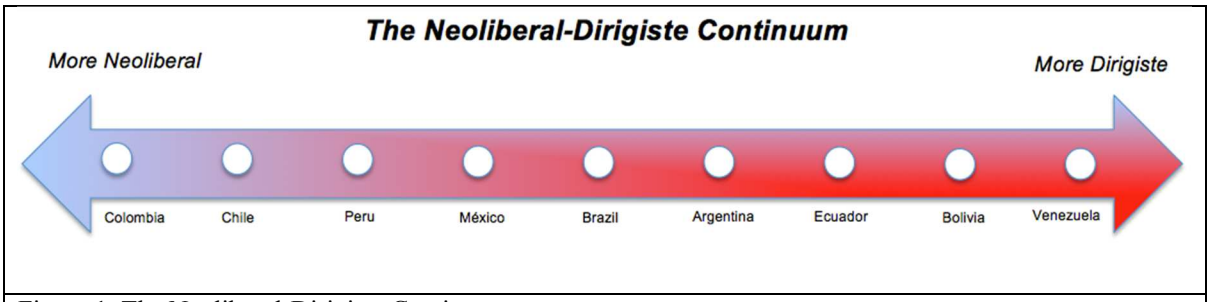

Figure 1. The Neoliberal-Dirigiste Continuum

Such a tool is particularly useful in studying Chinese-Latin American economic relations because with it, we can better understand and compare how and why Chinese trade, investment and economic aid with this region differs from similar economic activities between the global 'economic majors' (the US and the EU) and Latin America. So, for instance, by focusing on what Chinese firms are exporting to Latin America, we can ask if such exports are different than what Chinese firms are exporting to other parts of the world. Understanding the answer to this question serves multiple purposes. First, it can help explain the variegated nature of Chinese economic activities by world region. Second, it can highlight the importance and unique set of relations that comprises Chinese-Latin American economic exchange. In essence then, the neoliberal-dirigiste continuum seeks to both highlight the historic and ongoing unity of the economic development experience of Latin America (as a region) and to identify and distinguish the development particularities that describe each countries' independent foreign policies – especially as such policies relate to conducting trade, attracting foreign direct investment and receiving economic assistance from Chinese economic actors.

Resources, ideologies, institutions and experience with certain groups of foreigners/foreign influences help to shape Latin America's diverse political geography. To be fair, the continuum is meant to act as a *guideline* for thinking about Chinese economic engagement in Latin America. Numerous and notable exceptions and qualifications exist to explain why certain economies are placed next to others on the continuum. Bolivia, for instance, is not a large recipient of Chinese foreign direct investment (per se) but it is a very large recipient of Chinese economic development assistance (ODA) in the form of vehicles and concessionary loans. México is another example of an economy – that while large and important – is atypical of all other Latin American economies examined here. Mexico has not benefitted from the rapid purchasing increase from Chinese economic actors in the way that most other Latin American countries have. Part of the explanation here is that the Mexican economy consumes most of the commodities it produces – so engagement with China has been limited. Also, overlap between the strengths of specific Chinese and Mexican industries, has created more tension/competition than collaboration between these two economies. Ecuador, while Pacific facing, has exhibited elements of populism and a reassertion of the rights of its indigenous people to the exclusion of further adoption of neoliberal ideals.

Throughout this dissertation, two overarching ideas serve to inform, frame and shape Chinese economic actors' ability to engage with contemporary Latin American economies. The first idea is that the three decades of globalization that preceded the 2008 global financial crisis saw an unparalleled level of international industrial consolidation (Nolan & Zhang 2010). This international corporate consolidation primarily involved Western (US and European) corporate expansion and investment. Meanwhile, Chinese international investment was comparatively limited. While such investment on the part of China has increased in Latin American in more

recent years, Chinese firms are playing 'catch-up' to the original Western majors, who have 'been in the game' for many years.

A second overarching theme that influences all of the chapters in this work is connected to the idea forwarded by Lee (2014), which posits that it is Chinese *capital*, in addition to Chinese State Capitalism more broadly, that serves as a welcomed (though not perfect) alternative to western investment and economic aid regimes – many of which often have 'strings attached'. By understanding the ways in which Chinese financing is distinct from that of Western countries and firms, a better appreciation of the attractiveness of Chinese capitalism can be reached.

The remainder of this introduction briefly highlights the focus of each of the chapters in this dissertation. Chapter 2 advances our understanding of the possible linkages between the lure of Chinese state capitalism and the nature of Chinese firms in Latin America. Chinese firm activity is not identical to that of firms based in other countries. Chief among the distinguishing characteristics of Chinese capitalism is its privileging of the power of the state and the Chinese Communist Party as conjoined, embedded processes that run throughout former and current State Owned Enterprises (SOEs). It is this intimate relationship that drives and distinguishes Chinese firm activity both domestically and internationally. Prime examples of Chinese multi-national firms that have used their intimate connection with the state to expand and develop an international presence (and global brand) beyond China's borders include Lenovo (Computers), Huawei (Telecom) and Haier (Appliances).

For reasons relating to the unique institutional architecture of China's firm-state nexus, *Chinese firms and government-connected entities operating in Latin America need to be understood as operationally distinct players as compared with their European and US counterparts operating in Latin America*. European and U.S. actors, historically at least, had an

ideological strain running throughout their relations with Latin America that is largely absent from Chinese actors' contemporary forays here. The lingering negative effects of such politically dependent and economically extractive institutions are easy to identify.[2]

With regard to Chinese firms activities in the region, the endurance of dependency theory in the meta-narrative of Latin American economic development must not simply be assumed but critically examined given the nature of Chinese firms and the distinct, non-Western, nature of Chinese capitalism, which presents an arrangement of networks where businesses are linked to the state in ways that are fundamentally different from business-state relationships in the West. Both Chinese firms and Chinese capitalism are much more state involved than the neo-liberal forms of economic engagement that are most frequently championed by US and European governance frameworks. This chapter attempts to illustrate, by way of the *neoliberal-dirigiste continuum*, how even given a baseline of Chinese capitalism characteristics among firms trading and investing in Latin America, that Latin American economies themselves exist in a political/ideological range that shapes and limits the possibilities for Chinese state capitalism. Perhaps, because of the long history of state management of many Latin American economies, the emerging and increasingly successful Chinese variety of state capitalism may be an attractive model for economies in this region. *It is in part due to a long dirigiste history of economic management in Latin America, that, rather than feeling threatened by recent and large scale Chinese economic advances in the region, Latin American governments may view engagement with Chinese economic actors as a welcome opportunity for growth and an alternative to Western neoliberal ideas of free trade and non-interventionist governments.*

Chapter 3 is divided into two main parts. This first part of the chapter aims to broadly characterize recent bi-lateral trade between China and the Latin America and the Caribbean

[2] For an excellent discussion of European economic influence in Latin America see, e.g. Bulmer-Thomas 2003.

(LAC) region, as a whole. It also seeks to explain the levels of trade between China and each of the nine targeted Latin American economies discussed in this work: Colombia, Chile, Peru, Mexico, Brazil, Argentina, Ecuador, Bolivia, Venezuela. While Chinese foreign investment and economic aid to LAC (discussed in Chapter 4) play a central role in this bilateral relationship, I argue that Chinese-LAC trade is the most basic and fundamental form of economic relations between these two regions because this trade, like all bilateral trade, involves the exchange of goods to meet the demands and needs of each 'regional' economy[3]. After discussing the general trends that explain recent China-LAC trade relations, the second part of Chapter 3 shifts to considering a more specific question related to Chinese-Latin American trade relations: to what degree is the Chinese economy's 'export basket'[4] a contributing force influencing the technology upgrading of targeted Latin American economies' overall product mix?

Chapter 4 describes the industrial sectors and provides a country-by-country break down of Chinese FDI and economic aid in the nine-targeted Latin American countries that comprise the focus of this study. This work places politically distinct Latin American countries in a *neoliberal-dirigiste continuum* positioning Venezuela, Bolivia, Ecuador as the most *dirigiste* economic regimes in the region, followed by Argentina, Brazil, and Mexico, which represent a political middle ground between high levels of state control and neoliberalism (albeit with a range of variation among these three countries) and Peru, Chile and Colombia, which, to varying degrees can be seen as 'championing' neoliberal principles and policies in the region. The purpose of using this continuum in this chapter (and in this project more broadly) is to highlight the variegated attractive and repelling forces that exist on the ground, and influence *where* in Latin America Chinese business investment and aid are placed. The examination of China's

[3] While China is not itself a region, its rapid growth and size as compared to other Asian economies (apart from Japan) is significant enough for it to be a stand out case.

[4] Here "export basket" refers to all commodities exported from one country (i.e. China) to another country (i.e. Brazil).

position as a foreign investor in the region is contrasted against EU and US investments and aid in order to assess the comparative position and 'movement' of Chinese interests up the global power and influence ranking. Understanding Chinese investment and aid trends helps to accurately depict Chinese economic actors' emergence as a global financier, and at the same time provides a more accurate, fact-based, assessment of Chinese economic activity in Latin America. Such an assessment is useful in countering hyperbolic depictions of Chinese economic actors that are often portrayed as somehow 'taking over' and/or being seen as 'economically dominating' entire regions of the developing world (see Chapter 6).

Chapter 5 considers the ways in which Chinese resource companies and banks engage with investors and economies in Latin America. One of the driving questions here, when considering the operations and aims of Chinese firms in the region, is: "What makes Chinese firms different?" More specifically, I am interested in discerning what makes Chinese resources companies and banks behaviorally distinct from the US and EU firms and banks that are also operating in Latin America? An emphasis on behavior here is key since the assumption – (as is the case with all businesses) – is that there is some financial end goal or bottom line that is the ultimate target of any international business' expansionary efforts.

I argue, however, both in Chapter 5 and in previous chapters, that part of what makes Chinese business expansion into Latin America so unique and *alluring* to the main economies in the region, is the inherent umbrella like infrastructure, cumulatively referred to as "Chinese state capitalism," which in some ways is more understandable to Latin American economies than the neoliberal economic model advanced by the US and EU. More specifically the *dirigiste* nature of Chinese economic actors is both practically and historically familiar, attractive and understandable to a host of Latin American economies, many of which descend from lineages of state-run economies. Many Latin American state-run economies have gained strength from

trying to rebuild from the devastating consequences of Western (mainly US and EU) inspired neoliberal tenets of free-trade, open markets and limited government regulation. I argue that the spectacular growth of the Chinese economy generally, and the rapid growth of Chinese bilateral trade and overseas foreign direct investment (OFDI) in Latin America specifically, has served to rekindle Latin America's interest in state-centered economies and has simultaneously put into question the present and long-term relevance of the Western business "quarterly results" oriented framework that for more than a century has had a very noticeable presence among foreign direct investors active in the region.

Chapter 6 considers the Western media's portrayal of China's economy as inevitably coming to dominate the developing world. English and Spanish language journalistic portrayals of China's preordained economic domination of various developing world economies have proliferated in recent years (e.g. Fornés and Butt Philip 2012, Moyo 2012, Cardenal and Araújo 2014). This 'journalistic balloon' of China as the dominate player of the new economy, both now and into the foreseeable future, appears to satisfy commonplace Western preconceived notions that a rapidly growing, large scale, recent 'movement' of Chinese economic players beyond China's territorial borders and into the global economy somehow equates to a dissolution of the positions of the current major economic powers, namely the US and the EU. The inherently geographic concepts of scale, speed and variety of industries and spatial extent of Chinese economic activity has increased from very low levels in the early 1990s to, in many cases, finding a place among the top economic partners of certain economies in developing world regions such as Africa and Latin America. Nevertheless, as Chapter 6 attempts to argue, discussions of a 'new dependency' or of a resurgence of 'neocolonialism' associated with China's economic expansion into Latin America are, in fact, overstated. Trade data (see Chapters 3 and 6) with an emphasis on Chinese economic relations with Bolivia and Chile are

meant to tame this 'China hype'. In addition, a discussion of the varied policy orientations of the nine Latin American economies that comprise this broader study is also meant to tame the 'journalistic balloon' that has surrounded China's economic engagement with the region.

Finally, the Conclusions chapter reflects on some of the major findings of this study and considers the differences between Chinese economic relations with Latin America versus those with Africa.

Why focus on Chinese Economic Relations with Latin America?

China has been seen as an alternative to the United States and Europe by Latin American nations for support in the international community, for funding of infrastructure and humanitarian aid, and for creating economic growth. The number of high-level meetings between Chinese and Latin American officials have rapidly increased. These have been accompanied by number of bilateral agreements. In addition, over the last decade, China's interest in acquiring raw materials to feed its rapid economic development and industrialization has enabled Latin America, among other commodity-rich regions, to benefit from higher prices and larger orders for its exports (though such benefits may be more localized within certain regions of a country than is often presumed). Simultaneously, China has increased its exports of manufactured goods to Latin America so much so that bi-lateral trade has increased by a factor of more than twenty. The highest growth in this bi-regional trade has been Southern Cone and Andean countries' exports to China, which are concentrated in agricultural, energy and mineral commodities (Ferchen et al. 2013, 3).

In light of the size of China's internal market and the strength of its domestic economy an important question arises: "As domestic markets in China, India and Indonesia become vast, why do their firms need to even bother competing abroad for new markets and new customers? After

all, from a 'bottom line' business perspective, a practical argument can easily be made that businesses from these emerging economies can grow and achieve economies of scale at home, in their respective domestic markets. Such conceptions of businesses expansion do not take into account the reality of Chinese firms already facing global competition at home. After all, big listed American and European firms have Asian investments with a book value of about $2 trillion." (*Economist* 2014a).

A 2010 study by Gallagher and Porzecanski found that 92% manufacturing exports from Latin American were in sectors where China was increasing its market share while Latin America was decreasing its share, or where both China and Latin America were increasing their shares but where Latin American economies where doing so at a slower rate (Gallagher and Porzecanski 2010). However, according to Ferchen et al. (2013), whose recent study explores the extent to which South America is 'Sinodependent', Chinese demand for Latin American commodities has contributed less than 1 percentage point to GDP growth rates to four important Latin American economies (Brazil, Argentina, Chile and Peru) in recent years. This finding is surprising especially considering the increased exposure these economies have had to both Chinese state capitalism (in the form of increased visits by Chinese heads of states) and to the increase of Chinese loan making and product imports entering these markets (Ferchen et al., 2013).

In addition, according to a 2012 Fitch ratings report, in 2010, 92% of Latin American exports to China were commodities. 85% of Chinese foreign direct investment went to extractive industries, as did 60% of Chinese loans. The report stated that the effects are mixed but overall Latin America has benefited from the relationship with China by having its commodity prices increase as a result of demand, which has, in turn, led to increased growth, increased investment, and improved governmental financials (Fitch 2012).

According to Rathbone (2014), the presence of Chinese products, companies and actors in Latin America will increase overall competition and can only help the region's economies. Furthermore as China encounters many of the same problems other growing economies have encountered before it, it will shine a fresh light on the countries' various strengths and weaknesses. Interestingly, Chinese criticism will carry a unique sense of validity as it comes without the usual baggage associated with western neoliberalism. Globalization will then be revealed as much the same whether it is conducted along a 'North-South' or 'South-South' axis. In the more highly charged ideological environments of countries such as Cuba or Venezuela this can be viewed as beneficial (Rathbone 2014).

Although somewhat idealistic in sentiment, Khanna (2009) draws a connection between China's contemporary economic expansion and geopolitical arenas that naturally extend from and beyond pure politics when he states that: "[f]or Latin America, China represents a new way of doing business outside of America's thicket of codes and regulations, one that imposes no political conditionality whatsoever (Khanna 2009, 126). More important than US regulatory frameworks somehow repressing Latin American economic growth and opportunity is the idea that welcoming Chinese economic engagement with Latin America will actually benefit the United States as well. As Khanna correctly observes: "[i]f the United States is sincere about democratization in Latin America, it should see China's presence as an opportunity: Greater export revenues could allow governments to improve their social safety nets, empower popular participation in political institutions, and increase imports from America" (Khanna 2009, 126).

Another reason to focus on Chinese-Latin American economic relations relates to the frequency of exaggeration and hyperbole, that is spurred by mutual ignorance and geographic distance, between these two sets of economies. While Chapter 5 of this dissertation addresses the "China-hype" and the "journalistic balloon" surrounding 'China in the developing world' in a

more in-depth fashion, it is worthwhile making one relevant observation here. Leonard (2008) postulates that "China's ideas on world order…will have as dramatic effect on our foreign policies as its cheap exports have had on our economic ones." (Leonard 2008, 117). While this remark is telling (and typical) of the reaction that observers of developing and developed economies have towards Chinese economic activity, the statement that 'cheap Chinese exports' will continue to shape the way the Chinese economy is viewed beyond its borders has already begun to change. An analysis of this change, in the form of technology upgrading, is carried out in Chapter 3 and will examine the level of Chinese exports to nine targeted Latin American economies.

Why Focus on Latin America as a whole?

One of the main reasons to focus on Chinese economic activities with Latin America as a whole is to understand, at one and the same time, the growing importance of this region of the Americas to China's economy and to better appreciate the political importance that relations with countries like Brazil and those countries that currently recognize Taiwan will have on China's ability to steadily increase its economic and political ascent within and among the global hierarchy of powers in the international state system. Economically, the growing importance of Latin America to China is evident by a cursory examination of bilateral trade patterns. From 1995 to 2011, annual trade between China and Latin American countries grew 29.6 percent annually—from $4 billion to $253 billion. This represents a more than doubling of trade value every three years (Camus et al, 2013). As a result of this rapid growth in trade, China has emerged as Latin America's third largest trading partner; with only the US ($716 billion) and the European Union ($280 billion), being larger trading partners (UN Commodity Trade Statistics Database 2013).

The lion's share of Chinese government and private business motivation for economic engagement with Latin America has, to date, focused on enabling China to access larger and more reliable primary resources reserves. It is important to note that multiple factors combine to influence a state's natural resource policy – foremost among such factors is the political system/framework in place. Resources themselves do not determine the economic fate of a state or society. Perreault & Valdivia emphasize that "resource struggles are never only about resources…political economy and cultural politics are inseparable in resource conflicts, as contests over the distribution of rents and the objectives of national economic policy are infused with struggles over the meanings of development, citizenship and the nation itself." (Perreault & Valdivia, 2010, p. 697).

Importantly, Le Billion (2001) notes that natural commodities have an important relation to the "socially constructed nature of natural resources themselves, and thus fail to account for the social relations of production and consumption, as well as the geographical imaginaries that give resources their commodity form and social meaning (in Perreault & Valdivia, 2010, p. 690). Le Billion organizes resource types along four axes that include: spatially diffuse (i.e. forests and fisheries) and spatially concentrated (i.e. diamonds and oil wells); and those that are near population centers as well as those that are not (Perreault & Valdivia, 2010, p. 690).

In considering the demands of China's manufacturing and export dependent economy, this work attempts to make the case that the Chinese state capital model *itself*, is increasingly becoming an appealing draw to Latin American states that have experienced and endured the vicissitudes of promise and disappointment offered by the neoliberal US and European political economies.

Chapter 2 - The Lure of Chinese State Capitalism in Latin America

"Once written off as dinosaurs of a crumbling communist system, the structure, solvency and profitability of scores of big state enterprises were transformed in a decade. The giants of communist industry were suddenly throwing off billions of dollars in profits, courtesy of government protection from competition, cheap capital and efficiencies wrenched out of the companies during their overhaul. In 2007, the year which marked the historic high-point of fast economic growth in China, the combined profitability of centrally owned state enterprises reached $140 billion, compared to close to zero a decade before, and triple the earnings of five years before" (McGregor 2010, 55-56).

By way of introduction to discussing the attraction of Chinese State Capitalism in Latin America, in this chapter I first provide very *brief* histories of each of the Latin American economies examined in this dissertation from the perspective of each country's particular policy orientation. These histories provide a rationale and justification for the placement and order of each country on the continuum in an attempt to acknowledge the geographic and institutional variance that helps distinguish each of these nine countries' economic relations towards Chinese capital and Chinese State Capitalism. These brief country highlights also provide a historical foundation from which a more contemporary discussion of the allure of Chinese State Capitalism in the region can begin.

Brief histories of the nine Latin American economies' neoliberal/dirigiste policy-orientations

In 1944, reform began sweeping Latin America - revitalizing old democracies in Chile & Colombia and creating new ones in Guatemala, Peru, Argentina and Venezuela. (Grandin 2006, 40-41). In 1947, while the US began to signal its preference for democrats over autocrats, it eventually supported dictatorships "as a backstop against subversion" referring to the possibilities of democratic openness possibly allowing the communist ideals of the USSR to influence them. The US government also wanted to support dictatorships in order to protect their investments in the region. The argument here being that democracies – especially the populist forms found in Latin America – could lead to a wave of strikes demanding improved living conditions, wages, etc. Because of this fear, by 1952, nearly every democracy created in the post-war period had been overturned (Grandin 2006, 40-41)[5]. Having painted this brief historical backdrop of the political forces (internal and external) that have helped shape contemporary

[5] An in depth and personal account of US alignment with repressive regimes across Latin America is highlighted in Perkins (2005).

political realities in Latin America, now let us turn to succinctly consider the political histories of the nine economies that comprise the geographic focus of this study.

Colombia

Colombia, and specifically the Colombian government, has a long history of cooperation with the US – politically, militarily and financially. "The country…served as a "pre-Vietnam experiment in [Robert] McNamara's 'systems' approach to integrating many distinct components needed to identify an enemy" (Grandin 2006, 98). Civil war, violence and the accompanying lack of political stability that have been fueled by ongoing conflict between left wing, rural peasant/guerilla movements and the Colombian state have led to the rise of a sustained right-wing Colombian state leadership. The contract killings of paramilitary groups have been variously attributed to both the right and the left, making matters more complicated. Recent Colombian administrations in Bogota have received continued political and financial support from the US – the most in Latin America. For this reason, Colombia stands at one end of an political spectrum that describes contemporary Latin America (Artaraz 2012, 159). To emphasize this point, "Colombia was the only Latin American country that expressed formal support for the coup that ousted president-elect Manuel Zelaya of Honduras in June 2009, while Uribe's right-wing presidency was mired in civil and human rights violations at the side of paramilitaries" (Artaraz 2012, 159). In addition, Colombia was the only country in South America that supported the US invasion of Iraq and has also signed an agreement with the American military allowing it to use seven military bases in the country (Justice for Colombia). It is worth noting, however, that "the pro-US stance of Colombia has not prevented its government from actively seeking Chinese trade and investment" (Ellis 2009, 158).

Interestingly, and perhaps somewhat paradoxically, in contrast to its solid relations with the US, Colombia's relations with its Latin American neighbors can be best characterized as 'strained'. Relations with Colombia's two main neighbors – Ecuador and Venezuela – are particularly difficult. Both Ecuador and Venezuela have accused Colombia of violating their sovereignty by allowing military operations, general violence, drug trafficking and displaced people to spill over their borders. Simultaneously, Bogota has accused both Quito and Caracas of having sympathies with the FARC guerrilla group (Justice for Colombia). The FARC remain an ongoing problem for Colombia's government despite recent efforts by President Santos to try and open up a dialogue with the group's main representatives (*The Economist* 2014b). Recently, a new agreement has been reached between the Colombian government and the FARC, guerilla movement.

Chile

Like Colombia, Chile has a history of a strong state embodied in the form of a dictatorship (supported by business elites) set on using military strength and power to control and repress perceived leftist threats. Chile's political history, like Colombia's, is full of violence. Chile's violence was carried out in the form of torture and "disappearances", much like that of Colombia. Similar to the case of Colombia, Chile's dictator, Augusto Pinochet, was supported by the US government as he carried out his violent repression of perceived political opposition. In addition to political/military allegiances and support by the US, Chilean neoliberal economic thought was, famously, based on the free-market principles taught by leading American proponents of less government regulation of the economy. Interestingly, and perhaps not surprisingly, both Chile and Colombia, since the 1970s and today, enjoy high levels of foreign investment support. One of the political distinctions that can be attributed to Chile is that, unlike Colombia, the Chilean government did not support the US invasion of Iraq. More recently

Chile's political landscape has also been accented with reminders of a left-wing body politic. The country has twice elected, in two non-consecutive terms, Michelle Bachelet, a left-leaning president who has made free, universal education to all Chileans a major agenda item of her second presidency.

Peru

Since the 1960s, Peru has faced political and economic challenges that have mirrored some of the macro-trends facing Latin American more broadly. These include dealing with narco-trafficing, insurgent groups, internal political instability, border disputes, burdensome foreign debt and difficulties in its relations with the United States (Berríos 2003, 203). More specifically, similar to the case of Colombia, where the State had been in a protracted battle with the FARC, Peru's political development and challenges have also been shaped by Peruvian state's activities against the Shining Path (*Sendero Luminoso*) leftist group. Today Peru, like Colombia, is a multi-party democracy. In the later half of the 1980s under President Alan Garcia, Peruvian foreign policy focused on "anti-imperialism, non-alignment and support for Latin American unity" (Berríos 2003, 212). During the subsequent Fujimori Administration, however, these anti-neoliberal movements were reversed. With the recent election of President Humala, Peruvian political ideology has at one and the same time appeared to have both returned to a more nationalistic position, now more sympathetic to the causes of labor rights and the poor, and increased investment ties with Chinese and US interests – especially in Peru's mining industry.

Mexico

Since 1928, the National Revolution Party, which was later renamed the Institutional Revolutionary Party (PRI), consolidated many of the ideals of the Mexican Revolution and put

them into effect. These ideals included: the nationalization of the oil companies, the free distribution of land to peasants and farmers, the creation and growth of labor unions and the Social Security Institute and the general protection of national industries. The PRI consolidated power so completely that soon the Mexican political system came to be known as "elected authoritarianism" since the party was seen as willing to take any measure in order to remain in power (Schedler 2004). This notion of the Mexican political system being 'authoritarian' led to a 71-year period (1929 to 2000) where Mexico was considered a unique example of constitutional government in an era and in a region where governmental coups and military dictatorships were the norm.

In addition, the weight of importance that Mexico has assigned to its relationship with the United States cannot be underestimated. As such, "for Mexico, "internationalization" primarily means entry to a U.S.-led political economic world" (Levy & Bruhn 2001). Within Latin America, however, Mexico is a regional power that has the largest economy, and is therefore important. However, in terms of societal development indicators relating to standard of living, etc., Mexico shares elements of poverty and despair that make it more closely aligned with more economically disadvantaged and still-developing societies in Latin America. In essence, it is social underdevelopment that can be one of the common defining characteristics that Mexico shares with other Latin American countries, such as Brazil. At the same time, market size, natural resources and a large geographic footprint place Mexico and (as we will see in the next section) Brazil in the middle of the neoliberal-dirigiste continuum.

Brazil

Despite the presumed leftist tilt of Brazilian politics following the 2002 election of Luiz Ignacio Lula da Silva ("Lula"), who led the Brazilian Workers' Party (Partido dos Trabalhadoes

– PT), the country has recently followed a much more pragmatic and less ideological political pathway. In fact, according to Kingstone and Ponce (2010, 98), "Lula's government has offered little to suggest the emergence of a clear leftist alternative to the Washington Consensus or a new political style as an alternative to Brazil's traditional pattern of coalition building and bargaining". This assessment helps to explain why Brazil lies in the middle of the continuum. In this country we see, at one and the same time, a quest to participate in non-Western international institutions (such as South-South NGOs and BRICS banks), while at the same time maintaining a strong economic relationship with the US and the EU. Interestingly, and unlike most leftist administrations, the Brazilian government under Lula has shown a preference for maintaining macro-economic stability with low inflation rates – as a way of encouraging more economic growth and employment – as opposed to prioritizing higher rates of employment coupled with lower interest rates. According to Kingstone and Ponce (2010, 109) this somewhat contrarian approach "is understandable given Brazil's experience with inflation".

Argentina

According to Edwards (2010), "Argentina epitomizes Latin America's historical proclivity toward macroeconomic instability, trade imbalances and costly crises" (Edwards 2010, 145). Because of the collapse of the Argentine economy in 2001-2002, which some say is strong evidence against neoliberalism, market reforms and globalization (Edwards 2010, 143), the Argentine state has gone through a period of loan defaults and, I argue, has become more open (or desperate) to find much needed investment funds from the governments of China and Russia. The most recent economic crisis is reminiscent of previous Argentine currency collapses and debt defaults that took place in the 19th and 20th centuries. Argentina's attempts to implement economic stabilization also failed. So we see here a recurring and historically persistent theme

with regards to Argentine economic instability. Similar to other South American countries, Argentina has had a common history of being home to right-wing dictatorships that have disrupted/overthrown democratically elected rulers since the 1930s (Spektorowski 2003). As with Chile and Colombia, strong dictatorships led way to periods of neoliberal economics. Argentina is the perfect case study of the failures of such neoliberal policies.

Ecuador

The tumultuous history of United States intervention in Latin American forms of self-rule and sovereignty resulted in a lengthy period of weakness for regional state institutions (Smith 2000). While some states in the region are recent exceptions to this trend (i.e. Brazil and Chile have developed notably strong political institutions), Ecuador, is not yet in this category. Historically, Ecuador's presidential powers have not been strong enough to promote policy changes towards a more stable government. Ecuador's frustrated sense of sovereignty has not only complicated its relations with the United States but has also encouraged its leaders to seek development pathways, partners and opportunities independent of the U.S.'s center of gravity. This diminished sense of sovereignty began to reverse with the 2006 election of Raphael Correa as President of Ecuador (Narins 2013).

Ecuador, in attempting to manage domestic development projects, is faced with trying to balance its laws and enforcement mechanisms with other countries' interests in Ecuadorian territory. This tension has not only complicated its relationships with the United States but has also encouraged its leaders to seek development pathways, partners and opportunities independent of those provided by the US. In this sense, Correa's rise as a national-level politician marks the beginning of an emphasis in the renewal of state sovereignty as a key Ecuadorian policy orientation (Narins 2013).

Bolivia

Under the leadership of President Morales, Bolivia's recent foreign policy orientation has its foundations in populist notions of the majority indigenous, multi-cultural Bolivian community finally receiving a larger share of the benefit from Bolivia's national/natural resource wealth. The magnitude of foreign interests benefiting from Bolivian resources has placed recent Bolivian political ideology towards the extreme dirigiste end of the neoliberal-dirigiste continuum. Socialist and populist ideas espoused by President Morales have been extremely popular, so much so that Morales, in 2014, was elected president of the country for a third time. Interestingly, economic growth has increased steadily under Morales' leadership. Despite a Bolivian populist and domestic discourse focusing on expelling foreign mineral and hydrocarbon companies, the Morales administration has worked to ensure foreign capital (and much needed technical expertise) remains in Bolivia.

Venezuela

Under the previous Chavez Administration, Venezuela has forwarded its ideological views of starting a Bolivarian revolution to unite Latin America into one political entity. Employing its petroleum wealth as a justification for wielding a 'big stick' in the region, Venezuela and its policies can be best described as statist – a condition where the state controls either economic or social policy, or as in the case of Venezuela, both. While current Venezuelan President Maduro may not have the same charisma as his predecessor, his administration has continued to try to silence the opposition, viewed as right-wing antagonists who are aligned with the Yanqui/Imperialist northern interests, namely the US. Lying at the

extreme dirigiste end of the neoliberal-dirigiste continuum, Venezuela (its leadership) presents a populist platform that criticizes US interests even while the Venezuelan state itself is dependent on oil sales to the U.S. One common feature that leaders at this end of the continuum have is the attractiveness of working-class men rising up to be the leaders of countries. Bolivian President Morales was a Coca farmer prior to being President and Venezuelan President Maduro was, at one point, a bus driver. This leadership trajectory has proven especially successful in the more dirigiste of the Latin American economies examined in this project.

Chinese State Capitalism has had multiple encounters with Latin America. From an economic perspective, China's engagement with Latin America must be seen as part of China's broader global economic and political expansion strategy (Shambaugh 2011, ix). Initially, ideological in nature, Chinese-Latin American relations today are firmly grounded in economic complementarities both in terms of natural resources and in terms of economic development frameworks and philosophies. In this sense, Chinese economic engagement with Latin America *is* ideological. The political and ideological rhetoric is no longer cloaked in discussions of Maoist liberation fighters in the jungles of South America, rather the ideology now centers on: *Which economic system should countries adopt and use given the less than optimal results that have emanated from their historical dependencies on US and European economic frameworks?*

Chinese State Capitalism's encounter with Latin America has its ideological origins in the British government's intervention in markets beyond its borders in the 18th century. Keeping certain important areas of economic activity under state control and ownership, and using government subsidies to promote exports and even cutting deals with autocratic states to ensure natural resource supplies is actually an English innovation (Cassidy 2010). During its ascent up the industrialization ladder, Britain protected its economy - especially its manufacturing sectors and industries that the British government identified as being crucial to its overall economic

development. In fact, other economic powers like France and the United States also protected their economies with tariffs and taxes while they were still in their development stage. This chapter explores the financial arrangements and connections that contemporary Chinese firms have with the Chinese state. The British experience highlights the fact that such relations between private and public sector entities within an economy are not novel. The Chinese model of state capitalism is different, however, in that the speed and scope of its geographical expansion have taken place over a very short time frame (three decades). Most importantly, as we seek to understand Chinese economic expansion in Latin America, it is essential to keep in mind that the Chinese model of state capitalism is not (and never will) replace a Western free market model of capitalism because such a market (in its purest form), has never existed (Cassidy 2010).

This chapter, along with chapters 3 through 5, advances our understanding of the possible linkages between the nature of Chinese firms and the relative attractiveness of doing business with Chinese firms in Latin America. Chinese firm activity is not identical to that of firms based in other countries. Chief among the distinguishing characteristics of Chinese capitalism is its privileging of the power of the state and the Chinese Communist Party as conjoined, embedded processes that run throughout former and current State Owned Enterprises (SOEs). It is this intimate relationship that drives and distinguishes Chinese firm activity both domestically and internationally. Prime examples of Chinese multi-national firms that have used their intimate connection with the state to expand and develop an international presence (and global brand) include Lenovo (Computers), Huawei (Telecom) and Haier (Appliances).

For reasons relating to the unique institutional architecture of China's firm-state nexus, *Chinese firms and government-connected entities operating in Latin America need to be understood as operationally distinct players as compared with their European and US*

counterparts operating in Latin America. European and U.S. actors, historically at least, had an ideological strain running throughout their relations with Latin America that is largely absent from Chinese actors' contemporary forays here. The lingering negative effects of such politically dependent and economically extractive institutions are easy to identify.

With regard to Chinese firms active in the region, the endurance of dependency theory in the meta-narrative of Latin American economic development must not simply be assumed but critically examined given the nature of Chinese firms and the distinct, non-Western, nature of Chinese capitalism. Chinese State Capitalism presents an arrangement of networks where businesses are linked to the state in ways that are fundamentally different from business-state relationships in the West. Both Chinese firms and Chinese capitalism are much more state involved than the neo-liberal forms of economic engagement that are most frequently championed by US and European governance frameworks. Chapter 1 attempted to illustrate, by way of introducing the *neoliberal-dirigiste continuum*, how even given a baseline of characteristics of Chinese firms trading and investing in Latin America, that Latin American economies themselves exist in a political/ideological range that shapes and limits the possibilities for Chinese State Capitalism. Perhaps, because of the long history of state management of many Latin American economies, the emerging and increasingly successful Chinese variety of state capitalism may be an attractive model for economies in this region. *It is in part due to a long dirigiste history of economic management in Latin America, that, rather than feeling threatened by recent and large scale Chinese economic advances in the region, Latin American governments may view engagement with Chinese economic actors as a welcome opportunity for growth and an alternative to Western neoliberal ideas of free trade and non-interventionist governments.*

Despite sharing historical and cultural similarities with Latin America, US and European economic processes have not translated into successful models of economic management in Latin America. In fact, instances of Latin American countries adhering to US business and government efforts to liberalize their economies have suffered from economic weakening (see e.g. Grandin 2006). There is a range of responses and engagements with distinct types of economic governance in the region. As discussed in Chapter 1, this overall project attempts to characterize this range as a *dirigiste-neoliberal continuum* in order to address and assess the potential lure of Chinese State Capitalism in Latin America. This chapter aims to analyze the significance of Chinese State Capitalism for (and in) Latin America.

State Capitalism

State Capitalism is an important economic system in the contemporary global economy. While markedly distinct from the neoliberal, open, free-trade models of economic organization that characterize Western and widely accepted international financial systems, the existence and persistence of state capitalism, is growing and therefore cannot be neglected. By some estimates, firms that are under some sort of government control are said to account for twenty percent of the total global stock market capitalization (*Economist* 2010). More striking yet, for the purposes of this endeavor, is that in China more than 60 percent of stock market capitalization is comprised of companies where the government is a controlling shareholder (Musacchio & Lazzarini 2014, 3).

State Capitalism develops and changes over time. In its traditional form, referred to by Musacchio & Lazzarini as "Leviathan as entrepreneur", state capitalism is a model where

"governments own and manage state-owned enterprises (SOEs) as extensions of the public bureaucracy". More recently, two other forms of state capitalism have emerged that posit a government's relationship to a firm as being a "majority investor" or "minority investor". In the former form, the state remains the controlling shareholder, but this arrangement allows for private investor participation. In the later form, "the state relinquishes control of its enterprises to private investors but remains present through minority equity investments by pension funds, sovereign wealth funds, and the government itself" (Musacchio & Lazzarini 2014, 2).

In a recent *Economist* article "Leviathan as capitalist", state capitalism is considered an economic system that has withstood the ire of critics and the test of time. Labeled as a system that "continues to defy expectations of its demise", the continued widespread global popularity of state capitalism is undeniable. Part of the reason for its continued popularity in developing economies, most notably in the Chinese economy, is that state-run economies have been extremely successful (*Economist* 2014c). In considering the neoliberal-dirigiste continuum of openness to privatization at one extreme and of economic processes and financing of state-ownership at the other, in Latin America, there has been a decided shift towards the latter.[6] The trend towards an increased state role in national economies and international economic investments has served to further question the universal acceptance of neoliberalism, and along with it, Fukuyama's triumphant call for "the end of history" (Fukuyama 1993). While the meaning of the recent revival of state capitalism may be hard to assign and decode in all its varied forms, it is clear that governments now realize that state-owned enterprises can be financially profitable and need not solely represent the bailout-targets of the 1980s and 1990s.

[6] In terms of the amount of money Chinese have officially invested in individual Latin American countries.

The "majority" form of state capitalism is especially popular in China. It involves the state subjecting an SOE to investor scrutiny and governance standards required to complete a stock market listing with the state itself retaining the bulk of the shares (Economist 2014c). When considering Chinese SOEs, some are very well run and, despite having to uphold the interests of the Chinese Communist Party, they tend to operate efficiently and seek to make a profit. Another key benefit of state capitalism and SOEs operating in such a system is that both can offer long-term investment in countries that have dysfunctional or weak capital markets (Musacchio & Lazzarini 2014). Contemporary Chinese State Capitalism in particular privileges the negotiating and signing of long-term contracts (often oil-for-loans or other resources-for-loans deals) in Latin American countries that themselves may have perceived weaknesses in or altogether absent institutions that protect foreign trade and investment. As will be discussed in this chapter, Argentina, having defaulted on significant loans, has sought Chinese (and Russian) investment assistance in order to develop key resource reserves for eventual export to world markets. According to Musacchio & Lazzarini, SOEs represent a range of good and bad outcomes for capitalistic economic systems: "the best SOEs have demonstrated that they can thrive without the guiding hand of the state", while "the worst have proved that, however many market disciplines you impose upon them, they will still find a way of turning state capitalism into its ugly sister, crony capitalism" (*Economist* 2014c).

In sum, the evolution of state capitalism spans from *Leviathan as entrepreneur*, where governments develop and manage state-owned enterprises (SOEs) as extensions of the public bureaucracy to *Leviathan as majority or minority shareholder*, where governments have an ownership stake as an investing owner in a firm but are not necessarily involved with the overall control of the firm. While the extent of government involvement in firms has evolved and fluctuated over time, the temptation to intervene in company operations, especially in natural

resource industries, has not diminished. Because natural resource management plays a large role in the national psyche of developing economies and can be thought of interchangeably as *national* resources, especially those economies that have endured the humiliations of extractive institutions, governments around the globe are likely to continue to demand a shareholder position in such firms moving forward, despite the inefficiencies often associated with traditional SOEs operating in primary resource sectors. Chapter 5 examines the positionality of Chinese state owned mining firms (and their national financial partners/policy banks) with US and EU firms and financial partners in order to critique the idea that operational inefficiency must necessarily be associated with traditional SOEs.

Expansion of the Chinese Economy

A commonly repeated idea in contemporary examinations of 'China's place in the global economy' stipulates that the driving force behind domestic firm expansion beyond China's borders relates to the need to secure natural resources to maintain economic growth as being a defining explanatory characteristic of the Chinese economy. This chapter stipulates that such reasoning, while certainly part of the overall logic of the Chinese government's and Chinese firms' international expansion over the past three decades, is not the sole motivating factor for increased global interaction. Factors such as the prestige of exporting goods and investing in new markets, together with elaborate financing strategies for infrastructural projects combine to make Chinese economic actors forays into the global economy very multidimensional and complex.

China's 'need for resources', while surely one of the drivers of Chinese business actors' expansion beyond its borders, and while certainly important for developing China's internal domestic and export economy, leaves out one crucial explanatory component. Because of the centrality of Chinese State Capitalism in the Chinese economy, Chinese businesses base their own strategies and operations on the impetus, encouragement and backing of official government

policy makers, which, since the early 2000s have very publicly been focused on facilitating the expansion of Chinese economic projects beyond China's borders in order to "catch up" and address competitive disadvantages they have in relation to already developed economies (Child & Rodriguez 2005).

One way to understand the unique way in which Chinese economic actors are engaging with distant economies is to acknowledge that Chinese firms are newcomers to the currently dominant, Western inspired international economic system. Two significant differences stand out between Chinese and Western corporate development trajectories. The first difference stems from the fact that "Corporate China" is significantly younger than "Corporate America" or "Corporate Europe". Chinese companies' rapid growth trajectory requires that they learn how to develop their business while simultaneously transforming into global industry giants (Backaler 2014, 11). The second difference stems from the historical legacy that China's SOEs have played in leading and controlling China's planned economy – a key facet of China's industrialization (Backaler 2014, 11). So the way in which Chinese government and business actors engage in trade and investing internationally is inevitably shaped by the legacy of Chinese State Capitalism where economic directives were (and for a large part continue to be) driven by decisions made by the upper echelons of the Chinese communist party.

Chinese State Capitalism – SASAC and a move towards the market

A large part of the success that Chinese corporations have encountered as they expand, trade and invest beyond Chinese borders can be attributed to the state-led institutional framework that the Chinese government has developed to expand its economy. While this economic drive began in earnest in the early 2000s as a quest to secure natural resources in developing markets and to invest capital outside of China, it has now has diversified across different geographies and industries (Wuttke in Backaler 2014, xiii). Because of the success of the Chinese variety of state capitalism and economic growth, "Chinese companies now operate in nearly every country around the world and at a tremendous scale" (Backaler 2014, 2). Apart from the scale and amount of capital invested by Chinese, state-backed corporations, it is also important to realize that Chinese companies operating and investing in a global environment, having matured in a domestic business environment that is markedly different from that of firms from developed countries in Europe or the U.S. (Backaler 2014, 9).

The reasons for the operational and strategic differences observed between Chinese international economic behavior and that of Western business can be better conceptualized by examining the unique and complex relationship that exists between Chinese SOEs and the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC). What makes SASAC so centrally relevant to the state-business nexus in China is that it is these companies' largest controlling shareholder. In addition, because of the size of China's SOEs both in terms of capital under management and revenues, SASAC has been termed "the world's largest controlling shareholder" (Aguiar et al., 2007). Established in 2003, SASAC enables China's State Council to consolidate authority and control rights over national Chinese SOEs. SASAC's list of official functions and responsibilities is extensive and includes: drafting

regulations on the management of SOE assets, protecting and increasing the value of state-owned assets, restructuring central SOEs, appointing and removing top SOE executives (SASAC 2013).

While the Chinese economy comprises more than its "national champion" SOEs, the state sector and the functioning of SOEs, is a significant part of the national economy (Lin & Milhaupt 2013, 702). In 2011, more than 60% of China's largest 500 enterprises (310 enterprises, including all of its 30 largest enterprises) were SOEs, with total assets of $13.43 trillion and profits of 0.3 trillion RMB. (See Press release of China Enterprise Confederation/China Enterprise Directors Association). These figures explain the importance and centrality of SASAC in China's economy.

While Lin and Milhaupt (2013) draw attention to the fact that China now has the second most companies on the Fortune Global 500 list out of all of the countries in the world, it is important to note that the term "Global" is problematic. When considering the geographical expansion of China's economy, such terms can be misleading and therefore deserve further clarification.

The Fortune Global 500 list ranks companies based on annual revenues[7] not on geographic expansiveness. While "the national champions are the fullest expression of state capitalism in China – the global face of China Inc." (Lin & Milhaupt 2013, 702), it is important to note that to date, global has a dual-meaning. First, 'global' signifies the presence of Chinese companies on important corporate indexes such as the Forbes Global index. However, since assets and business conducted, can refer to domestically administered assets and investments, achieving a high rank/position on this list this does not necessarily mean that such Chinese firms are the most *transnational* in nature.

[7] (Footnote: See Global 500 2013 *Fortune,* available at: http://money.cnn.com/magazines/fortune/global500/2013/snapshots/6388.html),

China's distinction of being the country that has the second highest number of companies on this list does not translate into meaning that its companies are the most *geographically dispersed* (in terms of being represented in a greater number or variety of places across the earth's surface) than companies based in other countries. In other words, the *transnational* aspect of a company's sales and investment network are not captured in such 'global' rankings. For this reason, a mere tallying of the number of Chinese companies on this list does not address the more overarching theme of the extent of Chinese business actors' geographic expansion beyond its borders. To their credit, Lin and Milhaupt (2013) do address the limitations of size, but rather than focus their claims on geography, they focus on the need to avoid linking Chinese business size to innovativeness or efficiency (Lin and Milhaupt 2013, 703). It is also worthwhile noting that while Chinese corporations such as PetroChina may have most of their assets focused on Chinese and Asian operations; some do have capital invested in significant international investments. Haier, a Chinese appliance manufacturer, has invested in factories in the Southern U.S. Huawei, a Shenzhen-based telecom equipment manufacturer, has sizeable operations across Latin America and Africa. Finally, Li-Ning, a Chinese athletic apparel manufacturer has set up a marketing office in Oregon and has begun to attract attention among international athletes and sports enthusiasts.

Vicente-Gonzales (2011) argues that it is better and more precise to portray Chinese companies as the market entities that they are. At the same time, scholars such as Power and Mohan (2010, 488) are correct in recognizing the connectedness of China's geopolitical, geo-economic and techno-developmental aims. These aims are in many ways similar, though not identical, to the overall development needs expressed by Western governments in reference to their own economies. Power and Mohan emphasize the importance of recognizing "the Orientalisms at work in Western characterizations of China as an exception" and remind us that

certain aspects of China's development vision may approximate that of Western interests.

Understanding SASAC and the ways in which it is connected to Chinese businesses, is crucial in explaining how Chinese companies grow and expand their networks overseas and, at the same time, how this government entity is contributing to new ways of thinking about and behaving with Chinese economic actors, particularly SOEs, beyond China's borders. One way in which Chinese SOEs are distinct from Western companies is that each company's majority shareholder is 100% owned by SASAC and that these companies are "contractually bound to promote the policies of the state" (Lin and Milhaupt 2013, 700). Top managers of China's 'national champion' firms[8] - state-owned firms that play key roles in developing and maintaining natural resources and infrastructure and that at one and the same time hold corporate, government and particularly political party positions. Put another way, the main difference between Chinese and Western capitalisms, lies in the fact that decision making for how resources should be allocated is made by political officials (as opposed to market forces) with political goals occupying an important part of the strategic calculus of a company's *modus operandi* (Bremmer and Stewart 2010).

Macro-level generalizations and comparisons with other controlling shareholder regimes, however, are likely to mislead, because several aspects of China's regime make it highly distinctive. First, it is uniquely encompassing in scope. In no other country is a single shareholder - private or public - so pervasively invested in the leading firms in the national economy. SASAC directly or indirectly controls the majority stake in almost all critical industries in China, in areas such as automobiles, energy, steel and telecommunications (Lin and Milhaupt 2013, 735). Second, from SASAC's perspective, national champion firms "represent much more than a purely financial investment for the party-state. SASAC, as the organizational

[8] See Walter, C. and Howie, F.J. (2011) for an in-depth discussion of China's National Champion firms and how they have shaped China's engagement with the world economy.

manifestation of the party-state in its role as controlling shareholder, seeks to maximize a range of benefits extending from state revenues to technological prowess and from soft power abroad to regime survival at home" (Lin and Milhaupt 2013, 746).

In many western countries, such government-corporate arrangements are often viewed as having 'a conflict of interest' and are many times deemed illegal. Because the political economy of Chinese business-state relations is clearly different than that of the Western model, understanding the ways in which China's system interacts and contests the Western financial system is a question of enduring importance. Defining and articulating such different approaches to business development will be useful in characterizing the future varieties of capitalism within the global economy.

Finally, as Lin and Milhaupt correctly point out, while there is much yet to be understood about Chinese State Capitalism, the centrality and complexity of SASAC makes clear that examining Chinese government-business interactions at the individual firm level – as is often done in the West – is flawed because corporate *groups* are the dominant organizational structure in China's state-owned sector and that "the listed firm is just one part of a complex web of corporate entities and relationships that characterize Chinese State Capitalism" (Lin & Milhaupt 2013, 701). These authors attempt to take on this endeavor by exploring "the relational ecology that fosters production in a system where all roads eventually lead to the party-state" (Lin & Milhaupt 2013, 701).

While, Latin American states, such as Brazil and Chile have trade and economic development agencies linked to the state, such development institutions are not linked exclusively and specifically with the particular *political party* occupying the executive branch of government at any given time. It is important to note, however, that within the global economy, even the US government, one of the leading paragons of neoliberalism, makes use of massive

state financing such as the U.S. Export-Import Bank in order to "fill gaps in the trade finance market by working with lenders and brokers to ensure that U.S. businesses get what they need to sell abroad and be competitive in international markets" (US ExIm Bank 2014). Nevertheless, the idea of the *networked hierarchy* is useful in describing the way in which top-down governance influences and shapes state-controlled corporate groups and helps us understand the unique relationship that the Chinese government has with China-based businesses and with driving economic development, more broadly.

The lure of the Chinese State Capitalist model in Latin America

As Chinese economic activities continue to reach and build up an enduring presence beyond China's borders, the Chinese state capital model, characterized by the close connection between Chinese private businesses and SOEs having in mind the goals of the state (and more specifically the Communist Party), is successfully competing with western-style capitalism in Latin America. In 2010 alone, Chinese bank loans to Latin American economies were valued at approximately US$36 billion and were greater than loans originating from the World Bank, International Development Bank (IDB) and the US Export Import Bank, combined (Gallagher et al. 2012, 7). Such large, rapidly increasing and recent loan making on behalf of China's policy banks to select Latin American economies raises several important questions. How prepared are Latin American economies to engage with the distinct Chinese state capital model? How feasible is it for Latin American borrowers to adapt to the distinctive Chinese way of lending?

In the case of contemporary Argentina, there exists a strong willingness to interact with Chinese lenders and to seek help from Chinese financial institutions. In part because Argentina recently lost a dispute over paying interest on its bonds involving hedge funds in a US court, it has become increasingly clear that Argentina is reaching out to more politically and

economically like-minded partners in order to seek investment financing to help it develop its large Vaca Muerta shale formation in Patagonia. The funds needed to develop this vast natural resource wealth are being increasingly sought from both Chinese and Russian interests. Leaders in Buenos Aires are dependent on FDI to develop these shale formations, considered to be among the world's largest.

One of the specific reasons that Argentina is courting Chinese and Russian lenders (two of the world's most prominent state capitalist economies) is that the South American country has been barred from international capital markets since defaulting on almost $100 billion in debt in 2001 (Mander 2014). According to the *Financial Times*, however, Argentina's relations with international investors are gradually returning to normal, with the government resolving a series of disputes in recent months. Nevertheless, state dominated economies such as those of China and Russia have cash on hand to invest and are staffed with technocrats who have decades of management and practical experience with developing and managing natural resource reserves. However, as Carlos Germano correctly points out, "The fact that both Putin and Xi are sitting down with an Argentina that repays its debts is very different from doing so with an Argentina in default," Germano continues to state that "if the latter were the case I don't know whether they would come to Buenos Aires." This indicates that while Chinese and Russian leaders may have larger amounts of capital ready to invest in the early stages of a point-source natural resource project, 'return on investment' remains as important an issue as with any, traditional western lender.

From the perspective of insolvent or weak Latin American economies, another draw of doing business with Chinese-government backed business actors relates to these actors' ability to conduct business by engaging in RMB currency swaps. Argentina recently engaged in discussions to conduct a US$10 billion currency swap with China. Such a swap would enable

China to receive renminbi for its exports to Argentina, thereby taking pressure off shortages of dollars in Buenos Aires as it remains unable to borrow abroad until the holdouts issue is resolved (Mander 2014).

One of the questions implicit in Chinese state-led firms' international expansion is: can successful Chinese firms that have grown rapidly and have proven their capabilities to construct transportation, electrical and other infrastructures on such a massive scale (both within and beyond China's borders), somehow translate their success to benefit economies of the developing world? In essence, does Chinese economic activity stimulate significant 'knock-on effects' in developing economies in which Chinese actors engage? While there is ample political rhetoric that promotes China's official desire to engage in 'win-win' relations with the 'Global South', actual empirical studies investigating the extent to which Chinese actors provide some form of benefit to developing markets are not common. Chapter 3 of this dissertation attempts to address the question of 'benefit' by examining the extent to which Chinese exports with nine Latin American economies play a role in differentiating South-South trade with North-South trade. Specifically, the second part of Chapter 3 examines the extent to which Chinese exports are involved in the process of technological upgrading of Chinese products entering the Latin American market. The upgrading of the quality of exports to developing markets, for instance, may serve as an indicator of more affordable alternatives to advanced (added value) products that would otherwise be sold exclusively by traditional, Western, developed economies such as those of the EU or the US.

Kotschwar et al. (2012) emphasize the role that Chinese businesses can play as diversifying agents in the natural resource economies of many developing economies, such as those found in Latin America, and how infusions of Chinese capital and participation act as change agents for disrupting the monopoly conditions of national (or *nationalizing*) resource

companies that would otherwise dominate and perpetuate the traditional set of relations between resource-rich export economies and foreign investors and traders. Some argue that China's interest in procuring long-term contracts and "locking-up" natural resource supplies so as to gain preferential access to energy, food and mineral wealth, (Kotschwar et al. 2012) show that China's presence in these economies actually increases the competitiveness of the global supplier system by diversifying (or diluting) the monopoly strength of national natural resource actors in particular Latin American economies. In addition to natural resource acquisition, some Chinese companies "expand into new business lines due to the fierce competition at home, which can make entering overseas markets the best option to maintain growth rates" (Backaler 2014, 31). The overarching aim of this dissertation is to explore and assess the attractiveness of Chinese economic expansion into contemporary Latin America. Throughout this exploration, emphasis is placed on contributing to the growing literature relating to the connections between Chinese-state capitalism and the internationalization of Chinese businesses beyond its borders (e.g. Medeiros 2009).

The effects of Chinese State Capitalism are already noticeable in different regions of the world. Countries like Brazil, Russia and Vietnam are copying "Beijing's activist industrial policy that uses public money and foreign investment to build capital-intensive industries" (Leonard 2008, 120). Similar to China, these countries believe that well run SOEs can raise massive profits for the government, thereby enabling the party in power to achieve its political and social goals while simultaneously preventing political opposition from challenging the incumbent administration's powerbase (Leonard 2008, 121).

Apart from the tightly bound relationships that exist between the Chinese government and the Chinese economy, the ideological differences between Chinese and Western visions of economic protection versus openness help to distinguish Chinese government-backed economic

initiatives in the wider global economy. In reference to China, Leonard (2008) states that "the ideal of a 'Walled World' where nation states can trade with each other in global markets but maintain control over their economic future, their political system and their foreign policy is emerging as an ideological challenge both to the US philosophy of a 'flat world' and the European preference for liberal multilateralism" (Leonard 2008, 133). Stated even more directly, over the last few years, Beijing has been putting in place a plan to gradually "undermine Washington's dominance of international finance" (Dyer 2014).

Another way in which the Chinese state offers a different approach towards addressing the challenges of international business has to do with the extent and measures the Chinese government takes on behalf of Chinese companies. As Prestowitz (2014) states, "GE or Boeing or Intel cannot call up the NSA and ask it to obtain specific information as it seems Chinese companies routinely do with their military and spy agency hackers" As mentioned earlier, [i]n China, SOEs generate more than half of the nation's GDP. China does not draw the stark line between government and business that the U.S. does. While China is a member of the WTO and other so-called free trade pacts, such agreements do not deter China from assisting firms that its government considers vital to its national economy (Prestowitz 2014, A17).

Chinese State Capitalism in flux

Chinese economic activity in Latin America, has developed and matured in stages. Four years/time periods stand out in the development of Chinese-Latin American economic relations: the late 1990s, 2001, 2008 and 2012-14. These years mark key moments of economic opening, the formal connection with the modern western capitalist world trade regime through China's admittance into the World Trade Organization (WTO), the global financial crisis that gave Chinese firms and China's government the opportunity to facilitate additional and deeper

economic connections with economies beyond its borders (Nolan 2012), and the apparent and recent shift in emphasis of the China Development Bank (CDB) and the China Export Import Bank (Eximbank), China's two policy banks – from performing their originally intended role as banks which support Chinese government's state objectives (Gallagher et al. 2012) towards acting more like commercial banks by placing increasing importance on return on investment in recent times.

Another key distinguishing feature of Chinese State Capitalism is that municipal and provincial level governments have been 'corporatized'. In describing corporatization, Backaler (2014) states that Chinese firms have "specific key performance indicators (KPIs) they must meet, similar to how a company might measure the performance of its employees" (Backaler 2014, 14). This is markedly different from the regulatory role played by municipal and state/provincial level governments in Western economies. This type of financial reorganization of the goals of Chinese policy banks shows that the Chinese SOEs are showing signs of recognizing the need to change and adapt to the contemporary global business climate including giving outside investors a larger role in corporate decision making, and through such scrutiny, thereby improving the performance for the firm (*Economist* 2014a). Still, such change is not easy to bring about in part because "deep-rooted political interests are contributing to preventing quicker SOE reforms" (Backaler 2014, 20-21).[9] The use of negotiations over more formal written contracts is another distinguishing feature of Chinese economic activity both in Latin America and in other developing regions. As Leonard notes, "these elaborate courtship rituals, seemingly devoid of substance or direction, have been honed over centuries to nullify Western negotiating strategies, and bring foreigners into Chinese ways of doing things, creating webs

[9] Interestingly, the only Asian countries where family firms are not the dominant and important form of corporation are China, which took a detour into state capitalism (though even there they are making a comeback), and Japan, where American administrators dismantled the family groups after the second world war." (*Economist,* May 31, 2014, Special Report, p. 11).

based on personal contact rather than contractual obligations" (Leonard 2008, 9). China faces a tension between accommodating to the capitalist world inspired by the US.

Internationalization is one of the biggest challenges facing Chinese SOEs. This has to do in part with Chinese National Champions being so comfortable and successful in a domestic market that had been closed for so long to meaningful competition. Chapters 3 through 6 consider the implications, both economically and societally, of Chinese economic engagement with Latin America. While the recent expansion of state-backed projects into the developing world, most notably those backed by the Chinese government, has led some to claim that the very nature of state capitalism and its support for national champions ranks "among the ten most important threats to market capitalism" (Bower et al. 2011), the speed and scale of new Chinese financing in Latin America is undeniable and on the whole it is very much welcome, especially on the part of Latin American governments.

Complexities of China as a State/Private Actor

While the Chinese state capitalistic system is driven and coordinated by the Chinese government in Beijing, the Chinese economy is not as controlled and as regulated as it may appear. As Walter and Howie (2011) explain: "Greed is the driving force behind the protectionist walls of the "state-owned" economy "inside the system" and money is the language. There is a political ideology that disguises the privatization of state assets behind continuing "state" ownership" (Walter and Howie, p. 22). Since 1978, according to Walter and Howie, "China's state sector has assumed the guise of Western corporations, listed companies on foreign stock exchanges and made use of such related professions as accountants, lawyers, and investment bankers. This camouflages its true nature: that of a patronage system centered on the Party's *nomenklatura*." Insights such as these highlight the complexities of the Chinese state capital system and offer a glimpse of a system that is ultimately human in its scope and its fallibilities.

Ultimately the Chinese Communist Party (CCP), through its power over the Chinese economy, can intervene in corporate decision making for a variety of reasons including: investing in new projects, ordering mergers and even changing CEOs. Because of the CCP's power to control information, actions such as the adoption of laws, accounting standards, and decisions to enter new markets (or not) are decided on by a process that is concealed.

The complexities of Chinese State Capitalism, can also be understood by examining the varied spatiality of Chinese firms in Latin America. There is a great deal of variegation across the diverse investment landscapes that comprise Latin America. This variegation can be seen empirically across distinct Latin American economies that have trade and investment relations with the Chinese economy. Chapter 3 of this work investigates the spectrum of states that include closed, institutionally primitive regimes, on the one hand and liberal, open-trade, free market regimes, on the other. A closer examination of Chinese financial activities in Latin America will illustrate the utility of the *neoliberal-dirigiste* continuum, which was introduced in Chapter 1 and receives different forms of elaboration in Chapter 3 (trade), Chapter 4 (foreign investment and economic aid) and Chapter 6 (multiple economic indicators simultaneously).

Chinese Finance in Latin America

A comparison of twenty years of corporate governance scholarship makes clear that forms of corporate capitalism do not have to be identical around the world in order to be successful (Lin & Milhaupt 2013, 704). This concept becomes even more evident when Chinese State Capitalism interacts with Western Capitalism in a non-core region, such as Latin America. Because Chinese banks focus on different sectors than Western lenders in Latin America, Chinese financing organizations attract different borrowers as well. In fact, Venezuela, Brazil, Argentina and Ecuador have accounted for 91 percent of lending to Latin America since 2005. Whereas the governments of other major natural resources producers, such as Peru, Colombia,

Chile and Mexico have received little or no loans from China. In contrast, Western Banks and IFIs are the major lenders to Colombia, Mexico and Peru (Gallagher et al. 2012, 3-4).

In 2010, direct investment into Latin America from Chinese firms totaled $15 billion, which was more than double the aggregate amount invested between 1990 and 2009 (Camus et al, 2013). This rapid increase of Chinese financing activities in this region suggests that Chinese banks' lending behavior in Latin America is different from that of International Financial Institutions (IFIs) and Western banks. For example, while IFIs and Western banks have demonstrated a proclivity to lend to a range of environmental, government and social projects, Chinese banks, since 2005, distribute 87 percent of their Latin American loans to projects in the energy, mining, infrastructure, transportation and housing (EMITH) sectors (Gallagher et al. 2012, 3). This difference in loan targeting by Chinese and Western banks working within Latin America speaks to Western policy preferences for poverty alleviation through social empowerment initiatives. This contrasts markedly from practical Chinese policy preferences for supporting key industries, the "EMITH sectors" of energy, mining, infrastructure, transportation and housing, which it has determined contribute to directly supporting economic growth (Gallagher et al. 2012, 3).

Depending on the point of view adopted, economic growth can be considered from the Latin American perspective to mean domestic economic growth for host Latin American economies engaging with Chinese foreign investment and trade. More likely, however, is that economic growth from the Chinese perspective involves business creation, market expansion and trade development for its SOEs. Chinese SOEs are not only some of China's largest companies, a number of which are ranked close to the top of Forbes' list of Global 500 firms, but more importantly for China, are SOEs that are concentrated in the EMITH sectors. Such industries

and SOEs have been in the sectors that the Chinese government has historically fostered since the time predating China's economic opening in the early 1990s.

Perhaps because of the confluence of market size, large populations and natural resource packages, only Argentina and Brazil have received sizeable shares of lending from both Chinese and Western banks. It is worth noting that in the case of Chinese loans to Brazil and Argentina, the vast majority of Chinese financing to each of these countries came from one loan. Another notable distinction between Chinese and Western loans made to LAC countries can be observed by loan size. While most Chinese loans were valued at $1billion or larger, only 22 percent of World Bank loans and 9 percent of International Development Bank (IDB) loans were as large (Gallagher et al. 2012, 4). This shows that Chinese loan making to Latin American governments is simultaneously recent, small in number and large in size. These observations can serve to clarify any misperceptions that Chinese financial activities are somehow dominant or hegemonic over Latin American economies.

Support for infrastructure projects in developing Latin American economies, on the part of Chinese lenders is in direct alignment with China Development Bank's (CDB) aim of developing and expanding business opportunities for CDB's eight targeted areas of development, which correspond to the EMITH sectors described above. While some scholars highlight the fact that another point of distinction between Chinese policy banks and their Western and International counterparts operating in Latin America is that the former's state banks offer lower interest rates than competing developed countries, analysis conducted by Gallagher et al. (2012) refutes this idea and states that in a number of high profile loans to the Brazilian government, and Mexico's América Móvil CDB lending rates were consistently higher than those granted by the World Bank. Seen another way, in spite of its having the term 'development bank' in its name, the CDB does not offer significantly better interest rates when compared with Western

banks (Gallagher et al. 2012, 5). A more extended discussion of the differences among Chinese, EU & US policy banks can be found in Chapter 5.

It is important to note that while it is true that Chinese lenders do not stipulate policy conditions for loan approval to Latin American borrowing governments, Chinese banks usually require Chinese equipment purchases and/or oil sale agreements in order to grant loans in the region. Conditions for the loan stipulate the borrower commit to making purchases of Chinese construction, oil, satellite, telecommunications and railroad equipment. In this sense then, Chinese banks ultimately "do attach other strings" to the loans they offer to Latin American host economies in their efforts to minimize the risks (Gallagher et al. 2012, 6).

It is precisely processes like Chinese loan making that help distinguish contemporary Chinese financial activities in Latin America from the activities of IFIs and other western lending institutions operating in the region. Analysis of Chinese loan making also serves to clarify China's position as a comparatively new and small economic force in the region – especially when compared with other, more traditional and geographically more proximate national and foreign, private economic partners.

China and natural resource investments

Another way that Chinese economic activity in Latin America distinguishes itself from that of other, Western investors and trading partners is that Chinese economic actors employ a commodity and market-access based agenda when negotiating economic agreements (e.g. Free Trade Agreements (FTAs)), while the US has focused more on economic liberalization more broadly. Chinese banks have also made an unprecedented amount of oil-backed loans to Latin American countries. Although Chinese firms appear to operate similarly to other multinational corporations, the country as a whole has focused heavily on investing in natural-resource extraction. Overall, Camus et al. (2013) concluded that "China's tactics toward acquiring natural

resources in Latin America are not standard when compared to the region's other trading partners (and that China's) methods are a departure from the status quo and are unique to China."

Three important patterns emerge when considering China's investment tactics in Latin America. First, China's resource-acquisition strategy in the region exhibits many of the characteristics of a traditional 'South-South' relationship, albeit with unique characteristics. Second, China has demonstrated a willingness to compromise and make tradeoffs in order to enter and position itself competitively within commodity markets. Third, Chinese economic actors, in part because of their connection with the Chinese government, understand the benefits of operating with a mercantilist approach as opposed to adopting a purely free-market driven strategy of business development in the region (Camus et al. 2013).

Another way that Chinese economic activity can be distinguished from that of Western interests active in the region has to do with the Chinese government's recent willingness to accept lopsided agreements in which it agrees to unequal tariff reductions (Camus et al. 2013). China's use of FTAs in Latin America shows that the Chinese government and Chinese firms are not only interested in near-term commodities acquisition, but are also willing to make compromises and negotiate in order to secure arrangements that may lead to more long-term rewards.

A key component of China's long-term economic development strategy has to do with its loan development program. Between 2005 and 2010, Chinese banks made loans valued at approximately $75 billion to Latin America. In 2010 alone, Chinese banks made $37 billion in loan commitments. 2010 is an important "indicator" year, because in this year alone, Chinese loans exceeded total loan commitments made to Latin America by U.S. Export-Import Bank, the World Bank, and the Inter-American Development Bank combined (Camus et al. 2013).

China Development Bank (CDB) – Operationalizing China's State-Owned/Business International Expansion

Sanderson and Forsythe's (2013) work on the important role played by the China Development Bank (CDB) in natural resource and infrastructural investments in developing countries has helped fuel the debate regarding the degree to which China is committed to its officially stated intent of non-interference in the internal affairs of other states. This debate is especially prescient in developing world regions, such as Latin America, where natural resource investments lie at the nexus between *national development*, *geopolitics* and *international finance*. CDB represents the epitome of the merging of these three concepts and is focused on meeting the needs of the Chinese state (Sanderson and Forsythe's 2013, 131).

One of the key reasons that the CDB has been able to increase in importance and prominence so quickly both within China and internationally, has to do with its ability to provide capital and investment to enable the Chinese economy to continue its economic growth in the face of not having set-up the institutions necessary to invest its citizens savings in a productive way. The CDB became a powerful development bank that was able to both overcome financing limitations and create new markets across China. In so doing, the CDB converted 'local government fiefdoms' into actual companies that could sell bonds and borrow money – thereby raising much needed capital. (Sanderson and Forsythe 2013, 177).

In reference to Latin America, the CDB's extensive lending to the former Chavez administration in Venezuela has helped guarantee access for China's state-owned oil companies. This is helpful given that access to oil supply in the competitive global oil market is critical as China's demand for petroleum continues to rise. At the time of CDB's loans to the Chavez administration, Venezuelan opposition expressed concerns that "Chinese influence is eroding the country's sovereignty and drawing it into a risking alliance of dependence" (Sanderson and

Forsythe's 2013, xi). This idea of Latin America economic dependence on a larger foreign economy is reminiscent of the history of U.S. economic exploitation in Latin America.[10]

As European and American banks have faced government bailouts and downgrades to their debt ratings, the world's locus of financial power has shifted. Now China, led by CDB, has the capital to spend in developing countries in Africa and Latin America, much like foreign banks in the 1980s did, as well as in the developed markets of Europe and the United States. Unlike other Chinese banks and lending institutions, CDB receives financing almost exclusively through bond sales as opposed to deposits (Sanderson and Forsythe's 2013, 69).

Another feature that distinguishes the CDB from western lending institutions is its ability and willingness to lend in large amounts and with long-term repayment schedules. This distinction, (as opposed to the common notion that Chinese banks provide "cheap loans") is what separates Chinese lenders from Western lenders (Sanderson and Forsythe's 2013, 75). While other countries have development banks, they simply do not have the ability to lend funds at such a massive scale as the CDB.

CDB's ability to lend capital at a scale that eclipses other well-established, international and Western financial institutions is intimately connected with the savings of Chinese families and individuals at the local level of and within Chinese society. As Sanderson and Forsythe note, "the institutional structure of the CDB enabled an almost instantaneous transformation of the savings of the Chinese people into construction" (2013, 5). Developing a financing framework known as the "Wuhu Model" (named after a city in Anhui Province where this model was first implemented), CDB executives converted a small city into a vibrant urban area that today is home to Chery Automobile Co., one of China's most prominent carmakers. The CDB was able to accomplish this feat by creating and instituting the first of many Local Government Financing

[10] See Grandin 2006, for a critical expose of US imperialism in Latin America.

Vehicles (LGFVs) in China (Sanderson and Forsythe 2013, 8). The LGFVs are the key to extracting Chinese people's savings and transforming these savings into working capital for construction and loan making both within and beyond China's borders. Interestingly, Chery Automotive, the product of China's first LGFV has made headlines and inroads for its investments in Latin America. LGFVs were able to raise, earn and keep capital through a process of attracting government loans for infrastructure. Infrastructural development in the case of Chinese cities such as Wuhu consisted of activities such as road building. Construction of roads would, in turn, lead to the increase in local home prices. Higher home values would also boost land prices. Finally, higher land prices (and values) would enable local governments like that of the city of Wuhu to boost its income and thereby boost its ability to spend more on development (Sanderson and Forsythe 2013, 9). While the 'knock-on' effects for business associated with the Chinese cities and towns that host LGFVs are obvious, so far large or readily observable knock-on effects of CDB sponsored development projects in Latin America have been limited to other Chinese contracting firms that have are often rolled into a loan-for-resources agreement.

China and the Global Financial Crisis

Because of the global financial crisis of 2008, and the fact that China's financial system was detached and separate from the international financial system - it appeared that China and China's financial system was doing everything correctly. However, (Walter & Howie 2011) in the their book *Red Capitalism* explain that it is not that simple and that China's financial system is actually quite fragile. The book discusses how the "institutions in China's financial sector – its banks, local-government "financing platforms," etc. – affect the country's economic choices and development path" (Walter & Howie 2011, 3).

According to Sanderson and Forsythe, the collapse of the Western Financial System as embodied by the global financial crisis represented a unique and sole opportunity to increase China's comparative global financial power (Sanderson and Forsythe's 2013, 75). Although the Chinese financial system was able to withstand macroeconomic blows that seriously compromised the strength of developed economies due to China's capital account controls and limited exposure to financial markets, nevertheless, China's intense export dependency and its status as a major manufacturing platform made its economy much more vulnerable as the US and EU economies drastically reduced consumption (McNally 2008).

It is important to note that since 2008, Chinese foreign investments and trade with Latin America, and especially with South America, has increased dramatically. In certain respects, recent large-scale Chinese capital investments in Peruvian mineral deposits, Argentina soya crops, and Brazilian land represent the Chinese economy's ability to take advantage of investment opportunities that might otherwise not be readily available (See, e.g. Economy & Levi 2014).

Despite such large, high-profile investments in Latin America after the global financial crisis, the reality is that the Chinese state has had to go through a process of financial and regulatory readjustment (See e.g. Lardy 2012). Evidence supporting the veracity of the need for Chinese economic 'rebalancing' can be seen by the US$586 Billion stimulus package, announced in November of 2008 (Barboza 2008), which the Chinese government infused into the domestic economy in order to stimulate spending and ignite increased interest in economic transactions both within the Chinese economy and in the wider global economy as well. Despite the adjustments and fiscal inconsistencies between a Chinese economy that portrays both strengths and weaknesses, Chinese economic activity in Latin America has increased

dramatically since the crisis. This suggests that there are still many attractors – beyond simple natural resource acquisition – that continue to bind these regions' economies.

CDB vs. Other Development Banks

While other countries' development banks, such as the Brazilian Development Bank, have engaged in funding political, infrastructural, and other favored industrial projects that private investors have traditionally steered away from, never has a policy bank with so much capital and growing financial expertise been concentrated in one political party, the Chinese Communist Party (Sanderson and Forsythe 2013, 176). Operationally, Chinese policy banks and western development banks have some marked differences. The leaders and missions of the World Bank and CDB, for example, are very different and have become more different over time. At the time of this writing, the current leader of the World Bank is Dr. Jim Yong Kim, who, while exceptionally qualified as a physician and advocate for the development of improved public health in the developing world, is not a development economist. His appointment shows the World Bank's current emphasis on improved health outcomes and poverty reduction as opposed to economic development and industrial investments per se. It is also important to question what his American citizenship, signals to developing countries dealing with and interacting with the World Bank?

Another important distinction to make is that although the Chinese government relies on investment vehicles and state-owned companies to dominate market activity (Bremmer & Stewart 2010), such economic domination does not (yet) extend to Chinese economic activities beyond China's borders. To conflate the geographic movement of Chinese economic actors across Chinese national borders into the Western-inspired market system, with the movement of these actors and this system "as is" without also recognizing the adaptation strategies borrowed and adopted from the western system would be misleading.

More recently, the Chinese state capital system has intensified engagement with the global economy – and specifically with the world's most promising developing economies – by joining with Brazil, Russia, India and South Africa to create a new BRICS development bank. This new bank focuses on developing economic relationships between each of the BRICS partners, though it is clear that each of the member countries is most closely connected to the group via its relationship with China (Leahy & Rathbone 2014). More than just an acronym thought up by Jim O'Neill at the investment bank Goldman Sachs, the BRICS economies cumulatively comprise a full one-quarter of global gross domestic product.

Tolerance for Risk

Chinese companies have a very high tolerance for risk. In Latin America, the best example of Chinese economic actors' tolerance for risk can be seen in their relations with the Venezuelan state. Some scholars speculate that as a latecomer to international energy markets China must engage with relatively high-risk economies, since presumably more politically and economically stable economies are already saturated with competition. Others suggest that the Chinese state itself provides high levels of support to its SOEs thereby enhancing their tolerance for risk and their ability to succeed in difficult marketplaces (Ferchen et al. 2013). By granting Chinese firms preferential access to credit, such firms can compete effectively, for contracts and market share, over the long dureé.

Geographical conceptions of China's successful global expansion are quickly challenged by the realization that most of China's largest firms including its SOEs, still operate and draw most of their revenues predominantly from within China's domestic economy. As discussed earlier, the transnational quality of Chinese firms is questioned by the geographic locations of

Chinese SOEs Although "the world's league tables" as the *Economist* (2011) notes are more frequently featuring Chinese SOEs than ever before, it is the aggregate financial heft more so than the success of such firms' geographically expansiveness that is driving perceptions of "China going global". This, along with the different mechanisms that are inherent in the relational ecology of business-state actors relations in China, are two important components of intellectual inquiry that are driving the misleading view of the growth of Chinese firms (in revenues and earnings) as somehow equating to geographically expansive success. Chapter 6 attempts to deflate the 'journalistic balloon' that surrounds China's economic expansion by highlighting China's comparatively smaller economic footprint in Latin America.

Key Institutions of Chinese State Capitalism

In addition to SASAC, the Chinese government operates multiple organizational units involved with state sponsored, outbound investment. One of these units is the National Development and Reform Commission (NDRC). The NDRC plays a central role in planning and is the government's ministry-level economic planning body. The NRDC determines whether an overseas project is aligned with China's national interests. Another key institution is the Ministry of Commerce (MOFCOM). MOFCOM is a regulatory agency whose approval is necessary for Chinese firms seeking to go global. MOFCOM issues the Oveseas Investment Certificate (OIC) for ratified overseas investment transactions. Chinese companies must obtain an OIC from MOFCOM before they can negotiate with other Chinese government agencies such as customs, foreign exchange and tax (MOFCOM 2013).

Chinese State Capitalism and an alternative to Anglo-Saxon Capitalism

In order to understand the organizational structure and governance characteristics of SOE groups in China (which are among China's biggest companies, many of which are Global Fortune 500 companies), we must move away from the traditional way of viewing firms (in terms of their agency costs) and instead think about how they exist and operate in a "relational ecology" of "institutionalized mechanisms that link business groups with other organs of the party state". Lin and Milhaupt raise important questions about the flexibility of the US system and question its capacity and preparedness to deal with hybrid business-political actors such as Chinese SOEs.

Chinese involvement in Latin America is, as of yet, not comparatively greater than that of other major foreign economies active in the region. Also, the nature of Chinese firms (and capitalism) is much more state involved and, in terms of dependency theory, more threatening to the fragile political independence of Latin American countries than the neo-liberal forms taken most recently by US and European involvement in the region.

Latin American Disdain of/for Anglo-Saxon Capitalism & the persistence of Natural Resource economies

Due to the colonial legacy of extractive institutions imposed on European and US government and business groups in the region, there exists a certain level of disdain towards the Global North. This sentiment is often captured by the short phrase "Yaqui Imperialism." However, this lingering resentment towards the North, a dislike that is aimed particularly at the governments of the Unite States and other European Union countries, has its practical drawbacks as well. As Khanna notes, there is a certain pride in Latin American politics which prevents a

truly "Western Hemispheric pan-region of shared energy and trade self-sufficiency" (Khanna 2009).

Ironically, despite the long dirigiste histories of many Latin American economies, which in principle and in action, conflict with the ideals of Western capitalism, many Latin American nations underwent mass privatization in the 1980s and 1990s. This privatization reflected the political-ideological decision of the state to expel itself from business, regardless of the consequences societal or otherwise. Ironically, as this work shows, it is precisely Chinese firms' connections with the state, that have acted as the enabling force behind Chinese firms international expansion and behind the rise of perceptions of Chinese government being a 'business enabler' beyond China's borders. Chinese SOEs, like their Latin American counterparts, have played key roles in domestic economic development as they have historically focused on infrastructure and basic natural resources industries. This type of state-led industrial development (in the 1950s to 1970s), when privatized in the 1990s would be a natural "fit" for internationalizing Chinese firms.

Geographical Divisions of Latin America's Economic Landscape

One of the most important considerations when examining the expansion of Chinese Latin American relations is the realization that the very nature of the way this relationship is discussed is lopsided. China, the recently surging economic power, is being compared with Latin America a collection of 26 diverse states whose cumulative population is 43% that of China as a whole. Superficially the country-continent comparison seems completely lopsided. How can one central government be compared with/against the governments of 24-26 other states especially given that these states do not have one common unifying market or currency?

According to Mauro Guillén, director of the Lauder Institute at University of Pennsylvania Wharton School, "When it comes to China, there are two Latin Americas." He

notes that Mexico and Central American states are disadvantaged in their trading relationship with China because their exports compete directly with those from China. South American states tend to benefit from their natural resource exports to China. Moreover, Guillén is among those scholars who takes the position that China's relationship with Latin America is fundamentally unequal it is "like all relationships that Latin America has had historically" (Knowledge @ Wharton 2012).

While some scholars adhere to the "two Latin Americas" framework – with Mexico and central America (in one group) and South America (in another), others believe that a move away from economic dependency on the United States towards a more engaged trading relationship with China represents a viable opportunity for economic progress in the region (Nevaer 2011).

Ríos (2013, xi) further highlights the variety of the types of economies within Latin America. He states that "not all countries of the region are rich in natural resources. In Central America for example, where many countries are net importers of raw materials, the 'China effect' only generates gloomy prospects. Even in South America, commodities' producing economies have to be differentiated. Those oriented towards metals production are in a separate category from those oriented towards agriculture. At the same time metal and agriculture intensive economies have to be differentiated from petroleum exporting states which are known for having a higher degree of political-economic unpredictability (Ríos 2013, xii). This is a geographically variegated and heterogeneous political and economic landscape. Despite this geographic variation, it is interesting to note that independent societies that trade with each other "developed along parallel lines, precisely because of the long-distance trade which linked them all" (Amin 1972, 509), in essence becoming more similar over time. Moving forward, it is therefore possible to speculate that if Chinese economic actors exhibit a tendency to increase

their trade with South American economies as opposed to Central American economies, that the former set of economies may exhibit institutional and functional similarities with the Chinese economy.

The Challenges of Chinese State Capitalism in Latin America

Despite the attractiveness of the Chinese state capitalist model, especially as an alternative to Anglo-Saxon neoliberalism, adoption of the principles and institutions that embody the Chinese economy face important challenges should they be seriously considered for adoption in Latin America. A very real and legitimate 'obstacle' to Latin American economies adoption of Chinese economic policies and a move on the part of these economies to further deepen economic ties with China is represented by the economic dominance of the US and Europe as a major foreign investor in the region. Along with Anglo-Saxon investment dollars come cultural values, traditions and norms that have been ingrained into the fabric of many Latin American societies, and in turn, have become enmeshed in their economies.

So in this sense, Chinese-Latin American relations cannot be considered *without* a consideration for how the United States will perceive Chinese inroads into Latin America. Stallings (2008) calls this reality and this relationship the "U.S.-China-Latin America Triangle". This concept is more than just catchy phrasing. It is well known that both China and the US have met in Beijing to openly discuss each country's approach towards engaging with Latin America. While Latin America was traditionally regarded by the United States as a region of minimal political importance (while always being important for natural resource extraction), it is China's emergence and increased interest in Latin America, which ironically (and perhaps logically), has reignited the US's interest in its American neighbors to the South.

Conclusion

This chapter addresses key questions and important theoretical considerations relating to Chinese economic actors' engagement with Latin American economies. Unlike Western financial interests, Chinese actors interface and connect with Latin American host economies by utilizing the greater framework of Chinese State Capitalism – a framework that connects Chinese state and business interests, through the coordination of the State-owned Assets Supervision and Administration Commission (SASAC) and the China Development Bank (CDB) in order to advance the country's economic agenda beyond China's borders. By unpacking and examining these two important vehicles (SASAC and CDB) – this chapter seeks to critically examine and open up the 'black box' that is referred to throughout the business world as "China Inc." This chapter examined the lure of Chinese State Capitalism in a world region that has had historically mixed (at best) and disappointing (at worst) economic development outcomes though its connections and adherence to neoliberal models of open markets and free trade. The focus of study here has been to introduce readers to the theoretical considerations of a compelling and increasingly successful advance of a distinct Chinese economic system across the contemporary Latin American economic landscape. Such an effort is intended to help situate the ways in which more in-depth analyses of particular Chinese business arrangements (Chapters 3 and 4) and Chinese companies (Chapter 5) get played out in geographically specific regions of Latin America.

We see today in Chinese-Latin American economic relationships a more politically and economically complicated form of capitalism that Chinese businesses (with the backing of the Chinese state) have developed and are perfecting through a process of experimentation and learning in geographically distinct regions beyond China's borders. In the case of Latin

America, the China's economic activities reveal considerable scalar and economic variation of Chinese business outcomes. Such variation is based on a host of factors including, host state political orientation, views and/or frustrations with the dominant forms of Western capitalism and natural resource mix.

As the global economy has shifted over the last three decades from a U.S.-centered, Western driven, free market system to one favoring a multi-polar, more mercantilist system of state-led capital, the rise in importance of strength of economies in the Global South, like China has become more prevalent. As the following empirical chapters will make clear by way of investigation of actual Chinese economic actors' exports (specifically Chapter 3) paired with nine Latin American countries, a growing Chinese presence in all economies is contrasted with varied degrees of engagement within different political economies that cumulatively make up Latin America. We see that both Chinese government strategy and straightforward commercial interests are driving and shaping the way Chinese actors expand and connect with financial and political economic networks in Latin America.

Over the last three decades the presence of Chinese firms in Latin America has increased and has enabled the examination of a dirigiste type of international economic relationship. Specifically, the way in which Chinese capital and Chinese capitalism, with its particular "relational ecology" of connections between Chinese business and the state is helping to transform not only our perceptions of China's place in the global economy but also is helping to inform us about the willingness of Latin American economies to be attracted to and work with a radically different form of financial and economic organization. It is through the examination of the interaction with Chinese economic actors in a particular region – in this case Latin America – that one part of the 'new global economy' can be made out with appropriate clarity. The question, then is not so much: Is there a coming civilizational clash between an economically

vibrant, state-led developing world, led by China, and a slow-growing, liberal democratic Western world led by the United States and Europe? Rather, the more appropriate target of inquiry may be, given the situated nature of Latin America in the economic sphere and framework created by the United States and Europe, can dissatisfied 'customers' that make up Latin American economic policy makers and consumers, be attracted to a very different type of economic system with the hopes of achieving different and more positive economic outcomes?

Chapter 3 – Chinese Trade with Latin America and the Caribbean (LAC) and China's Comparative Trade Engagement in Latin America: The Case of Technology Upgrading

Introduction

The first part of this chapter aims to broadly characterize recent bi-lateral trade between China and the Latin America and the Caribbean (LAC) region, as a whole. It also seeks to explain the levels of trade between China and each of the nine targeted Latin American economies discussed in this work: Colombia, Chile, Peru, Mexico, Brazil, Argentina, Ecuador, Bolivia, Venezuela. While Chinese foreign investment and economic aid to LAC (discussed in Chapter 4) play a central role in this bilateral relationship, I argue that Chinese-LAC trade is the most basic and fundamental form of economic connectivity between these two regions because this trade, like all bilateral trade, involves the exchange of goods to meet the demands and needs of each 'regional' economy[11]. After discussing the general trends that explain recent China-LAC trade relations, the second part of this chapter shifts to considering a more specific question related to Chinese-Latin American trade relations: to what degree is the Chinese economy's 'export basket'[12] a contributing force influencing the technology upgrading of targeted Latin American economies' overall product mix?

It is important to note from the outset that the level of Chinese trade with Latin America (the region) and with individual host economies depends on a number of factors in addition to the 'commodity lottery'[13]. Free-Trade regimes coupled with investment and taxation incentives, also play a major role in shaping the likelihood and magnitude of Chinese trade with economies

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[11] While China is not itself a region, its rapid growth and size as compared to other Asian economies (apart from Japan) is significant enough for it to be a stand out case.

[12] Here "export basket" refers to all commodities exported from one country (i.e. China) to another country (i.e. Brazil).

[13] The term Bulmer-Thomas coined to describe the natural resource make-up of a particular country.

in the region. Apart from these neoliberal ideologies, notions of strong and centralized state-run economies – a.k.a. *dirigiste* ideologies – have also played a significant role in shaping trade and investment policies and outcomes in these two regions.[14]

The hope here, in making use of empirical data trends present in the trade relations between China and the LAC, is that China-Latin American economic relations can (and should) be understood to be increasingly influenced by Chinese State Capitalist models – or more specifically, as CK Lee (2014) suggests, it is Chinese state *capital* itself is becoming more influential. Chinese State capital and Chinese State Capitalism offer attractive alternatives to US and European economic frameworks and policies, which, for Latin American economies have for too long (since at least the 1970s if not earlier) inspired the 'development hopes' of countries in the region. These hopes have, more often than not, resulted in leaving much to be desired in terms of actual and tangible economic progress for the Latin American economies engaging with Western interests. I argue in this chapter that because of the historical policy orientations of governments in Latin America, the lure of the Chinese state-led development model is too attractive to completely ignore or dismiss and it is my hope that the data presented here will serve to both support China's growing economic importance in the region over the past two decades and also to help to confirm the growing importance (though not dominance) that Chinese economic actors have in the region moving forward.

Part I

Characterizing recent China-Latin America Bilateral Trade

While the nature of goods traded between China and Latin America to date strongly resembles the traditional North-South or center-periphery relations most commonly associated

[14] Latin American countries whose economies are organized around this type of centralized form of economic organization have been particularly successful in attracting Chinese investment during the last five years.

with the unequal exchange of goods between the developed and developing world, the nature of this particular set of trade relations has expanded and diversified during 1990-2013 time period, with the diversification of bilateral Chinese-Latin American trade becoming especially noticeable during the last five years. These trends are taking place even though, since 1990, Chinese firms have increased and intensified their imports of Latin American primary food and mineral resources.

To date, more than 50% of all LAC exports (to all countries) remain concentrated in three general industrial sectors related to soy, iron, and copper—with the bulk of such exports being concentrated in three countries: Brazil, Argentina, and Chile. All three of the primary products are subject to large price swings, which further contribute to the slowdown in the overall value of LAC exports to China (Ray and Gallagher 2013).

In the greater LAC region, the US has remained the largest trading partner, with trade totaling $500 billion per year – four times the value of Chinese trade with LAC (Weitzman 2012, 18). Bilateral trade between China and LAC has grown more than twenty times from 2003 to 2013, with China overtaking the US as the biggest trade partner of three important regional economies: Brazil, Chile and Peru (*Economist* 2014d). Beginning in the year 2000, LAC exports to China increased dramatically, but began slowing in growth in 2012, "stalling to a 7.2 percent growth rate in real dollar terms, compared to average annual export growth to China at 23 percent from 2006 to 2011." While it is true that the slowdown and stagnation of LAC export values can be attributed to falling commodity prices, even as exports to China are still growing in volume (Ray and Gallagher 2013), primary resource commodity exports to China still account for significant portions of individual Latin American countries' annual GDPs (e.g. Chile, Argentina, etc.). In terms of Chinese exports to the LAC, they are diverse and are concentrated primarily in manufacturing, with an especially strong emphasis on vehicles and electronics.

Because the value of Chinese exports to the LAC have grown more quickly than the value of LAC exports to China, 2011 and 2012 saw the opening of a LAC trade deficit with China (Ray and Gallagher 2013).

More broadly, since 2004, Asia-Latin American trade has quadrupled. In this time, Asia (as a whole) has surpassed the EU as Latin America's second-biggest trading partner after the United States. Latin America's share of Asian trade, while less noteworthy, has doubled during this time (Economist 2014d). While leftist governments in the LAC, such as Argentina, Brazil and Venezuela, which were heavily privatized during the 1990s, have now strategically moved towards more central government control, "and in some cases ideologically closer to China" (*Economist* 2014e), it must also be noted that the trade (and investment) that has encouraged these left leaning economies to more closely engage with Chinese trading partners is directly linked to the fact that is these partners (along with Ecuador) have the largest petroleum reserves in the region. The proven oil reserves of Venezuela, for instance, have recently been determined to be the largest in the world – larger than those of Saudi Arabia.

Bilateral trade has also increased with Latin America's Pacific economies. Four comparatively neoliberal economies, Chile, Colombia, Mexico and Peru, in February of 2014 signed a trade pact – the Pacific Alliance – meant to strengthen economic ties with Asia. As a recent article in *the Economist* notes, these four countries' combined population is 212 million and they are responsible for conducting half of LAC's overall trade. In terms of bilateral trade, these four economies are considered to be the most Asia-oriented in Latin America. Beginning in 2004 they have signed or started the process of drafting upwards of one dozen free-trade agreements (FTAs) with Asian countries (*Economist* 2014f). Moving forward and looking at near-term Chinese-Latin American bilateral trade relations, it is possible to speculate that in the agricultural sector in particular, China will increase the volume of LAC products it imports from

this sector. Part of the reason for this is that China in particular lacks water and agricultural land – essential components for human survival and societal stability, whereas LAC has an abundance of both types of resources (*Economist* 2014e).

Chinese-Colombian Bilateral Trade

As of 2009, Colombia's exports to China were concentrated in metals. In 2006, for instance, Colombia's top export to China was nickel, which accounted for 47.5 percent of the countries total exports to China for that year. Apart from nickel, scrap metals accounted for an additional 46.1 percent of Colombian exports to China (in 2006) (Colombian Ministry of Commerce 2007). Colombian coal and uranium deposits, although not actively traded with China at the moment, may be of potential interest to China in the near future. While Colombia is endowed with many agricultural products – such as bananas, beef, coffee, flowers, fruits and livestock, as of 2009, none of these products rank among Colombia's top 25 exports to China. Chinese products exported to the Colombian market include: appliances, cars, consumer goods, motorcycles, light manufactured goods, footwear, telecommunications equipment, textiles and toys (Ellis 2009, 161-4). On May 9, 2012, Presidents Xi and Santos signed nine agreements that are "the foundations of a Free Trade Agreement" and discussed plans to build an oil pipeline to Colombia's coast (Barrett 2012). For reference, Table 1 highlights Colombia's basic trade indicators, policies, merchandise trade, commercial services trade and industrial policy (World Trade Organization 2014).

Colombia

BASIC INDICATORS

Population (thousands, 2012)	47 704
GDP (million current US$, 2012)	369 606
GDP (million current PPP US$, 2012)	497 843
Current account balance (million US$, 2012)	- 12 173
Trade per capita (US$, 2010-2012)	2 480
Trade to GDP ratio (2010-2012)	35.3

Rank in world trade, 2012	Exports	Imports
Merchandise	54	50
excluding intra-EU trade	39	32
Commercial services	70	59
excluding intra-EU trade	46	42

	2012	*Annual percentage change* 2005-2012	2011	2012
Real GDP (2005=100)	139	5	7	4
Exports of goods and services (volume, 2005=100)	142	5	13	5
Imports of goods and services (volume, 2005=100)	201	10	21	9

TRADE POLICY

WTO accession	30 April 1995
Trade Policy Review	26, 28 June 2012
GPA accession	Observer
Tariffs and duty free imports	
Tariff binding coverage (%)	100

MFN tariffs	Final bound	Applied 2012
Simple average of import duties		
All goods	41.9	8.8
Agricultural goods (AOA)	91.5	14.9
Non-agricultural goods	34.4	7.8
Non *ad-valorem* duties (% total tariff lines)	0.0	0.0
MFN duty free imports (%, 2011)		
in agricultural goods (AOA)		0.0
in non-agricultural goods		10.0

Services sectors with GATS commitments	57
Contribution to WTO budget (%, 2014)	0.250
Import duties collected (%, 2009-2011)	
in total tax revenue	5.7
to total imports	5.3
Number of notifications to WTO and measures in force	
Outstanding notifications in WTO Central Registry	15
Goods RTAs - services EIAs notified to WTO	10 - 7
Anti-dumping (30 June 2013)	9
Countervailing duties (30 June 2013)	...
Safeguards (18 October 2013)	0
Number of disputes (complainant - defendant)	
Requests for consultation	5 - 4
Original panel / Appellate Body (AB) reports	0 - 1
Compliance panel / AB reports (Article 21.5 DSU)	0 - 0
Arbitration awards (Article 22.6 DSU)	0 - 0

MERCHANDISE TRADE

	Value 2012	*Annual percentage change* 2005-2012	2011	2012
Merchandise *exports*, f.o.b. (million US$)	60 125	16	43	6
Merchandise *imports*, c.i.f. (million US$)	59 111	16	34	9

	2012		2012
Share in world total exports	0.33	**Share in world total imports**	0.32

Breakdown in economy's total exports		Breakdown in economy's total imports	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	11.0	Agricultural products	10.8
Fuels and mining products	66.7	Fuels and mining products	11.2
Manufactures	17.3	Manufactures	76.1
By main destination		By main origin	
1. United States	36.9	1. United States	24.3
2. European Union (27)	15.1	2. China	16.5
3. China	5.5	3. European Union (27)	12.6
4. Panama	4.8	4. Mexico	11.0
5. Venezuela, Bolivarian Rep. of	4.2	5. Brazil	4.8

COMMERCIAL SERVICES TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Commercial services *exports* (million US$)	5 219	11	9	12
Commercial services *imports* (million US$)	10 635	12	18	13

	2012		2012
Share in world total exports	0.12	**Share in world total imports**	0.26

Breakdown in economy's total exports		Breakdown in economy's total imports	
By principal services item		By principal services item	
Transportation	29.3	Transportation	33.4
Travel	45.1	Travel	24.7
Other commercial services	25.5	Other commercial services	41.9

INDUSTRIAL PROPERTY

Patent grants by patent office, 2012

Residents	Non-residents	Total
106	1 561	1 667

Trademark registrations by office, 2012

Direct residents	Direct non-residents	Madrid	Total
14 565	11 231	386	26 182

Table 1. Colombia's Major Trade Indicators. Source: World Trade Organization 2014.

Chinese-Chilean Bilateral Trade

While the Chilean economy has benefited substantially from Chinese economic growth, especially beginning in 2006, when the Chinese-Chilean FTA began taking effect, Chilean exports to China have been highly concentrated in copper and a few other products (Ellis 2009, 34). Copper plays such a central role in the Chilean-Chinese commercial trade relationship that,

in 2005, 30-35 percent of all Chilean copper exports were sold to China (Pérez-Cejuela 2006). The Chilean aquaculture sector – especially fishmeal sales – is also a very important component of Chile's exports to China. Together with Perú, Chile provides 80 percent of China's fishmeal imports, which, as a food source, represents a major staple of the Chinese diet (Ellis 2009, 38). In terms of agriculture, Chilean wine sales to China are significant. In 2005, according to Economic Commission for Latin America and the Caribbean (ECLAC), a full 45 percent of Chinese imports of grapes and wine came from Chile (*El Universal* 2006). In addition, it is possible to speculate that with continued Chinese manufacturing interests in personal cellular and computing technologies that involve lithium-ion batteries, that Chilean exports of high-grade lithium to China will increase in the near term. Finally, in terms of Chilean exports to China, with the Chilean government funded initiative *StartUp Chile*, which acts as a business incubator for foreigners interests in establishing companies in Chile, it is possible to foresee an increase in the export of Chilean-based services to China also in the near term. Such services could appear in the logistics and/or value added agricultural sectors. In terms of Chinese exports to Chile, cars, motorcycles, trucks, computers and lower-end clothing have all entered the Chilean market in hopes of capturing attention (and market share) from one of the wealthiest countries (in terms of GDP per capita) in LAC. As is the case with Colombia, Chile has also attracted attention from Chinese based telecommunications companies (i.e. Huawei and ZTE) seeking to sell their products and gain market share (Ellis 2009, 39-40). In terms of clothing, approximately 80% of clothing sold in Chile is made in China (Artaza 2007). For reference, Table 2 highlights Chile's basic trade indicators, policies, merchandise trade, commercial services trade and industrial policy (World Trade Organization 2014).

Chile

BASIC INDICATORS

Population (thousands, 2012)	17 465
GDP (million current US$, 2012)	269 869
GDP (million current PPP US$, 2012)	390 558
Current account balance (million US$, 2008)	- 3 307
Trade per capita (US$, 2010-2012)	9 843
Trade to GDP ratio (2010-2012)	69.2

Rank in world trade, 2012	Exports	Imports
Merchandise	47	38
excluding intra-EU trade	33	26
Commercial services	49	48
excluding intra-EU trade	32	32

	2012	*Annual percentage change* 2005-2012	2011	2012
Real GDP (2005=100)	133	4	6	6
Exports of goods and services (volume, 2005=100)	121	3	5	1
Imports of goods and services (volume, 2005=100)	180	9	14	5

TRADE POLICY

WTO accession	1 January 1995
Trade Policy Review	7, 9 October 2009
GPA accession	Observer
Tariffs and duty free imports	
Tariff binding coverage (%)	100

MFN tariffs	Final bound	Applied 2012
Simple average of import duties		
All goods	25.1	6.0
Agricultural goods (AOA)	26.0	6.0
Non-agricultural goods	25.0	6.0
Non *ad-valorem* duties (% total tariff lines)	0.0	0.0
MFN duty free imports (%, 2011)		
in agricultural goods (AOA)		0.0
in non-agricultural goods		0.3

Services sectors with GATS commitments	42
Contribution to WTO budget (%, 2014)	0.398
Import duties collected (%, 2010-2012)	
in total tax revenue	1.2
to total imports	0.7
Number of notifications to WTO and measures in force	
Outstanding notifications in WTO Central Registry	7
Goods RTAs - services EIAs notified to WTO	24 - 18
Anti-dumping (30 June 2013)	0
Countervailing duties (30 June 2013)	...
Safeguards (18 October 2013)	0
Number of disputes (complainant - defendant)	
Requests for consultation	10 - 13
Original panel / Appellate Body (AB) reports	2 - 3
Compliance panel / AB reports (Article 21.5 DSU)	0 - 1
Arbitration awards (Article 22.6 DSU)	0 - 1

MERCHANDISE TRADE

	Value 2012	*Annual percentage change* 2005-2012	2011	2012
Merchandise *exports*, f.o.b. (million US$)	78 277	10	15	-4
Merchandise *imports*, c.i.f. (million US$)	79 468	14	27	6

	2012

Share in world total exports	0.43	**Share in world total imports**	0.43
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	24.2	Agricultural products	8.0
Fuels and mining products	60.4	Fuels and mining products	24.4
Manufactures	13.3	Manufactures	67.5
By main destination		By main origin	
1. China	23.3	1. United States	22.9
2. European Union (27)	15.3	2. China	18.2
3. United States	12.3	3. European Union (27)	13.4
4. Japan	10.7	4. Argentina	6.6
5. Korea, Republic of	5.8	5. Brazil	6.5

COMMERCIAL SERVICES TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Commercial services *exports* (million US$)	12 502	9	21	-4
Commercial services *imports* (million US$)	14 723	10	21	-4

	2012		2012
Share in world total exports	0.29	**Share in world total imports**	0.35
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	53.8	Transportation	48.8
Travel	17.6	Travel	12.9
Other commercial services	28.6	Other commercial services	38.2

INDUSTRIAL PROPERTY

Patent grants by patent office, 2012

Residents	Non-residents	Total
113	657	770

Trademark registrations by office, 2012

Direct residents	Direct non-residents	Madrid	Total
11 877	5 881	...	17 758

Table 2. Chile's Major Trade Indicators. Source: World Trade Organization 2014.

Chinese-Peruvian Bilateral Trade

Peru possesses three industrial sectors that are attractive to the Chinese economy and therefore have significant implications for Peruvian exports to China. These sectors are: mining,

hydrocarbons (gas and oil), and fishing. The Chinese firm Shougang Hierro Peru owns a mine that is Peru's largest iron producer (MBendi 2007) with 70% of the mines output exported to China and other Asian markets (China Shougang Website 2006). Like Chile, Peru is also an important copper exporter to China with almost 70% of Peruvian mineral exports (in 2007) being sold to Chinese based actors (*Portal Minero* 2007). In addition to Peruvian minerals, fishmeal is a major export category to China. As with other countries in the Southern Cone, Peru represents a growing market for Chinese goods, among which appliances, cars, computers, footware, textiles and toys are the most popular. For reference, Table 3 highlights Peru's basic trade indicators, policies, merchandise trade, commercial services trade and industrial policy (World Trade Organization 2014).

March 2014

Peru

BASIC INDICATORS

Population (thousands, 2012)	29 988
GDP (million current US$, 2012)	203 790
GDP (million current PPP US$, 2012)	322 831
Current account balance (million US$, 2012)	- 6 842
Trade per capita (US$, 2010-2012)	3 003
Trade to GDP ratio (2010-2012)	49.2

Rank in world trade, 2012	Exports	Imports
Merchandise	59	59
excluding intra-EU trade	42	41
Commercial services	71	64
excluding intra-EU trade	47	46

		Annual percentage change		
	2012	2005-2012	2011	2012
Real GDP (2005=100)	161	7	7	6
Exports of goods and services (volume, 2005=100)	141	5	13	5
Imports of goods and services (volume, 2005=100)	244	14	15	13

TRADE POLICY

WTO accession	1 January 1995
Trade Policy Review	13, 15 November 2013
GPA accession	-
Tariffs and duty free imports	
Tariff binding coverage (%)	100

	Final bound	Applied 2011
MFN		

Contribution to WTO budget (%, 2014)	0.192
Import duties collected (%, 2010-2012)	
in total tax revenue	2.1
to total imports	1.4
Number of notifications to WTO and measures in force	
Outstanding notifications in WTO	5

tariffs		
Simple average of import duties		
All goods	29.3	3.7
Agricultural goods (AOA)	30.8	4.1
Non-agricultural goods	29.1	3.6
Non *ad-valorem* duties (% total tariff lines)	0.0	0.0
MFN duty free imports (%, 2011)		
in agricultural goods (AOA)		60.4
in non-agricultural goods		75.7
Services sectors with GATS commitments		49

Central Registry	
Goods RTAs - services EIAs notified to WTO	16 - 11
Anti-dumping (30 June 2013)	12
Countervailing duties (30 June 2013)	1
Safeguards (18 October 2013)	0
Number of disputes (complainant - defendant)	
Requests for consultation	3 - 5
Original panel / Appellate Body (AB) reports	1 - 0
Compliance panel / AB reports (Article 21.5 DSU)	0 - 0
Arbitration awards (Article 22.6 DSU)	0 - 0

MERCHANDISE TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Merchandise *exports*, f.o.b. (million US$)	46 228	15	30	0
Merchandise *imports*, c.i.f. (million US$)	42 274	19	26	12

	2012		2012
Share in world total exports	0.25	**Share in world total imports**	0.23
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	16.8	Agricultural products	11.3
Fuels and mining products	50.2	Fuels and mining products	15.3
Manufactures	11.5	Manufactures	73.2
By main destination		By main origin	
1. European Union (27)	17.1	1. United States	19.0
2. China	17.1	2. China	18.5
3. United States	14.2	3. European Union (27)	11.9
4. Switzerland	11.0	4. Brazil	6.1
5. Canada	7.5	5. Ecuador	4.8

COMMERCIAL SERVICES TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Commercial services *exports* (million US$)	4 984	13	19	18
Commercial services *imports* (million US$)	7 231	13	8	14

	2012		2012
Share in world total exports	0.11	**Share in world total imports**	0.17
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	24.5	Transportation	39.4
Travel	53.3	Travel	20.6
Other commercial services	22.2	Other commercial services	40.0

INDUSTRIAL PROPERTY

Patent grants by patent office, 2012			**Trademark registrations by office**, 2012			
Residents	Non-residents	Total	Direct residents	Direct non-residents	Madrid	Total
11	420	431	11 308	7 223	...	18 531

Table 3. Peru's Major Trade Indicators. Source: World Trade Organization 2014.

Chinese-Mexican Bilateral Trade

Of all of the countries in Latin America, Mexico is perhaps the economy that has been most hurt and least helped by the growth of the Chinese economy. While other Latin American countries, particularly those in South America, have been able to see their national coffers increase considerably due to the large-scale Chinese demand for natural resource (food, mineral and energy) commodities, Mexico's Industrial sectors (apart from petroleum) have been challenged by Chinese economic engagement with LAC. The main reason for this is that many Chinese and Mexican exports are in similar sectors, such as light manufactures, appliances, toys, etc. Another overarching factor that shapes the Mexican-Chinese bilateral trading relationship is that Mexico "consumes, rather than exports, the vast majority of its primary products, (and therefore) the country has benefitted relatively little from the significant growth of Chinese consumption of these goods in recent years" (Ellis 2009, 200).

Petroleum ranks high among Chinese interests in importing Mexican products. However, actual trade of Mexican petroleum to China is complicated by many factors, chief among which includes a longstanding Mexican policy that prohibits Petróleos Mexicanos (PEMEX) – Mexico's national petroleum company – from entering into equity partnerships with foreign firms (Ellis 2009, 203). While this specific example addresses Chinese foreign investment and not trade, the implications of the legal regulations binding and limiting the Mexican Petroleum industry are profound and have served to limit Mexican oil sales mainly to

the United States. In terms of actual trade of Chinese products to the Mexican market, both low-end manufactures and increasingly higher end products are gaining traction as viable products for Mexican consumers. As with other economies in Latin America, Mexico has also seen an increase in Chinese manufactured telecommunications hardware in recent years. Perhaps the biggest lure for Chinese products entering the Mexican market is their ability to be re-incorporated into other, more sophisticated products in Mexico, and then enter the US, without tariffs under NAFTA (Ellis 2009, 206). Another important, and ongoing, trend that characterizes Chinese-Mexican trade relations involves "anti-dumping" claims leveled by the Mexican government against China. Such claims represent the collective frustration in Mexico of its rapid loss of U.S. market share (especially in terms of light manufacturers) to Chinese producers/imports. For reference, Table 4 highlights Mexico's basic trade indicators, policies, merchandise trade, commercial services trade and industrial policy (World Trade Organization 2014).

March 2014

Mexico

BASIC INDICATORS

Population (thousands, 2012)	120 847	**Rank in world trade**, 2012	Exports	Imports
GDP (million current US$, 2012)	1 178 126	Merchandise	16	14
GDP (million current PPP US$, 2012)	2 022 202	excluding intra-EU trade	11	9
Current account balance (million US$, 2012)	- 15 000	Commercial services	43	34
Trade per capita (US$, 2010-2012)	6 048	excluding intra-EU trade	26	21
Trade to GDP ratio (2010-2012)	64.0			

		Annual percentage change		
	2012	2005-2012	2011	2012
Real GDP (2005=100)	119	2	4	4
Exports of goods and services (volume, 2005=100)	132	4	8	4
Imports of goods and services (volume, 2005=100)	138	5	8	6

TRADE POLICY

WTO accession	1 January 1995	**Contribution to WTO budget** (%, 2014)	1.727
Trade Policy Review	17, 19 April 2013	**Import duties collected**	

GPA accession		-
Tariffs and duty free imports		
Tariff binding coverage (%)		100
MFN tariffs	Final bound	Applied 2012
Simple average of import duties		
All goods	36.1	7.8
Agricultural goods (AOA)	44.5	21.2
Non-agricultural goods	34.8	5.8
Non *ad-valorem* duties (% total tariff lines)	0.9	0.7
MFN duty free imports (%, 2011)		
in agricultural goods (AOA)		41.4
in non-agricultural goods		72.1
Services sectors with GATS commitments		77

in total tax revenue	...
to total imports	...
Number of notifications to WTO and measures in force	
Outstanding notifications in WTO Central Registry	32
Goods RTAs - services EIAs notified to WTO	13 - 9
Anti-dumping (30 June 2013)	42
Countervailing duties (30 June 2013)	2
Safeguards (18 October 2013)	0
Number of disputes (complainant - defendant)	
Requests for consultation	23 - 14
Original panel / Appellate Body (AB) reports	9 - 6
Compliance panel / AB reports (Article 21.5 DSU)	0 - 1
Arbitration awards (Article 22.6 DSU)	0 - 1

MERCHANDISE TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Merchandise *exports*, f.o.b. (million US$)	370 643	8	17	6
Merchandise *imports*, c.i.f. (million US$)	380 477	8	16	5

	2012		2012
Share in world total exports	2.01	**Share in world total imports**	2.04
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	6.2	Agricultural products	7.3
Fuels and mining products	17.8	Fuels and mining products	11.6
Manufactures	72.7	Manufactures	78.2
By main destination		By main origin	
1. United States	77.8	1. United States	50.1
2. European Union (27)	5.9	2. China	15.4
3. Canada	2.9	3. European Union (27)	11.0
4. China	1.5	4. Japan	4.8
5. Brazil	1.5	5. Korea, Republic of	3.6

COMMERCIAL SERVICES TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Commercial services *exports* (million US$)	16 146	0	2	4
Commercial services *imports* (million US$)	26 540	4	16	2

	2012		2012
Share in world total exports	0.37	**Share in world total imports**	0.64
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	6.0	Transportation	45.2

Travel	78.9	Travel	31.8
Other commercial services	15.1	Other commercial services	23.0

INDUSTRIAL PROPERTY

Patent grants by patent office, 2012			**Trademark registrations by office**, 2012			
Residents	Non-residents	Total	Direct residents	Direct non-residents	Madrid	Total
290	12 068	12 358	56 569	25 601	...	82 170

Table 4. Mexico's Major Trade Indicators. Source: World Trade Organization 2014.

Chinese-Brazilian Bilateral Trade

Of all of the countries in Latin America, Brazil most closely approximates China in terms of scale, range of products grown and manufactured and market size. While, the Chinese economy and market is much larger than that of Brazil, the diversity, size and complexity of both of these economies makes this bilateral economic relationship one of the most important for Chinese economic actors. In addition, the complementarities of Chinese demand for particular types of mineral and hydrocarbon resources, coupled with Brazil's large iron ore and petroleum production capacities, have enabled the Chinese-Brazilian trading relationship to grow exponentially over the past two decades. Brazil is at one and the same time Latin America's largest exporter to China and is the region's second largest purchaser of Chinese products (*Ministry of Commerce* 2008).

In terms of Chinese products exported to Brazil, during the 1990-2013 period, the top ten commodity groups (in terms of US$ value) exported from China to Brazil consisted of: 1) electrical machinery 2) non-electric machinery etc. 3) chemicals and compounds, 4) textiles etc., 5) miscellaneous manufactured articles etc., 6) clothing 7) transport equipment 8) iron and steel 9) Manufactures of metal etc. and 10) Non metallic mineral manufactures, etc. Collectively these 10 commodities accounted for 84% of all of China's exports to Brazil in 2013. Chinese exports to the Brazilian market consist of a mix of manufactured, value-added and processed

goods on the one hand and more unprocessed/less processed commodities such as chemicals and clothing on the other, electric and non-electric machinery accounting for 61% of Chinese exports to Brazil. This trend toward an increasing concentration of a few technologically advanced commodities shares similarities with Chinese exports to other Latin American economies examined here such as the Argentine and Bolivian economies. One possible explanation for the prevalence of Chinese machinery surging into the Brazilian market first in 1990 (non-electric machinery) and then again in 1995 (electric machinery) is the price competitiveness of Chinese products with respect to European or American machinery products.

In considering Brazilian products exported to China, the 'export basket' is dominated by three products categories in particular: 1) soy products, 2) iron and 3) petroleum. Also, according to a CNN report, "some 30 percent of the wood exported from Brazil's Amazon region goes to the PRC, where it is used in furniture and flooring, among other applications" (*CNN* 2007). More recently, Brazilian meat products have also been exported to China and are growing in importance in Brazil's trading relationship with the country. For reference, Table 5 highlights Brazil's basic trade indicators, policies, merchandise trade, commercial services trade and industrial policy (World Trade Organization 2014).

March 2014

Brazil

BASIC INDICATORS

Population (thousands, 2012)	198 656	**Rank in world trade**, 2012	Exports	Imports
GDP (million current US$, 2012)	2 252 664	Merchandise	22	22
GDP (million current PPP US$, 2012)	2 327 394	excluding intra-EU trade	16	16
Current account balance (million US$, 2012)	- 54 000	Commercial services	29	17
Trade per capita (US$, 2010-2012)	2 788	excluding intra-EU trade	18	10
Trade to GDP ratio (2010-2012)	24.0			

		Annual percentage change	
	2012	2005-2012	2011	2012

Real GDP (2005=100)	129	4	3	1
Exports of goods and services (volume, 2005=100)	119	3	4	0
Imports of goods and services (volume, 2005=100)	226	12	10	0

TRADE POLICY

WTO accession		1 January 1995		
Trade Policy Review		24, 26 June 2013		
GPA accession		-		
Tariffs and duty free imports				
Tariff binding coverage (%)		100		
MFN tariffs	Final bound	Applied 2012		
Simple average of import duties				
All goods	31.4	13.5		
Agricultural goods (AOA)	35.4	10.1		
Non-agricultural goods	30.8	14.1		
Non *ad-valorem* duties (% total tariff lines)	0.0	0.0		
MFN duty free imports (%, 2011)				
in agricultural goods (AOA)		1.8		
in non-agricultural goods		29.8		
Services sectors with GATS commitments		43		

Contribution to WTO budget (%, 2014)	1.218
Import duties collected (%, 2009-2011)	
in total tax revenue	2.3
to total imports	5.0
Number of notifications to WTO and measures in force	
Outstanding notifications in WTO Central Registry	8
Goods RTAs - services EIAs notified to WTO	5 - 1
Anti-dumping (30 June 2013)	91
Countervailing duties (30 June 2013)	1
Safeguards (18 October 2013)	0
Number of disputes (complainant - defendant)	
Requests for consultation	26 - 15
Original panel / Appellate Body (AB) reports	12 - 3
Compliance panel / AB reports (Article 21.5 DSU)	2 - 2
Arbitration awards (Article 22.6 DSU)	1 - 4

MERCHANDISE TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Merchandise *exports*, f.o.b. (million US$)	242 580	11	27	-5
Merchandise *imports*, c.i.f. (million US$)	233 388	17	24	-2

	2012		2012
Share in world total exports	1.32	**Share in world total imports**	1.25
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	35.6	Agricultural products	5.9
Fuels and mining products	27.0	Fuels and mining products	20.9
Manufactures	33.8	Manufactures	73.1
By main destination		By main origin	
1. European Union (27)	20.2	1. European Union (27)	21.4
2. China	17.0	2. China	15.3
3. United States	11.1	3. United States	14.6
4. Argentina	7.4	4. Argentina	7.4
5. Japan	3.3	5. Korea, Republic of	4.1

COMMERCIAL SERVICES TRADE

	Value	*Annual percentage change*

	2012	2005-2012	2011	2012
Commercial services *exports* (million US$)	38 121	14	21	5
Commercial services *imports* (million US$)	77 751	19	23	7

	2012		2012
Share in world total exports	0.87	**Share in world total imports**	1.87
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	14.2	Transportation	18.3
Travel	17.4	Travel	28.6
Other commercial services	68.3	Other commercial services	53.2

INDUSTRIAL PROPERTY

Patent grants by patent office, 2012

Residents	Non-residents	Total
365	2 465	2 830

Trademark registrations by office, 2012

Direct residents	Direct non-residents	Madrid	Total
41 670	13 560	...	55 230

Table 5. Brazil's Major Trade Indicators. Source: World Trade Organization 2014.

Chinese-Argentine Bilateral Trade

The Chinese-Argentine bilateral trade relationship can be best characterized as highly complementary. Forward looking and potential Chinese investments in a large Argentine shale site, suggest that increased petroleum sales by Argentine to China are a possibility, should such investments come to fruition. In terms of agricultural and food production/capacity, the Argentine economy possesses some clear complementarities with the Chinese economy. Argentine exports of soy, corn, beef, wheat, minerals and petroleum are viewed as increasingly important for China and its need to fuel its economy and feed its population (Malena 2011, 265). Most recently, in 2013, the top 10 (commodity groups) exported from China to Argentina consisted of: 1) Electrical machinery, apparatus and appliances, 2) Machinery (non-electric), 3) Transport equipment, 4) Chemical elements and compounds, 5) Miscellaneous manufactured articles etc. 6) Textile yarn, fabrics, made up articles, etc. 7) Scientific & control instruments, photograph goods, etc. 8) Manufactures of metal etc., 9) Chemical materials, etc. and 10)

Clothing. Collectively these 10 commodities accounted for 86% of all of China's exports to Argentina in 2013.

In terms of Chinese exports to Argentina there has been an exponential increase in the export of Chinese manufactured goods to Argentina during the (1990-2012) period. Among the top five most exported commodities, machinery (both electric and non-electric), both show exponential increases - starting most notably in 2005 and again in 2009. Products that are exported to Argentina are concentrated in technologically complex, value-added goods. Interestingly, rather than illustrating a clear trajectory of technological upgrading, the data reveal a pattern of Chinese export intensification to Argentina (i.e. processed manufactures) from 1990 to 2013.

Chinese exports to Argentina are varied even among the top five most exported commodities. The relative ranking of the most exported commodity, for example, has shifted four times during the 1990-2012 time period, with miscellaneous manufactured items being the most exported product in (1990). Electrical machinery, apparatus & appliances took the claimed the top position in 1992-1993, 1997-2002 and 2010-2013. Chemical elements & compounds briefly assumed the top position in the early 2000s as did non-electric machinery from 2006-2010. While part speculation, the reasons for the increase in machinery related exports could be in part driven by Chinese government trade initiatives and incentives that encourage Chinese business market expansion into developing world regions such as Latin America. Lastly, Chinese products share of Argentina's total imports make-up increased from 3 to 15 percent of Argentina's total imports, in 1995 and 2013, respectively. For reference, Table 6 highlights Argentina's basic trade indicators, policies, merchandise trade, commercial services trade and industrial policy (World Trade Organization 2014).

Argentina

BASIC INDICATORS

Population (thousands, 2012)	41 087
GDP (million current US$, 2012)	475 502
GDP (million current PPP US$, 2006)	468 499
Current account balance (million US$, 2012)	0
Trade per capita (US$, 2010-2012)	4 236
Trade to GDP ratio (2010-2012)	40.1

Rank in world trade, 2012	Exports	Imports
Merchandise	45	45
excluding intra-EU trade	32	29
Commercial services	44	41
excluding intra-EU trade	27	27

		Annual percentage change	
	2006	2005-2006	2006	2007
Real GDP (2005=100)	108	8	8	...
Exports of goods and services (volume, 2005=100)	107	7	7	...
Imports of goods and services (volume, 2005=100)	115	15	15	...

TRADE POLICY

WTO accession	1 January 1995
	20, 22
Trade Policy Review	March 2013
GPA accession	Observer
Tariffs and duty free imports	
Tariff binding coverage (%)	100

MFN tariffs	Final bound	Applied 2012
Simple average of import duties		
All goods	31.9	12.5
Agricultural goods (AOA)	32.6	10.5
Non-agricultural goods	31.8	12.8
Non *ad-valorem* duties (% total tariff lines)	0.0	0.0

MFN duty free imports (%, 2011)	
in agricultural goods (AOA)	6.5
in non-agricultural goods	26.3
Services sectors with GATS commitments	63

Contribution to WTO budget (%, 2014)	0.399
Import duties collected (%, 2002-2004)	
in total tax revenue	2.8
to total imports	3.8
Number of notifications to WTO and measures in force	
Outstanding notifications in WTO Central Registry	16
Goods RTAs - services EIAs notified to WTO	4 - 1
Anti-dumping (30 June 2013)	89
Countervailing duties (30 June 2013)	...
Safeguards (18 October 2013)	0
Number of disputes (complainant - defendant)	
Requests for consultation	20 - 22
Original panel / Appellate Body (AB) reports	3 - 6
Compliance panel / AB reports (Article 21.5 DSU)	2 - 0
Arbitration awards (Article 22.6 DSU)	0 - 0

MERCHANDISE TRADE

	Value	*Annual percentage change*	
	2012	2005-2012	2011	2012
Merchandise *exports*, f.o.b. (million US$)	80 927	10	23	-4
Merchandise *imports*, c.i.f. (million US$)	68 508	13	31	-7

	2012		2012
Share in world total exports	0.44	**Share in world total imports**	0.37
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	

Agricultural products	53.3	Agricultural products	3.6
Fuels and mining products	10.2	Fuels and mining products	15.8
Manufactures	31.2	Manufactures	79.6
By main destination		By main origin	
1. Brazil	20.4	1. Brazil	26.1
2. European Union (27)	14.7	2. European Union (27)	17.9
3. Chile	6.3	3. China	14.5
4. China	6.2	4. United States	12.4
5. United States	5.1	5. Mexico	3.3

COMMERCIAL SERVICES TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Commercial services *exports* (million US$)	14 877	13	15	-4
Commercial services *imports* (million US$)	18 234	14	21	4

	2012		2012
Share in world total exports	0.34	**Share in world total imports**	0.44
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	15.7	Transportation	25.6
Travel	32.8	Travel	32.3
Other commercial services	51.5	Other commercial services	42.0

INDUSTRIAL PROPERTY

Patent grants by patent office, 2012

Residents	Non-residents	Total
208	724	932

Trademark registrations by office, 2012

Direct residents	Direct non-residents	Madrid	Total
51 646	12 649	...	64 295

Table 6. Argentina's Major Trade Indicators. Source: World Trade Organization 2014.

Chinese-Ecuadorian Bilateral Trade

In terms of Chinese demand for purchasing Ecuadorian products, petroleum ranks among the most sought after products. Like Venezuela, Ecuador, "almost solely through oil investments…has become one of the leading recipients of Chinese capital in Latin America" (Ellis 2009, 127). This statement underscores the fact that bilateral trade of petroleum between Ecuador and China is not as large as might be implied when considering the amount of Chinese investment dedicated to the Ecuadorian petroleum sector. While still under development,

Ecuador's mineral sector could potentially transform Ecuador into being a provider of metals (such as copper) and minerals (such as uranium) to China (Ellis 2009, 129). For reference, Table 7 highlights Ecuador's basic trade indicators, policies, merchandise trade, commercial services trade and industrial policy (World Trade Organization 2014).

Ecuador

BASIC INDICATORS

Population (thousands, 2012)	15 492
GDP (million current US$, 2012)	84 040
GDP (million current PPP US$, 2012)	149 300
Current account balance (million US$, 2012)	- 177
Trade per capita (US$, 2010-2012)	3 213
Trade to GDP ratio (2010-2012)	64.4

Rank in world trade, 2012	Exports	Imports
Merchandise	70	69
excluding intra-EU trade	49	47
Commercial services	106	88
excluding intra-EU trade	80	64

	2012	*Annual percentage change* 2005-2012	2011	2012
Real GDP (2005=100)	133	4	8	5
Exports of goods and services (volume, 2005=100)	116	2	5	3
Imports of goods and services (volume, 2005=100)	149	6	4	1

TRADE POLICY

WTO accession	21 January 1996
Trade Policy Review	14, 16 November 2011
GPA accession	-
Tariffs and duty free imports	
Tariff binding coverage (%)	100.0

MFN tariffs	Final bound	Applied 2012
Simple average of import duties		
All goods	21.7	10.1
Agricultural goods (AOA)	25.6	18.5
Non-agricultural goods	21.2	8.8
Non *ad-valorem* duties (% total tariff lines)	0.0	0.0

MFN duty free imports (%, 2011)	
in agricultural goods (AOA)	10.7
in non-agricultural goods	62.9
Services sectors with GATS commitments	66
Contribution to WTO budget (%, 2014)	0.110
Import duties collected	
in total tax revenue	...
to total imports	...
Number of notifications to WTO and measures in force	
Outstanding notifications in WTO Central Registry	11
Goods RTAs - services EIAs notified to WTO	3 - 0
Anti-dumping (30 June 2013)	...
Countervailing duties (30 June 2013)	...
Safeguards (18 October 2013)	1
Number of disputes (complainant - defendant)	
Requests for consultation	3 - 3
Original panel / Appellate Body (AB) reports	2 - 0
Compliance panel / AB reports (Article 21.5 DSU)	2 - 0
Arbitration awards (Article 22.6 DSU)	0 - 1

MERCHANDISE TRADE

	Value 2012	*Annual percentage change* 2005-2012	2011	2012
Merchandise *exports*, f.o.b. (million US$)	23 765	13	28	6
Merchandise *imports*, c.i.f. (million US$)	25 477	14	18	5

	2012		2012

Share in world total exports	0.13	**Share in world total imports**	0.14
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	31.2	Agricultural products	8.7
Fuels and mining products	58.5	Fuels and mining products	23.6
Manufactures	7.8	Manufactures	67.4
By main destination		By main origin	
1. United States	44.7	1. United States	26.9
2. European Union (27)	10.3	2. European Union (27)	11.5
3. Chile	8.4	3. China	11.2
4. Peru	8.3	4. Colombia	8.7
5. Colombia	4.4	5. Panama	6.6

COMMERCIAL SERVICES TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Commercial services *exports* (million US$)	1 691	9	8	14
Commercial services *imports* (million US$)	3 102	6	3	2

	2012		2012
Share in world total exports	0.04	**Share in world total imports**	0.07
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	24.4	Transportation	55.7
Travel	61.1	Travel	19.7
Other commercial services	14.5	Other commercial services	24.6

INDUSTRIAL PROPERTY

Patent grants by patent office, 2010			**Trademark registrations by office**, 2010			
Residents	Non-residents	Total	Direct residents	Direct non-residents	Madrid	Total
...	...	28	10 752	...	...	10 752

Table 7. Ecuador's Major Trade Indicators. Source: World Trade Organization 2014.

Chinese-Bolivian Bilateral Trade

As with many of its trading relationships with South American economies, China's trade relationship with Bolivia is characterized in large part by machinery, electrical goods, textile and other manufactures. More specifically, in 2013, the top 10 (commodity groups) exported from

China to Bolivia consisted of: 1) Machinery, other than electric, 2) Electrical machinery, apparatus and appliances, 3) Transport equipment, 4) Iron and steel, 5) Miscellaneous manufactured articles etc. 6) Textile yarn, fabrics, made up articles, etc. 7) Chemical materials & products etc. 8) Footwear, 9) Manufactures of metal etc. and 10) Non metallic mineral manufactures, etc. Collectively these 10 commodities accounted for 80% of all of China's exports to Bolivia during this period. While part speculation, perhaps China's joining the World Trade Organization (WTO) in 2001 facilitated the astronomical growth in Chinese manufactured exports to Bolivia during this time.

In the case of Bolivian exports to China, metallic ores & scrap along with non-ferrous metals accounted for 91% of total exports to this country. In fact, Bolivia's export mix of commodities to China was so concentrated on unprocessed and lightly processed goods that the remaining 9% of exports were also primary materials. Unprocessed metallic ores is also included in the mix of Bolivia's exports to China from 1990 to 2013. Not only do such metals account for the majority of the economy's exports to China but the increase of metal exports, particularly metallic ores & scrap (from 2006 to 2011) diminishes the comparative economic importance of the next four most frequently exported Bolivian commodities. Most noteworthy, however, is the extremely minor role China plays as an export partner/destination for Bolivian goods as compared with more traditional trading partners (the EU, US and Latin America). In 1995, most Bolivian exports went to Latin America, the US and the EU, and most of the commodities exported consisted of unprocessed, metal or textile products. Most noteworthy among Bolivian exports in 1995 was the significant percentage of metallic ore exported to the European Union countries. The commodity mix of Bolivian exports in 2013, differs from that of 1995, predominantly in the value of natural gas exported to Latin America. Bolivia has natural gas export agreements with Brazil and Argentina. Perhaps the most noticeable difference

between these two years, as was the case with Bolivian imports, is the overall extent of exports (economic activity) taking place between Bolivia and other economies. Whereas in 1995 Bolivia exported a total of approximately US$1.1 billon, in 2013, this number soared to US$11.5 billion. Bolivia is connecting more with the global economy through its exports. For reference, Table 8 highlights Bolivia's basic trade indicators, policies, merchandise trade, commercial services trade and industrial policy (World Trade Organization 2014).

March 2014

Bolivia, Plurinational State of

BASIC INDICATORS

Population (thousands, 2012)	10 496
GDP (million current US$, 2012)	27 035
GDP (million current PPP US$, 2012)	54 534
Current account balance (million US$, 2012)	2 138
Trade per capita (US$, 2010-2012)	1 700
Trade to GDP ratio (2010-2012)	74.6

Rank in world trade, 2012	Exports	Imports
Merchandise	87	106
excluding intra-EU trade	63	82
Commercial services	126	112
excluding intra-EU trade	100	86

	2012	*Annual percentage change* 2005-2012	2011	2012
Real GDP (2005=100)	138	5	5	5
Exports of goods and services (volume, 2005=100)	136	5	6	12
Imports of goods and services (volume, 2005=100)	146	6	17	4

TRADE POLICY

WTO accession	12 September 1995
Trade Policy Review	2, 3 November 2005
GPA accession	-
Tariffs and duty free imports	
Tariff binding coverage (%)	100

MFN tariffs	Final bound	Applied 2012
Simple average of import duties		
All goods	40.0	11.2
Agricultural goods (AOA)	40.0	12.4
Non-agricultural goods	40.0	11.0
Non *ad-valorem* duties (% total tariff lines)	0.0	0.0
MFN duty free imports (%, 2011)		

Contribution to WTO budget (%, 2014)	0.035
Import duties collected (%, 2005-2007)	
in total tax revenue	4.5
to total imports	3.4
Number of notifications to WTO and measures in force	
Outstanding notifications in WTO Central Registry	26
Goods RTAs - services EIAs notified to WTO	3 - 0
Anti-dumping (30 June 2013)	...
Countervailing duties (30 June 2013)	...
Safeguards (18 October 2013)	0
Number of disputes (complainant - defendant)	
Requests for consultation	0 - 0

in agricultural goods (AOA)	0.0	Original panel / Appellate Body (AB) reports	0 - 0
in non-agricultural goods	13.4	Compliance panel / AB reports (Article 21.5 DSU)	0 - 0
Services sectors with GATS commitments	36	Arbitration awards (Article 22.6 DSU)	0 - 0

MERCHANDISE TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Merchandise *exports*, f.o.b. (million US$)	11 233	22	31	34
Merchandise *imports*, c.i.f. (million US$)	8 269	19	42	4

	2012		2012
Share in world total exports	0.06	**Share in world total imports**	0.04
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	14.4	Agricultural products	8.1
Fuels and mining products	77.0	Fuels and mining products	16.4
Manufactures	5.2	Manufactures	74.9
By main destination		By main origin	
1. Brazil	31.1	1. Brazil	18.4
2. Argentina	17.9	2. China	13.1
3. United States	14.8	3. Argentina	13.1
4. European Union (27)	5.7	4. United States	11.0
5. Peru	5.3	5. European Union (27)	9.5

COMMERCIAL SERVICES TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Commercial services *exports* (million US$)	942	10	47	21
Commercial services *imports* (million US$)	1 972	17	45	21

	2012		2012
Share in world total exports	0.02	**Share in world total imports**	0.05
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	17.8	Transportation	41.4
Travel	56.4	Travel	20.7
Other commercial services	25.8	Other commercial services	38.0

INDUSTRIAL PROPERTY

Patent grants by patent office, 1995			**Trademark registrations by office**			
Residents	Non-residents	Total	Direct residents	Direct non-residents	Madrid	Total
8	39	47	...	...	...	...

Table 8. Bolivia's Major Trade Indicators. Source: World Trade Organization 2014.

Chinese-Venezuelan Bilateral Trade

Petroleum is the most coveted of Venezuela's exports products – both by the global economy (in general) and by China (specifically). While Chinese firms have been active in the production of Venezuelan oil, much of the petroleum Venezuela produces (while funded in part by Chinese investments) does not actually get shipped to China. The majority of Venezuelan oil get refined in the United States. If this particular oil is owned by Chinese companies working in Venezuela, such firms do not hesitate to sell the oil to a much more geographical proximate buyer. The thinking here is: "Why not sell oil nearby on the open free market, where one can presumably get the highest price per barrel, as opposed to shipping the oil thousands of miles across the Pacific?" While the petroleum sector dominates Venezuela's exports to Chinese buyers, there are a few other commodities that the former sells to China. These include: metal exports (i.e. iron), coffee, rum and cacao (Ellis 2009, 115).

Because of both the political orientation of the country and because of the "collapse of domestic production", Venezuela is home to a growing market of Chinese goods (Ellis 2009, 116). Important Chinese exports to Venezuela include cars, consumer appliances, computers (Lenovo) motorcycles, trains and trucks. As with other countries in the region, sales of Chinese manufactured telecommunications equipment – from China's largest telecomm equipment manufacturers – Huawei and ZTE, have grown considerably over the last two decades.

As has been discussed in the previous section, it is possible to quantify bilateral trade flows (by types and dollar amounts) between China and individual Latin American economies in a relatively straightforward manner (using UN COMTRADE data, for instance). This type of descriptive work is informative and useful in explaining the degree to which to economies rely on each other for certain types of products and capital. Trade data, however, can also be used in more sophisticated ways. In the following section (Part II), I attempt to employ the *neoliberal* -

dirigiste continuum used to describe the range of political and policy ideologies present across the nine target Latin American countries in order to assess the extent to which Chinese imports are becoming more sophisticated overtime. The main premise here is that if evidence exists to show that Chinese exports to Latin America are becoming more technologically sophisticated over time, then it may be possible to assert that such Chinese made goods may at one point in time be viable alternatives for those same goods that are currently being manufactured by 'already developed' countries in the global economy, i.e. the US, the EU countries and/or Japan. For reference, Table 9 highlights Venezuela's basic trade indicators, policies, merchandise trade, commercial services trade and industrial policy (World Trade Organization 2014).

March 2014

Venezuela, Bolivarian Rep. of

BASIC INDICATORS

Population (thousands, 2012)	29 955	**Rank in world trade**, 2012	Exports	Imports
GDP (million current US$, 2012)	381 286	Merchandise	42	49
		excluding intra-EU trade	29	31
GDP (million current PPP US$, 2012)	397 400	Commercial services	103	44
Current account balance (million US$, 2012)	11 333	excluding intra-EU trade	77	30
Trade per capita (US$, 2010-2012)	5 090			
Trade to GDP ratio (2010-2012)	41.3			

		Annual percentage change		
	2012	2005-2012	2011	2012
Real GDP (2005=100)	132	4	4	6
Exports of goods and services (volume, 2005=100)	71	-5	5	2
Imports of goods and services (volume, 2005=100)	204	11	15	24

TRADE POLICY

WTO accession		1 January 1995	**Contribution to WTO budget** (%, 2014)	0.371
Trade Policy Review		27, 29 November 2002	**Import duties collected** (%, 2003-2005)	
GPA accession		-	in total tax revenue	8.7
Tariffs and duty free imports			to total imports	6.4
Tariff binding coverage (%)		100.0	**Number of notifications to WTO and measures in force**	
MFN	Final bound	Applied 2012	Outstanding notifications in WTO	0

tariffs		
Simple average of import duties		
All goods	36.5	13.3
Agricultural goods (AOA)	55.8	16.8
Non-agricultural goods	33.6	12.8
Non *ad-valorem* duties (% total tariff lines)	0.0	0.0
MFN duty free imports (%, 2011)		
in agricultural goods (AOA)		0.0
in non-agricultural goods		3.6
Services sectors with GATS commitments		63

Central Registry	
Goods RTAs - services EIAs notified to WTO	3 - 0
Anti-dumping (30 June 2013)	...
Countervailing duties (30 June 2013)	...
Safeguards (18 October 2013)	0
Number of disputes (complainant - defendant)	
Requests for consultation	1 - 2
Original panel / Appellate Body (AB) reports	1 - 0
Compliance panel / AB reports (Article 21.5 DSU)	0 - 0
Arbitration awards (Article 22.6 DSU)	0 - 0

MERCHANDISE TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Merchandise *exports*, f.o.b. (million US$)	97 340	8	41	5
Merchandise *imports*, c.i.f. (million US$)	60 500	14	23	26

	2012 a		2012 a
Share in world total exports	0.53	**Share in world total imports**	0.33
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	0.0	Agricultural products	14.1
Fuels and mining products	97.1	Fuels and mining products	1.2
Manufactures	1.9	Manufactures	62.7
By main destination		By main origin	
1. European Union (27)	0.6	1. United States	27.9
2. China	0.5	2. European Union (27)	13.8
3. United States	0.5	3. China	12.0
4. Colombia	0.5	4. Brazil	8.6
5. Brazil	0.4	5. Colombia	4.2
Unspecified destinations	29.8	Unspecified origins	0.0

COMMERCIAL SERVICES TRADE

	Value	*Annual percentage change*		
	2012	2005-2012	2011	2012
Commercial services *exports* (million US$)	1 851	6	5	9
Commercial services *imports* (million US$)	17 076	19	20	14

	2012		2012
Share in world total exports	0.04	**Share in world total imports**	0.41
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	35.4	Transportation	37.7
Travel	45.6	Travel	13.9
Other commercial services	19.0	Other commercial services	48.4

INDUSTRIAL PROPERTY

Patent grants by patent office, 2000			**Trademark registrations by office**, 2011			
Residents	Non-residents	Total	Direct residents	Direct non-residents	Madrid	Total
14	742	756	6 455	5 551	...	12 006

Table 9. Venezuela's Major Trade Indicators. Source: World Trade Organization 2014.

Part II

China's Comparative Trade Engagement in Latin America: The Case of Technology Upgrading

This section attempts to understand the relative economic engagement of contemporary Chinese economic activity in Latin America overtime and across a spectrum of politically distinct economies – a concept I refer to in this dissertation as the *neoliberal-dirigiste continuum*. I have considered both political and economic factors when selecting the Latin American countries examined in this work. As a major exporter of manufactured goods, China accounts for an important part of the global economy. Understanding China's export basket make-up helps in clarifying the nature of China' economy (Rodrik 2006). At present, only a handful of countries in Latin America compete with China in world and regional manufacturing markets (Gallagher & Porzecanski 2010). For this reason, I am including these economies in my definition of "Latin America". These economies include: Argentina, Brazil, Chile, Colombia and Mexico. I am also including countries such as Peru, Ecuador, Bolivia and Venezuela that represent a range of more nationalist and statist regimes. Henceforth in this chapter, I use the term "Latin America" to refer specifically to these nine economies, all the while keeping in mind that this is a form of shorthand for a region that in reality consists of anywhere between twenty-one and twenty-six countries and dependencies.

One way to measure foreign economic activity in a host region is to examine imports arriving in a number of the region's most active economies. In general, data availability for imports/exports is more widely accessible than actual production data. In addition, because manufactured commodities make up a large percentage of China's international exports, coupled with the fact that manufactured products tend to have a higher value than primary commodities

or natural resources, the second part of this chapter is interested in measuring and assessing the degree to which the Chinese economy's 'export basket'[15], is a contributing force influencing the technology upgrading of targeted Latin American economies' overall product mix. Therefore, this work looks at Chinese exports to Latin America during a period of rapid internationalization of the Chinese economy – 1995-2013 – a period starting with a point in time preceding China's entry into the World Trade Organization (WTO)[16] up until and including the most recently available annual data. It is important to note from the outset that while this work may reveal a general trend of Chinese export behavior in Latin America, Chinese exports to each of the economies in this study has its own particularities and peculiarities. The first section will be devoted to empirically demonstrating *China's position as an exporter of commodities containing comparatively moderate levels of technological sophistication to the target countries during the targeted period.* The second section expands on potential reasons for the differences in China's export basket make-up based on where on the *neoliberal-dirigiste continuum* a particular country falls. This discussion of technology upgrading, with respect to China's exports to Latin America, also provides detailed information about calculating and interpreting the results of the TECH Scores used to determine the comparative rankings of major exporters of technologically sophisticated products to the region (i.e. the European Union and the United States) along with exporters of goods considered to be of more moderate sophistication (i.e. China).

In beginning to pursue such a comparative economic project, we must first ask ourselves several questions. To what extent are recent Chinese exports to Latin America considered 'technologically advanced' compared with those exports originating from the EU and the US? Is

[15] Here "export basket" refers to all commodities exported from one country (i.e. China) to another country (i.e. Brazil).

[16] China officially joined the WTO on December 31, 2001.

the process of technological upgrading of Chinese exports to from 1995-2013 occuring? If so, is it serving to compliment or compete with the range of advanced exports from EU and US economies? Using models developed and refined by Kemeny (2011), Hausmann et al. (2007), Xu (2007) and Schott (2004), I examine the relative technology content of Chinese exports entering nine distinct Latin American economies for the 1995-2013 time period. The following economies: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, and Venezuela[17] are examined for five distinct years (1995, 2000, 2005, 2010 and 2013) during this eighteen year period in order to understand two broad questions that help to clarify Chinese economic activity in Latin America's economy today. First, are Chinese exports becoming relatively more technologically advanced overtime as China integrates with world trade systems such as the WTO? Answering this question will provide evidence supporting the attractiveness of one aspect of the Chinese economy in Latin America and, I argue, would add further credibility to the viability of the Chinese state capitalist model, which has fostered the development of new international export markets. Chinese exports becoming more technologically advanced overtime might also add relevance and meaning to China's joining the WTO. The second major question is, are Chinese exports becoming relatively more technologically advanced compared to those commodity exports originating in the economies of more traditional Latin American trading partners such as the United States and the European Union[18] and even surrounding Latin American economies themselves?

To address the first question of whether or not Chinese exports to Latin America are themselves having higher technological content ratios over time, I borrow a technology

[17] These nine economies have been selected in this work because they represent a range of economic and political economic forms that exist in Latin America today.

[18] Latin America's 'traditional' and historically largest trading partners.

measurement technique known as the "TECH Score" developed by Kemeny (2011). This technique considers a combination of the following variables: an exporting country's GDP per capita, a particular export's revealed productivity and the quality of a commodity exported to one of the nine target Latin American countries in this study. Evidence of an observed trend of technological advancement of Chinese exports to Latin America would lend empirical weight to the idea that Chinese products are (or may eventually become) potential replacements for similarly advanced products that are currently exported to Latin America from economic trading partners that are already advanced (i.e. The US and the EU). TECH Scores, as presented in this study, are a measure of the overall sophistication an individual country's cumulative export basket to a particular Latin American economy in a given year. This means, for example, that China's TECH Score for Ecuador in the year 2013 will be different than China's TECH Score for Brazil in the same year. Using the TECH Score technique is one way to assess the overall competitiveness and attractiveness of a trading partner. Irregularities in the data aside, the technique also benefits from being comprehensive in its coverage of all commodities exported from a country of origin to a destination country.

Examination of the second question involves comparing the TECH Scores of China with those of Latin America's traditional trading partners – the EU and the US. Such a comparison not only clarifies the relative gain of Chinese higher-value exports to Latin American economies but also offers information on the relative decline of the technology levels of already established trading partners. Exploration of this question can provide further insights into the shifting importance of China as a trading partner in the region versus that of the United States, Europe and other important Latin American economies, such as Brazil.

Methodology

Borrowing from Kemeny (2011), Hausman et al. (2007), Xu (2007) and Schott (2004), I calculate revealed productivity of a commodity (the product to be exported) based on income, that is a weighted average of GDP per capita of the exporting country. I then calculate the quality of a commodity based on relative price. Here I am assuming that higher priced items are of higher quality than lower priced items. Determining relative price involves comparing the price of a good exported by one country relative to the price of the same good exported by all countries. Arithmetically, there are three components involved in the calculation of a TECH Score. The first of these three components is revealed productivity, denoted here as P_{gt} :

$$P_{gt} = \sum_{c} \left\{ \frac{x_{gct} / \sum_k x_{kct}}{\sum_m \left(x_{gmt} / \sum_k x_{kct} \right)} Y_{ct} \right\}$$

In the above equation, the revealed productivity of a good g is expressed as the weighted average of country c's real GDP per capita Y_c. The assumption here relating to revealed productivity is that the higher the GDP per capita of an export country the higher the "per capita income content" (Xu 2007) of the good being exported. The fraction in front of Y_c serves a weight ratio. The numerator in this fraction adjusts for the export share of good g in that country's total exports ($\sum_k x_{kc}$). The denominator in this fraction is the sum of all export shares of good g across all countries. Here k takes the value for each good and m takes the value for each country. The equation employs time t in order denote the export year being analyzed. P_{gt} is good specific for a particular year across all countries.

The next component used to calculate TECH Scores, I call Q_{gct} , which is a variable that seeks to address the variation in product quality arising from an export originating in different

exporting countries. Borrowing again from Xu (2007), in order to capture this "quality dimension", the following equation seeks to account for country c's quality of an exported good g by addressing that good's unit price.

$$Q_{gct} = \frac{u_{gct}}{\sum_n \left\{ \frac{x_{gnt}}{\sum_k x_{gkt}} u_{gnt} \right\}}$$

Here u_{gct} represents the unit price of good g from country c. The denominator of the function Q_{gct}, $\left(\sum_n \left\{ \frac{x_{gnt}}{\sum_k x_{gkt}} u_{gnt} \right\}\right)$ is the weighted unit price of good g (in 2013 US dollars) exported across all countries. This weight refers to country n's export share of good g with respect to total exports of good g. Here k and n take the value for each country.

The export share for that country, across all products can be referred to as:

$$E_{gt} = x_{gct} \Big/ \sum_k x_{kct}$$

Finally, the actual TECH Score of individual countries then, is computed as the product of the three aforementioned variables:

$$TECH\ Score = P_{gt} * Q_{gct} * E_{gt}$$

One possible drawback associated with using TECH scores is that by focusing on (and being organized around) "the income of major exporters of any given product, they shift the focus away from technological characteristics to similarities of the export profiles of high-income countries" (Gallagher & Porzecanzki 2010, 71). Simply put, employing the TECH score methodology assumes that if a country has a high GDP that it exports more technologically

advanced products than poorer countries. While this is somewhat of a blanket assumption, in general, this tends to be true. Another main problem inherent in the TECH Score methodology is that it may not adequately account for the fragmentation of production processes. Advanced transistors or computer chips, which maybe be assembled in China and then shipped around the world to be included in more complex products, result in China's economy having a higher TECH Score, even though an advanced transistor is just one of the many components that make up more complicated products such as personal computers, etc., which may undergo final assembly in Mexico before entering the U.S. market.

Despite these drawbacks, one of the reasons that I feel comfortable using the TECH Score methodology is that in this chapter I am assuming that Latin American economies are not engaging in a great deal of assembly of products and re-exporting of components in assembled products. Apart from the Brazilian and Mexican economy, the latter of which is a major assembler of US based high technology firms, the other eight targeted Latin American economies are not involved in significant assembly processes of high technology products.

Data Description used for calculating TECH Scores

This study uses United Nations COMTRADE data for commodities imported into Latin American economies in the years 1995, 2000, 2005, 2010 and 2013[19]. The data are coded using the 6 digit, 1992 Harmonized System (HS 92) format. The HS92 commodities classification system offers benefits over other systems such as Standard International Trade Classification (SITC) because the former system provides more detailed, disaggregated commodity data than the latter. While the time period selected for this study is not as expansive as previous studies (e.g. Kemeny 2011), it does examine technology upgrading of more current/recent export

[19] Import data for Venezuela is not available for 2013. In this instance, 2011 data was used.

activity – a period of fast and large-scale Chinese economic engagement in Latin America.

I used World Bank data for GDP per capita (in current US dollars) for all countries listed. Since some countries do not report these data to the World Bank, such data is not available for all countries. To adjust for inflation, I used the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) with a base year of 2013 in order to convert all export dollar amounts to real dollars (Bureau of Labor Statistics 2014).

To calculate P_{gt} (the revealed productivity of a good g at time t), I multiplied the exporting county's GDP per capita by a weighted average ratio based on the share of a particular export across all countries. When calculating Q_{gct} (the relative unit price) I looked at the variation in product quality based on relative unit price of an export. After calculating Q_{gct} , I removed outliers typically found below 1 percentile and above 99 percentile. When calculating Q_{gct} , I adopt Kemeny's (2011) method of setting natural resource commodities equal to 1 to try to mitigate the (sometimes wild) fluctuations of such products over time. In addition, I also removed export data when the quantity was not available or not provided in the UN COMTRADE data. It is important to note that COMTRADE data is provided voluntary to the UN by participating countries. Not all countries provide trade data each year.[20] I chose to focus the study only on those commodities that had a cumulative export value above US$10,000 *and* on commodities that were exported in amounts greater than 100 units of a particular export. This decision was intended to remove data that were misreported to COMTRADE that could potentially cause huge variation in relative price calculations. Finally, I used the statistical program R to run a script that takes the variables described above as inputs and calculates the

[20] Venezuela, for example, has provided trade data to COMTRADE only through 2011. Those countries that did not provide any trade data to COMTRADE have been removed from this study.

TECH Scores for the countries that export to the Latina American economies in question. Appendix I provides the R script that I used to perform the TECH Score calculations.[21]

Results/Findings

For the data examined in all of the years covered by this study, up until and including the most recent 2013 export data, China has remained an exporter of commodities of comparatively moderate sophistication to the target region. In general, the European Union countries and the United States have been and continue to be the main exporters of high technology products to Latin America. While overall technological upgrading of Chinese products has occurred in some Latin American economies, in general, there is an observable stasis in the trends of TECH Scores across the five years examined (See Figure 1). The one exception to this stasis is the notable and significant increase of China's TECH Score in Venezuela from 1995 through 2013. The following nine histograms detail China's annual TECH Scores (in green) for nine Latin American countries and compare these TECH Scores with those of the EU (in red) and the US (in blue).

While each target country has a distinct pattern of EU, US and Chinese TECH Scores, several interesting trends emerge from analyzing the data. First, EU and US TECH Scores are consistently larger than those of China by (as much as) a factor of three. Second, in no case do Chinese TECH Scores equal or succeed those of the EU and the US. Third, the years 1995 and 2010 stand out as being the years that have the overall highest TECH Scores among the three exporting countries examined in this series of graphs. Finally, in general, it is the more left-leaning, nationalist countries (Argentina, Ecuador and Venezuela) that have the sharpest increase in Chinese TECH Scores during the years examined in this study. For each of these three countries, China's TECH Score surpassed 10,000 in the year 2000. The highest overall Chinese

[21] Lander (2014) offers a very useful tutorial for R.

TECH Score (more than 12,400) can be observed for Venezuela in 2013. These findings suggest that leftist, more nationalist Latin American economies may be increasing their reliance on Chinese high technology commodity imports as they decrease their imports of such commodities from the EU and the US. This absolute decrease in TECH Scores of the EU and the US is easily observable in Figure 1 from years 2010 to 2013.

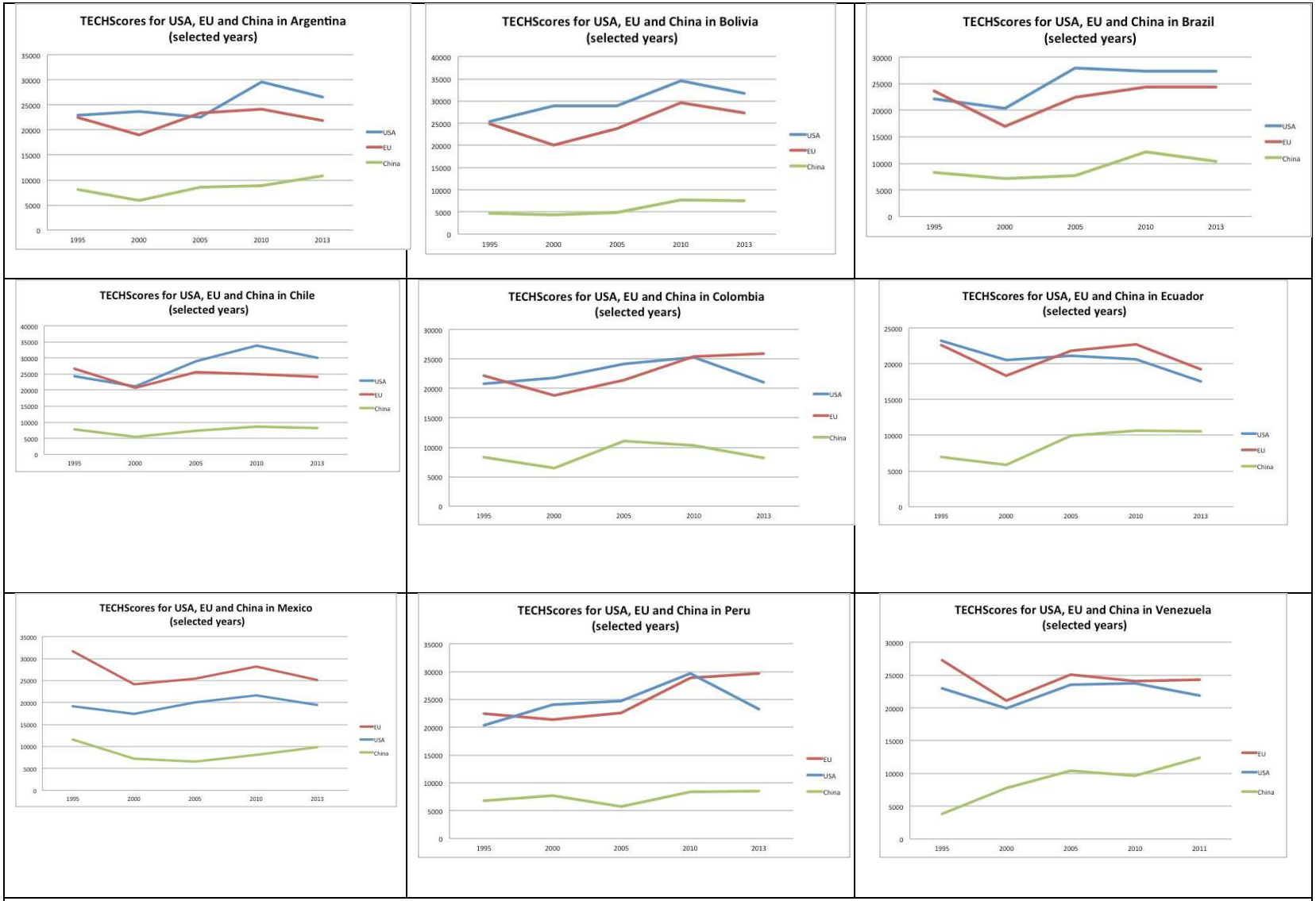

Figure 1. TECH Scores for USA, EU and China in nine target Latin American countries in 1995, 2000, 2005, 2010, and 2013*. (*Venezuela uses 2011 data). Source: UN COMTRADE data with author's elaboration

Table 10 highlights Latin America's top five most technologically valuable commodities imported from China in 2013. A TECH Score is first calculated by commodity for a country and then aggregated across all commodities to derive a country specific TECH Score. While Table 10 highlights the variety of manufactured components exported by China to the nine target economies in Latin America, a grouping of commodity types can be seen emerging across the nine economies. Imports of telecommunications equipment and components, transportation machinery and equipment, electrical parts, toys and other manufactured equipment from China emerge across Latin America as technologically valuable commodities that serve to identify and characterize the Chinese-Latin American bi-lateral trade relationship. Despite the existence of a neoliberal-dirigiste continuum across these Latin American economies, there is a great deal of similarity in the technological sophistication of China's top exports to the region. Table 10 highlights the TECH Scores that were calculated (by commodity) prior to country-level aggregation. This first step – calculating TECH Scores by commodity – is done in order to understand the technology sophistication of a product at the commodity level.

Table 10 - Top 5 Commodities (using Value_Tech) Exported by China in 2013 for each Latin American country

	Argentina				Bolivia				Brazil		
	Top 5 Imported Commodities from China (2013)				Top 5 Imported Commodities from China (2013)				Top 5 Imported Commodities from China (2013)		
Rank	*Commodity.Code*	*Commodity Name*	*TECH Score*	*Rank*	*Commodity.Code*	*Commodity Name*	*TECH Score*	*Rank*	*Commodity.Code*	*Commodity Name*	*TECH Score*
1	851790	Parts of Electrical Apparatus for Line Telephony or Line Telegraphy	2669.1	1	870290	Other Public-transport Type Passenger Motor Vehicles	634.3	1	852990	Other Parts of Transmission Apparatus, Radar Apparatus or Television Receivers	546.0
2	293100	Other Organo-inorganic Compounds	930.7	2	870422	Motor vehicles for the transport of goods GVW exceeding 5 metric tons but not exceeding 20 metric tons	389.7	2	851790	Parts of Electrical Apparatus for Line Telephony or Line Telegraphy	252.2
3	852990	Other Parts of Transmission Apparatus, Radar Apparatus or Television Receivers	318.0	3	380830	Herbicides, Anti-sprouting Products, Plant-growth Regulators	369.2	3	853931	Fluorescent Lamps, Hot Cathode	243.3
4	847330	Parts and Accessories of the Automatic Data Processing Machines	311.1	4	843049	Other Boring or Sinking Machinery	220.5	4	293100	Other Organo-inorganic Compounds	235.4
5	841430	Compressors of a Kind Used in Refrigerating Equipment	214.5	5	852520	Transmission Apparatus Incorporating Reception Apparatus	218.9	5	950390	Other Toys	202.6

Table 10 - Continued

Chile				Colombia				Ecuador			
Top 5 Imported Commodities from China (2013)				Top 5 Imported Commodities from China (2013)				Top 5 Imported Commodities from China (2013)			
Rank	*Commodity.Code*	*Commodity Name*	*TECH Score*	*Rank*	*Commodity.Code*	*Commodity Name*	*TECH Score*	*Rank*	*Commodity.Code*	*Commodity Name*	*TECH Score*
1	852520	**Transmission Apparatus Incorporating Reception Apparatus**	2043.3	1	852520	**Transmission Apparatus Incorporating Reception Apparatus**	1562.2	1	870322	**Other Vehicles, Spark-ignition Engine Of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc**	544.4
2	852190	**Other Video Recording or Reproducing Apparatus**	224.1	2	293339	**Other Nitrogen Compounds Containing Unfused Pyridine Ring System**	249.4	2	850213	**Generating Sets With Compression-ignition Engines, Exceeding 375kva**	513.3
3	950390	**Other Toys**	144.9	3	950390	**Other Toys**	125.0	3	852520	**Transmission Apparatus Incorporating Reception Apparatus**	503.5
4	722540	**Other Flat-rolled products of other alloy steel, not further worked than hot-rolled, not in coils, Width More 600mm**	110.9	4	841510	**Air Conditioning Machines, Window or Wall Types, Self-contained**	107.5	4	950390	**Other Toys**	386.6
5	722830	**Other bars and rods, not further worked than hot-rolled, hot-drawn or extruded**	109.6	5	842833	**Other Continuous-action Elevators and Conveyors,Belt Type**	82.2	5	401120	**New Pneumatic Tyres of Rubber, of a Kind Used On Buses or Lorries**	206.1

Table 10 - Continued

Mexico				Peru				Venezuela			
Top 5 Imported Commodities from China (2013)				Top 5 Imported Commodities from China (2013)				Top 5 Imported Commodities from China (2013)			
Rank	*Commodity.Code*	*Commodity Name*	*TECH Score*	*Rank*	*Commodity.Code*	*Commodity Name*	*TECH Score*	*Rank*	*Commodity.Code*	*Commodity Name*	*TECH Score*
1	852520	**Transmission Apparatus Incorporating Reception Apparatus**	1506.0	1	852520	**Transmission Apparatus Incorporating Reception Apparatus**	678.1	1	852520	**Transmission Apparatus Incorporating Reception Apparatus**	2566.9
2	901380	**Other devices, appliances and instruments**	474.7	2	390760	**Polyethylene Terephthalate**	229.9	2	843390	**Parts, of Printing Machinery, of Machines for Uses Ancillary to Printing**	1187.6
3	844390	**Parts, of Printing Machinery, of Machines for Uses Ancillary to Printing**	405.9	3	870322	**Other Vehicles, Spark-ignition Engine Of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc**	196.0	3	841510	**Air Conditioning Machines, Window or Wall Types, Self-contained**	574.4
4	901390	**Parts and accessories(Liquid Crystal Devices; Lasers; Other Optical Appliances)**	315.1	4	950390	**Other Toys**	192.3	4	843699	**Parts of Other Agricultural, Horticultural or Bee-keeping Machinery**	357.2
5	401120	**New Pneumatic Tyres of Rubber, of a Kind Used On Buses or Lorries**	290.6	5	844390	**Parts, of Printing Machinery, of Machines for Uses Ancillary to Printing**	167.5	5	401120	**New Pneumatic Tyres of Rubber, of a Kind Used On Buses or Lorries**	231.1

Figure 2 attempts to visualize Chinese TECH Scores in Latin America in 2013, the year for which the most recent data is made available in the UN COMTRADE database. This table shows three indicators of Chinese economic connectivity with Latin America. First, the x-axis highlights the value of Chinese commodities exported to a target country in the year 2013. Second, the y-axis shows the TECH Score for China's overall exports to that economy in the year 2013. Third, the size of each bubble is meant to represent the export share of Chinese commodities into a target Latin American country in 2013. A larger bubble means China accounted for a higher percentage of world exports to that Latin American economy in 2013.

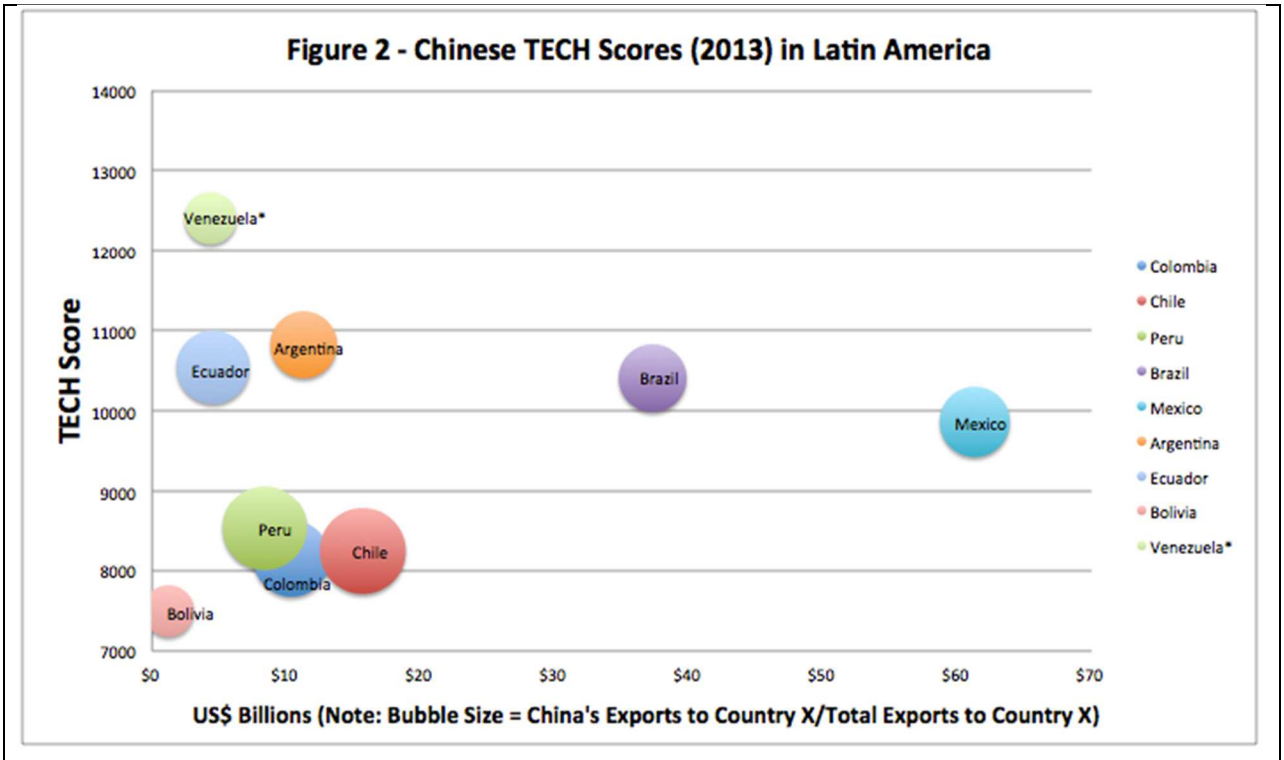

Figure 2. Chinese TECH Scores in Latin America (for 2013). Source: UN COMTRADE and author's elaboration

Figure 2 reveals several interesting trends with respect to the *neoliberal-dirigiste continuum*. First, the Chinese products with the highest technology value are the commodities

that China exports to Venezuela. The next highest valued Chinese commodity exports (in terms of technology value) are those products that are exported to Ecuador and Argentina. Interestingly, China's most technologically advanced/valuable exports, in 2013 at least, tend to be exported to the most *dirigiste* and anti-Washington consensus of all of the Latin American countries examined here. Interestingly, while Bolivia certainly belongs to the group of Latin American *dirigiste* administrations, the overall value and levels of technological sophistication of Chinese exports to this country are small. Another interesting trend is that the countries - Peru, Colombia, Chile - for which Chinese imports make up a sizeable percentage (>19%) of total imports all import Chinese commodities with relatively low TECH Scores – implying that (with the exception of Bolivia) that these three countries' Chinese imports are relatively basic in terms of their technological make up, that is, they are not advanced in nature. Finally, Chinese exports to the region's two largest economies – Brazil and Mexico – can be characterized by their relatively moderate/mid-range level of technological sophistication. Nevertheless, Chinese exports to these two economies comprise a substantial share of Brazil and Mexico's total imports, approximately 16% for both countries.

Table 11 shows the TECH Scores of selected Latin American export partners in 1995 and 2013. Here the order of the Latin American economies are listed from most neoliberal to most dirigiste. This order consists of: Columbia, Chile, Peru (which are all well-known for their neoliberal economic policies), followed by Brazil, Mexico and Argentina (the 'middle---ground countries), followed by Ecuador, Bolivia and Venezuela (the most statist, nationalistic and dirigiste of the countries examined in this work). While all listed export partner countries regularly ranked within the top twenty partners that exported the commodities with the highest

level of technological sophistication, it is important to note that China was *not* regularly featured in the top 20 ranking. For the purposes of this comparative study, however, I have included China in this measurement of TECH Score rankings in Latin America in 2013. This table shows that for each Latin American country, Chinese exports have exhibited a trend of increasing technological sophistication – especially among those economies that are dirigiste in orientation.

The following chapter builds on our understanding of the increasingly close Chinese-Latin American relationship by considering the role that Chinese foreign direct investment (FDI) and economic aid play in driving the policymaking behind China's economic engagement with economies in the region. In reality, the trading relationships discussed in this chapter cannot be thought of independent of the investment relationships that Chinese economic actors have been forging with Latin American governments and firms. Chapter 4 will make the case for the importance between trade and investment.

Table 11 - 20 Selected TECH Score Export Partners

(all except China, PRC regularly ranked among the countries with the highest TECH Scores)

		Colombia			*Chile*			*Peru*	
	20 Selected TECH Score Export Partners	2013	1995	*% Change*	2013	1995	*% Change*	2013	1995	*% Change*
1	Switzerland	98049.5	55084.8	*78.0*	102886.5	75293.0	*36.65*	92582.4	62455.8	*48.24*
2	Australia	72048.0	43723.6	*64.8*	36336.1	24100.7	*50.77*	56142.5	27116.3	*107.04*
3	Qatar	61940.5	25834.8	*139.8*	38928.6	36667.7	*6.17*	35093.8	#N/A	*#N/A*
4	Norway	60249.0	49817.7	*20.9*	57324.1	60046.3	*-4.53*	96051.8	36552.0	*162.78*
5	Singapore	43810.1	30551.2	*43.4*	43898.3	13833.4	*217.34*	44926.9	13384.3	*235.67*
6	China	8152.3	8354.8	*-2.4*	8245.3	7833.6	*5.26*	8534.5	6726.3	*26.88*
7	Israel	43615.5	54594.1	*-20.1*	46335.8	26776.4	*73.05*	28937.4	17221.9	*68.03*
8	Iceland	42639.0	37768.4	*12.9*	59933.7	90316.8	*-33.64*	45018.1	#N/A	*#N/A*
9	Canada	34380.2	23772.2	*44.6*	31906.7	29264.0	*9.03*	44703.0	27262.1	*63.98*
10	New Zealand	33634.3	26726.8	*25.8*	39017.2	26320.0	*48.24*	32754.9	467.6	*6904.70*
11	Saudi Arabia	31933.2	11651.2	*174.1*	22259.1	10509.4	*111.80*	21021.5	13970.9	*50.47*
12	EU	25847.7	22154.8	*16.7*	24088.4	26584.4	*-9.39*	29736.9	22401.6	*32.74*
13	Japan	25737.5	15756.8	*63.3*	29993.0	31963.9	*-6.17*	28434.8	26399.4	*7.71*
14	Uruguay	24950.1	7793.1	*220.2*	28255.2	9598.1	*194.38*	18662.7	4792.3	*289.43*
15	USA	21102.2	20750.4	*1.7*	30019.8	24291.7	*23.58*	23311.7	20344.3	*14.59*
16	Iran	13092.7	1909.2	*585.8*	4332.7	4902.1	*-11.62*	25524.8	2364.9	*979.32*
17	Costa Rica	8712.4	6703.8	*30.0*	12902.8	6305.3	*104.63*	11525.4	27217.6	*-57.65*
18	Panama	15526.7	9245.4	*67.9*	19468.7	7127.7	*173.14*	8621.5	11917.2	*-27.65*
19	Malaysia	10234.0	6148.4	*66.4*	17623.4	8998.5	*95.85*	13942.1	20327.3	*-31.41*
20	Rep. of Korea	17596.6	12857.2	*36.9*	16393.4	13482.6	*21.59*	20239.9	13930.6	*45.29*

Table 11 - Continued

		Brazil			*Mexico*			*Argentina*	
	20 Selected TECH Score Export Partners	2013	1995	*% Change*	2013	1995	*% Change*	2013	1995	*% Change*
1	Switzerland	70728.0	53444.5	*32.34*	92871.3	62306.1	*49.06*	75574.1	61511.4	*22.86*
2	Australia	33012.5	26879.3	*22.82*	50714.7	22874.8	*121.71*	53347.7	33803.3	*57.82*
3	Qatar	34194.5	12487.4	*173.83*	27627.6	22971.2	*20.27*	38939.7	#N/A	*#N/A*
4	Norway	56515.2	30885.7	*82.98*	54519.3	54747.0	*-0.42*	48993.5	79015.0	*-37.99*
5	Singapore	39691.2	26417.5	*50.25*	50945.1	20908.6	*143.66*	68488.3	14737.0	*364.74*
6	China	10409.4	8265.9	*25.93*	9865.8	11555.2	*-14.62*	10824.8	8138.0	*33.02*
7	Israel	41445.8	17514.4	*136.64*	38246.6	29333.5	*30.39*	52474.1	22877.5	*129.37*
8	Iceland	34993.6	30647.3	*14.18*	34804.7	37739.2	*-7.78*	67867.3	54458.9	*24.62*
9	Canada	33103.2	24067.4	*37.54*	30503.3	25614.0	*19.09*	84858.4	29006.5	*192.55*
10	New Zealand	35403.7	20408.4	*73.48*	20945.4	21207.5	*-1.24*	44088.2	33490.3	*31.64*
11	Saudi Arabia	14472.2	8084.7	*79.01*	10688.7	10140.9	*5.40*	13256.4	10209.2	*29.85*
12	EU	24432.9	23643.8	*3.34*	25153.7	31671.2	*-20.58*	21931.3	22431.1	*-2.23*
13	Japan	28108.7	39014.3	*-27.95*	29426.6	35228.9	*-16.47*	32477.5	34577.8	*-6.07*
14	Uruguay	15114.9	14283.5	*5.82*	16244.4	14252.0	*13.98*	15645.0	12655.7	*23.62*
15	USA	27392.3	22175.0	*23.53*	19455.6	19168.8	*1.50*	26531.5	22990.4	*15.40*
16	Iran	7060.6	7761.2	*-9.03*	8507.9	2445.2	*247.94*	4324.5	2098.3	*106.10*
17	Costa Rica	76077.0	5776.4	*1217.03*	28669.2	5371.5	*433.73*	104348.6	5019.3	*1978.94*
18	Panama	24324.6	9600.9	*153.36*	11412.9	12155.1	*-6.11*	13240.6	10998.2	*20.39*
19	Malaysia	14293.8	14078.8	*1.53*	5076.2	9716.6	*-47.76*	17120.7	8694.0	*96.92*
20	Rep. of Korea	13668.0	13572.5	*0.70*	15670.4	17861.0	*-12.26*	15353.5	14590.5	*5.23*

Table 11 - Continued

		Ecuador			*Bolivia*			*Venezuela*		
	20 Selected TECH Score Export Partners	2013	1995	*% Change*	2013	1995	*% Change*	2011	1995	*% Change*
1	Switzerland	79128.5	45376.7	*74.38*	33172.1	65471.3	*-49.33*	77804.0	74643.3	*4.23*
2	Australia	70165.3	18449.6	*280.31*	73009.2	50120.2	*45.67*	42550.4	49438.1	*-13.93*
3	Qatar	69031.7	#N/A	*#N/A*	77021.5	#N/A	*#N/A*	64275.3	#N/A	*#N/A*
4	Norway	39308.8	47010.9	*-16.38*	21793.4	51278.2	*-57.50*	54644.2	38043.4	*43.64*
5	Singapore	29557.7	#N/A	*#N/A*	31199.1	37158.8	*-16.04*	37947.8	27155.5	*39.74*
6	China	10545.3	6940.5	*51.94*	7499.1	4759.2	*57.57*	12411.5	3834.6	*223.67*
7	Israel	26116.0	13315.5	*96.13*	28267.9	41692.6	*-32.20*	34146.0	27079.7	*26.09*
8	Iceland	#N/A	35561.3	*#N/A*	#N/A	#N/A	*#N/A*	2565.8	#N/A	*#N/A*
9	Canada	42587.5	26156.0	*62.82*	35945.2	28003.7	*28.36*	39010.8	23660.7	*64.88*
10	New Zealand	40485.3	26740.1	*51.40*	20026.9	27121.1	*-26.16*	980.7	157.4	*523.05*
11	Saudi Arabia	31650.2	5615.2	*463.65*	25564.0	#N/A	*#N/A*	19835.6	7784.2	*154.82*
12	EU	19268.6	22624.2	*-14.83*	27312.5	24778.3	*10.23*	24319.6	27230.1	*-10.69*
13	Japan	23587.7	36590.1	*-35.54*	27981.4	31281.9	*-10.55*	42649.2	44009.5	*-3.09*
14	Uruguay	30008.8	7033.8	*326.64*	13457.0	15407.2	*-12.66*	17275.6	5095.9	*239.01*
15	USA	17536.7	23227.3	*-24.50*	31710.3	25335.2	*25.16*	21822.7	22952.5	*-4.92*
16	Iran	11656.3	5501.1	*111.89*	4677.3	4301.5	*8.74*	9074.0	2565.6	*253.68*
17	Costa Rica	14167.7	8917.1	*58.88*	7275.8	2326.0	*212.81*	10827.7	10279.6	*5.33*
18	Panama	11402.2	7102.7	*60.53*	6313.3	9594.5	*-34.20*	13662.7	8685.8	*57.30*
19	Malaysia	17743.2	7063.8	*151.18*	15606.8	9365.0	*66.65*	9325.5	10112.1	*-7.78*
20	Rep. of Korea	19624.5	13253.3	*48.07*	23124.2	27665.4	*-16.41*	17355.9	21132.9	*-17.87*

Appendix 1 – The R Script used to calculate TECH Scores

```
TECHScore_New <-
function(CountryImportsYear,GDP_Per_CapitaYear,CPI_Index,EU_AllCountryMap,
NatResource)
{

  require(plyr)
  #Perform calculation for EU as a whole entity
  # Map all EU countries to code 999
  CountryEUAll <-
merge(x=CountryImportsYear,y=EU_AllCountryMap,by.x="Partner.Code",by.y="Or
iginal_Code")

  # Delete empty quantities or values
  # Delete rows with quantity code =1 or no quantity code(no quantity)
  # Delete rows with quantity code =1 or no quantity code(no quantity)
  CountryImports <- CountryEUAll[!CountryEUAll$Quantity.Unit.Code==1,]
  CountryImports <-
CountryImports[!is.na(CountryImports$Quantity.Unit.Code),]
  # Delete rows with quantity =NA or 0 (no quantity)
  CountryImports <-
CountryImports[!is.na(CountryImports$Supplementary.Quantity),]
  CountryImports <-
CountryImports[!CountryImports$Supplementary.Quantity==0,]
  # Delete rows with Value=NA
  CountryImports <- CountryImports[!CountryImports$Value==0,]
  CountryImports <- CountryImports[!is.na(CountryImports$Value),]

  #1c remove columns not required
  CountryImports$Netweight..kg. <- NULL
  CountryImports$Year <- NULL
  CountryImports$Trade.Flow.Code <- NULL
  CountryImports$Reporter.Code <- NULL
  CountryImports$Classification <- NULL
  CountryImports$Quantity.Unit.Code <- NULL
  CountryImports$Estimation.Code <- NULL
  CountryImports$Partner.Code <- NULL
  #Reorder columns
  CountryImports <- CountryImports[c(1,4,5,2,3)]
  #rename column names
  names(CountryImports) <-
c("Commodity.Code","Country.Code","Description","Quantity","Value")
  #convert quantity and value columns to numeric
  CountryImports[, 4] <- as.numeric(as.character( CountryImports[, 4]))
  CountryImports[, 5] <- as.numeric(as.character( CountryImports[, 5]))

  #2d: Aggregated EU imports by commodity code
  ExportsAgg <-
ddply(CountryImports,.(Commodity.Code,Country.Code,Description),summarize,
Value=sum(Value),Quantity=sum(Quantity))

  #2f:Rename column names
  names(ExportsAgg) <-
c("Commodity.Code","Country.Code","Description","Value_Xng","Quantity")
  ExportsAgg <- ExportsAgg[!is.na(ExportsAgg$Quantity),]

  # Delete low value exports : Export value for a commodity for a country
< $10,000
  # Delete low quantity exports : Export value for a quantity for a
country < 100
  ExportsAgg <- ExportsAgg[!(ExportsAgg$Value_Xng<10000),]
```

```
  ExportsAgg <- ExportsAgg[!(ExportsAgg$Quantity<100),]

  GDP_Per_CapitaYear$GDP_Per_Capita <-
GDP_Per_CapitaYear$GDP_Per_Capita*CPI_Index

  #replace NA entries to 0
  GDP_Per_CapitaYear[is.na(GDP_Per_CapitaYear)] <- 0

  #Start Tech Score Calculation
  #Pg calculation
  #Create column GDP_Per_Capita in TECHng variabe
  TECHng <-
merge(x=ExportsAgg,y=GDP_Per_CapitaYear,by.x="Country.Code",by.y="Country.
Code")
  TECHng$Country <- NULL

  #Create TotExports column in TECHng
  ExportsbyCountry <-
ddply(ExportsAgg,.(Country.Code),summarize,TotExports=sum(Value_Xng))
  TECHng <-
merge(x=TECHng,y=ExportsbyCountry,by.x="Country.Code",by.y="Country.Code")

  #Create ExportShareNg Column
  #Export Share = Value of good g as a share of total value of goods for a
country n
  TECHng$ExportShareNg <- TECHng$Value_Xng/TECHng$TotExports

  #Create Value_ExportShareG Sum Column
  ExportShareG <-
ddply(TECHng,.(Commodity.Code),summarize,Value_ExportShareG=sum(ExportShar
eNg))
  TECHng <-
merge(x=TECHng,y=ExportShareG,by.x="Commodity.Code",by.y="Commodity.Code")

  #Create Value_Png Column Calculate Png= Xng*GDPPerCapita/Xg
  TECHng$Value_Png <-
TECHng$ExportShareNg*TECHng$GDP_Per_Capita/TECHng$Value_ExportShareG



  #Calculate Pg: Sum of Png across countries
  Pg <- ddply(TECHng,.(Commodity.Code),summarize,Value_Pg=sum(Value_Png))

  #summarize to get Xg: summarize commodity exports across all countries
  #Create column Xg
  Xg <- ddply(TECHng,.(Commodity.Code),summarize,Value_Xg=sum(Value_Xng))
  TECHng <-
merge(x=TECHng,y=Xg,by.x="Commodity.Code",by.y="Commodity.Code")

  #Create Column CommShareNg =Value_Xng/Value_Xg
  TECHng$CommShareNg <- TECHng$Value_Xng/TECHng$Value_Xg

  #Calculate Ung= $Value/quantity
  TECHng$Ung <- TECHng$Value_Xng/TECHng$Quantity

  #Calculate Qng= Ung/sum Ung*Sng across all countries
  #Calculate Ung_Weighted=Ung*CommShareNg
  TECHng$Ung_Weighted <- TECHng$Ung*TECHng$CommShareNg
  #summarize to get Ug_Avg
  Ug_Avg <-
ddply(TECHng,.(Commodity.Code),summarize,Value_Ug_Avg=sum(Ung_Weighted))
```

```
  TECHng <-
merge(x=TECHng,y=Ug_Avg,by.x="Commodity.Code",by.y="Commodity.Code")
  #Calculate Qng
  TECHng$Value_Qng <- TECHng$Ung/TECHng$Value_Ug_Avg


  #Set Qng for natural resources as 1
  #Load NatResource
  #Create Column NR_YN
  TECHng <-
merge(x=TECHng,y=NatResource,by.x="Commodity.Code",by.y="Commodity.Name")
  #mark Qng=1 for natural resources
  TECHng$Value_Qng_final <- ifelse(TECHng$NR_YN==1,1,TECHng$Value_Qng)


  #Step3: Calculate TECH Score
  #merge Pg to Qng table
  #Create Column Value_Pg
  TECHng <-
merge(x=TECHng,y=Pg,by.x="Commodity.Code",by.y="Commodity.Code")

  # Create ExportSharePg = Pg*ExportShareNg
  # Similar to tech score without relative quality component
  TECHng$ExportSharePg <- TECHng$Value_Pg*TECHng$ExportShareNg

  #TEch score= Pg*Qng*ExportShareNg
  TECHng$Value_Tech <-
TECHng$Value_Pg*TECHng$Value_Qng_final*TECHng$ExportShareNg
  TECHng[is.na(TECHng)] <- 0

  # remove Qng values less than 1st percentile and greater than 99th
percentile
  Quantiles <- quantile(TECHng$Value_Qng_final,probs=c(.01,.99))
  TECHng <- TECHng[!TECHng$Value_Qng_final<Quantiles[1],]
  TECHng <- TECHng[!TECHng$Value_Qng_final>Quantiles[2],]
  return(TECHng)
}
```

Chapter 4 – China's Foreign Direct Investment (FDI) and Economic Aid in Latin America

Introduction

This chapter describes the industrial sectors and provides a country-by-country break down of Chinese FDI and economic aid in the nine-targeted Latin American countries that comprise the focus of this study. This work places politically distinct Latin American countries in a *neoliberal-dirigiste continuum* positioning Venezuela, Bolivia, Ecuador as the most *dirigiste* (state-directed) economic regimes in the region, followed by Argentina, Brazil, and Mexico, which represent a political middle ground between high levels of state control and neoliberalism (albeit with a range of variation among these three countries) and Peru, Chile and Colombia, which, to varying degrees can been seen as 'championing' neoliberal principles and policies in the region. The purpose of using this continuum in this chapter (and in this project more broadly) is to highlight the variegated attractive and repelling forces that forces that exist on the ground, and influence *where* in Latin America Chinese business investment and economic aid are placed. The examination of China's position as a foreign investor in the region is contrasted with EU and US investments and economic aid in order to assess the comparative position and 'movement' of Chinese interests up the global power and influence ranking. Understanding Chinese investment and economic aid trends helps to accurately depict China's emergence as a global financier, and at the same time provides a more accurate, fact-based, assessment of Chinese economic activity in Latin America. Such an assessment is useful in countering hyperbolic depictions of Chinese economic actors that are often portrayed as somehow 'taking over' and/or 'economically dominating' entire regions of the developing world (see Chapter 5).

Since 2005, Chinese economic interests have provided in excess of $100 billion in loans to Latin American countries and firms. Chinese loans totaled $37 billion in 2010 alone and, in

that year, accounted for more loan value than loans granted to the region by the World Bank, Inter-American Development Bank, and U.S. Export-Import Bank *combined* (Inter-American Dialogue 2014). It is precisely because of China's rapid and expansive investment and aid policy in Latin America that this economic/financial phenomenon has received so much attention, both from the popular media and from the academic community. The task here (and in Chapter 5) is to break down this 'Chinese financing deluge' into Latin America by country and by sector so as to clarify the types of investments and loans that Chinese economic actors have engaged in across the region. In keeping with the overall scope of this project, the focus here will be on Chinese investments made and economic aid given to the nine countries that comprise the *neoliberal-dirigiste continuum*.

In order to present a case for the current and future attractiveness of the Chinese state capitalist model in Latin America, this chapter approaches Chinese investment and aid in order of the most neoliberal to most dirigiste economy. That is, Colombia, the most neoliberal of the countries examined here, is discussed first and Venezuela, the most dirigiste, is examined last. So this chapter will show the different gradients/shades of Chinese state capitalism and which different political and economic characteristics contribute to making a country more or less attracted to the Chinese state capitalist model. In a sense, 'reading' the countries in this order, can help us understand how and under what conditions this Chinese model can lead to economic development success and can inform us as to when this model is not appealing to host countries.

Colombia

In considering Chinese investment and economic aid with Colombia, it is first useful to compare the FDI inflows of all of Colombia's major economic partners into the country during 2001-2012 as reported by UNCTAD. Table 1 clearly shows that foreign investment in

Colombia, in terms of dollar value, originates predominantly from neighboring Latin American countries, with the two largest investors being Chile and Mexico. In 2012, Chilean FDI into Colombia outpaced investment from the United States and Europe. Table 2 shows the total annual FDI stock accumulated in/by Colombia over the same period. While Chinese FDI stock has grown rapidly and exponentially in Colombia since 2007, the total investment (stock) made by Chinese economic actors has been much smaller than the stock originating from the US or neighboring Latin American countries such as Brazil, Chile or Mexico.

Table 1. FDI flows in the host economy, by geographical origin - INFLOWS INTO COLOMBIA

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	2542	2134	1720	3016	10252	6656	9049	10596	7137	6746	13405	15650
European Union	1033	535	608	730	5691	2133	1876	2978	1853	1683	3851	1780
United States	806	781	453	1262	2156	2648	2761	2977	2340	1795	2301	2480
China	1	1	4	2	2	8	2	-1	-3	1	16	21
LAC	593	535	508	428	2069	1436	3886	3858	1927	2242	5540	9583
South America	141	258	53	120	129	163	749	324	283	314	1201	3852
Argentina	3	21	8	1	3	15	4	6	23	9	107	21
Brazil	58	39	-4	4	-4	20	540	170	66	84	221	355
Chile	54	15	5	5	22	15	56	44	58	40	645	3078
Ecuador	-8	3	-1	6	17	15	7	7	4	30	55	45
Venezuela	16	49	24	65	25	73	111	43	85	80	61	101
Peru	13	16	16	8	12	8	17	24	26	34	73	173
Mexico	-152	-3	27	-10	1061	268	401	577	-462	-343	425	807

Source: UNCTAD 2001-2012

Table 1. FDI inflows into Colombia (2001-2012)

FDI stock in the host economy, by geographical origin - INTO COLOMBIA
(Millions of US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
United States	3122	2622	2773	2991	4292	3799	4552	5028	6050	6181	6475	8434
China	0	0	1	7	7	6	7	14	21	23	60	346
Brazil	130	28	46	47	34	71	203	331	587	899	1226	816
Chile	0	0	0	0	0	305	520	897	647	937	1776	2119
Mexico	0	0	0	0	0	0	0	0	2848	4105	3747	3156

Table 2. FDI Stock in Colombia (2001-2012)

Chinese Investment in Colombia

In 2012, Chinese investments of $21 million in Colombia rank as one of the lowest amounts from any single investing country, according to the data. Nevertheless, the 2000% increase of Chinese FDI into Colombia from 2000 to 2012 is dramatic and noteworthy.

China's investment relationship with Colombia has been more limited than with other Latin American countries. There are several reasons for this. One reason is that historically Colombia has not exported large quantities of primary products to China (Ellis 2009, 157)[22]. Another contributing factor to the comparatively weak economic relations between China and Colombia can be attributed to the strong political and military ties between the U.S. and Colombia. Acknowledging the significance of these bi-lateral relations, China's leadership has acted cautiously with regard to its political and economic engagement in Colombia. Also, practically, because of the Colombian government's conflicts with armed groups that both Colombia and the U.S. have labeled as "terrorists," Chinese economic actors have proceeded with caution in expanding their economic presence in this country (Tokatlian 2008, 71). Close ties with the U.S., however, have not altogether precluded the Colombian government from seeking to build better trade and investment relations with China (Ellis 2009, 157-58). The UNCTAD data in Table 1 confirm this. Of all Latin American countries, Colombia is probably the most closely ideologically aligned with Washington, and for this reason, I designate Colombia as the most neoliberal country in this Latin American country study.

Estimates vary widely on the actual amount of Chinese investment in Colombia. According to Shifter (2012), "there are no more than 40 Chinese companies currently operating in the country and China has only invested $32 million in Colombia over the past 10 years". Evidence countering such low investment estimates can be found in unpublished reports written by Colombian government officials. Higher estimates of Chinese investment in Colombia to date, include several major Chinese infrastructural investments. These include a 2006, $850 million joint-venture acquisition (with an Indian company ONGC) by the Chinese National Petroleum Company (CNPC) of a 50% stake in the Colombian firm Omimex (Hindu Business

[22] Although as of 2013, China became Colombia's second largest trading partner (Shifter 2012)

Line 2006). Omimex is a private firm that controls the majority of Colombian petroleum assets not managed by Equipetrol, Colombia's state-owned oil company (Alexander's Oil and Gas Connection 2007). In 2007, the Chinese company Capital Airports Holdings (which manages China´s biggest airports), together with several Colombian entrepreneurs, obtained the concession to manage six Colombian airports. In 2009 the China Development Bank (CDB) invested $75 million in a Cartagena cement production project (IAD 2014). In the same year, Sinochem, invested over $300 million, in support of establishing its Andean regional headquarters in the Colombia (Cárdenas, n.d.).

Other official estimates suggest that Chinese investment in Colombia is valued at US$ 519 million, placing the country as the tenth largest destination for Chinese investment in Latin America (InvestColombia.com). In general, one of the main draws for Chinese investors in the Colombian market is Colombia's relatively well-developed manufacturing sector, coupled with its relatively well-educated and sophisticated labor force (Ellis 2009, 164). At a more macro-economic level there is some evidence that Colombia (along with Mexico) was one of two Latin American countries where foreign investment *into China* from 1995 to 2001 may have possibly hampered overall inward FDI flows to the country. Namely, the draw of China as a destination for foreign investment appears to have prevented investment capital that would have otherwise arrived in Colombia (Garcia-Herrero & Santabárbera 2007).

US & EU Investment in and aid to Colombia

Understanding China's extent of investment in Colombia's market can be facilitated by comparing Chinese investment and aid with that of the historically major foreign players – namely the EU countries and the US. From 1994 to 2013, the US has been the single largest investor in Colombia (Colombia Reports 2012). More broadly, from 2001 to 2011, the EU

accounted for an average US$ 30 billion of annual FDI into Latin America and the Caribbean, which accounted for nearly 40% of all FDI flowing into the region - making the EU the largest regional foreign investor (ECLAC 2011).

According to the Bank of the Republic (the Central Bank of Colombia), the sectors that have benefitted most from EU investments between 2007 and 2011, have been the industrial sector (receiving 30.8% of the total EU investments), followed by the transport sector (attracting 18.5% of the overall flow), followed by finance (17.6%), then real estate (11.7%) and trade (11.2%) (in ProExport Colombia 2012). While never the major recipient of EU FDI flows, Colombia, during the 2006-2010 time period attracted 5% of total EU FDI entering the Latin America and Caribbean region (ECLAC 2011, 63).

In terms of economic aid, the United States has directed its assistance in Colombia towards the areas of counter-narcotics, human rights, and peace (ending-civil unrest in the country (Isacson & Vaicius 2004). One of the reasons Colombia is placed at the neoliberal extreme of the neoliberal-dirigiste continuum is because it was the largest recipient of US foreign aid *by far* of all of the Andean economies in a recent survey covering US aid packages and commitments (Meyer & Sullivan 2012).

The Main Sectors receiving FDI in the Colombian Economy

Since 2005, Colombia's oil, mining and manufacturing sectors have been the largest recipients of FDI (Colombia Reports 2012). Colombia's petroleum and mining sectors have been the targets of significant foreign investment from the EU and the US. In considering the hydrocarbon sector specifically, as China's dependence on oil imports increases, Chinese capital has begun to enter the petroleum production sector in Colombia. Because of Colombia's market approach towards its hydrocarbon sector and because of the comfort and success of the Chinese

state capitalist model in more dirigiste Latin American countries, it is possible to envision the limited success of Chinese partnerships with Colombian hydrocarbon firms, especially given Colombia's ideological proximity to Washington's economic policies. It is well known, for instance, that Chinese petroleum concerns are more active in Peru than they are in Colombia (Roett and Paz 2008, 180). Nevertheless, because Colombia is one of the countries in the region that is the most open to FDI in the hydrocarbon sector, where between 2005 and 2010, 30% of FDI in Colombia went to the oil sector (ECLAC 2011, 70), such an assurance of Chinese capital shying away from investment opportunities in Colombia is, at this point, speculative at best.

Colombia has valuable mineral assets. Colombia is the largest producer of nickel on the continent and is the largest producer of coal in Latin America. It is also the second largest producer of emeralds in the world, and it has significant reserves of gold. With its favorable investment climate, market and investment friendly regulations, high mining potential, and relatively unexplored territory, Colombia is an attractive country for mining investments (Latin Lawyer 2014). Because of the importance of these industries in Colombia's economy, portfolio investment in financial, hydrocarbon, and mining sectors are subject to special regulations, including investment registration and concession agreements with the Colombian government. Such investments, however, are not restricted in the amount of foreign capital permitted (U.S. Dept. of State 2014).

Chinese Aid to Colombia

Unlike aid from the US and EU, Chinese economic assistance has been much more practical – rather than ideological in nature. To date, Chinese aid to Colombia has been much more limited than aid originating from either of the two historically largest foreign players in the Colombian market, the US and the EU. In 2005, Chinese authorities donated teaching

appliances, medical apparatuses and agricultural machines to Colombia (Dreher & Fuchs 2011). The tendency for Chinese interests to donate materials, supplies and technologies, may be one way for Chinese firms to gain entry and acceptance into Colombia – a country that is very closely tied economically to the other economies of South America as well as to the US and EU.

At first, it may seem unfortunate that data available for Chinese loans only cover aid projects run by the Chinese Ministry of Commerce and excludes those administered by the Exim Bank and the China Development Bank (as well as technical assistance), however, loans from the China Development Bank are not concessional in nature and therefore do not qualify as official development assistance (ODA). According to Brautigam (2011, 761), "the large lines of credit offered by Chinese policy banks are not provided as ODA but represent OOF [other official flows], chiefly export credits."

Chile

While Chile, like Colombia, has built a reputation for promoting free trade and protection of foreign investment, in this study, Chile falls slightly to the right of Colombia on the neoliberal-dirigiste continuum for two reasons. First, until March 2014, Chile's President, Michelle Bachelet was a leader who promoted socialist and leftist causes include universal education and the increase of corporate taxation rates. Second, during the second US invasion of Iraq, Chile publically stated its opposition to the United Nations for this decision. For these reasons, I argue that Chile is not the most neoliberal country in Latin America.

FDI in and economic aid to Chile

Interestingly, after the US, Colombia was Chile's largest single foreign investor in 2013 (see Table 3). This fact is telling of both Colombia's and Chile's market-oriented economy and

protection of incoming investment. It also reveals the economic interactivity of several of the most neoliberal economies in South America . As with Colombia, the majority of Chile's foreign investment comes from Latin America (after the US). The amount of officially registered Chinese FDI into Chile, while reaching $76 million, which until 2012 was an all-time high, is comparatively low compared to other geographically proximate and historically present foreign investors (see Table 3). Table 4 shows the comparatively low levels of Chinese FDI stock in Chile, especially compared with the EU economies and certain Latin American economies such as Brazil, Colombia, and Mexico.

Table 2. FDI flows in the host economy, by geographical origin - INFLOWS INTO CHILE

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	0	0	0	0	0	7298	12534	15150	13630	13589	14022	22500
European Union	0	0	0	0	0	1960	2578	4391	5770	2456	-2537	-774
United States	0	0	0	0	0	111	3726	2272	991	819	1915	4376
China	0	0	0	0	0	21	7	-5	-7	5	0	76
Hong Kong, China	0	0	0	0	0	137	202	279	0	0	21	22
LAC	0	0	0	0	0	917	2335	4001	899	5169	7932	9600
South America	0	0	0	0	0	393	710	1224	799	1754	528	1406
Argentina	0	0	0	0	0	113	281	315	354	409	18	78
Bolivia	0	0	0	0	0	0	0	0	0	0	1	1
Brazil	0	0	0	0	0	126	116	762	327	914	9	448
Colombia	0	0	0	0	0	20	151	47	20	361	418	728
Peru	0	0	0	0	0	11	12	10	25	8	85	128
Mexico	0	0	0	0	0	37	91	325	-617	95	188	577

Table 3. FDI Inflows into Chile (2001-2012). Source: UNCTAD.

FDI stock in the host economy, by geographical origin - INTO CHILE
(Millions of US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	0	0	0	0	0	80297	99413	99359	119640	149687	154873	182719
European Union	0	0	0	0	0	25315	30289	30964	49544	40909	32798	37656
United States	0	0	0	0	0	15482	19977	18892	17384	18263	24026	29728
China	0	0	0	0	0	149	152	137	108	87	77	92
Hong Kong, China	0	0	0	0	0	1635	2310	2069	1791	1804	1489	1718
LAC	0	0	0	0	0	16843	21189	21736	21334	40435	50590	59672
South America	0	0	0	0	0	3311	4143	5065	6538	9844	11115	12860
Argentina	0	0	0	0	0	1352	1735	1786	2664	2915	2922	3392
Brazil	0	0	0	0	0	773	930	1843	3211	5009	5119	5957
Colombia	0	0	0	0	0	226	286	385	448	600	2445	2820
Ecuador	0	0	0	0	0	9	10	9	0	0	0	0
Peru	0	0	0	0	0	51	58	56	0	45	719	822
Venezuela	0	0	0	0	0	47	53	53	0	-106	-99	-137
Mexico	0	0	0	0	0	283	262	587	1230	1944	1825	2317

Table 4. FDI Stock in Chile (2001-2012). Source: UNCTAD.

Foreign Investment in Chile

According to the 2013 UNCTAD World Investment Report, Chile was the world's eleventh largest recipient of foreign direct investment (FDI) in 2012. With a record in flow of US$30.323 billion, Chile was among the top 20 recipients for the second consecutive year, rising from 17th place in 2011 to 11 place in 2012. While FDI in Chile rose by 32.2% in 2012, global FDI, at US$1.35 trillion, was down by 18% and the in flow into Latin America and the Caribbean dropped by 2.2% to US$243,861 million.[23]

Over the past four decades, Chile has been considered to be one of the most liberal and open economies in the world. It is the domestic policies and regulations taken by the leadership in Chile that have accounted for Chile developing into a globally integrated and strong economy. As highlighted in Figure 1, when examining FDI inflows into Chile since 1974, it becomes very clear, in comparative perspective, that the EU and the US, (and not China) are Chile's major foreign direct investors and that Brazil, the region's largest economy, has a larger FDI presence than does China – though a markedly smaller one than that of the US.

[23] See ProChile-Importadores, 2013. Available at: http://www.prochile.gob.cl/importers/

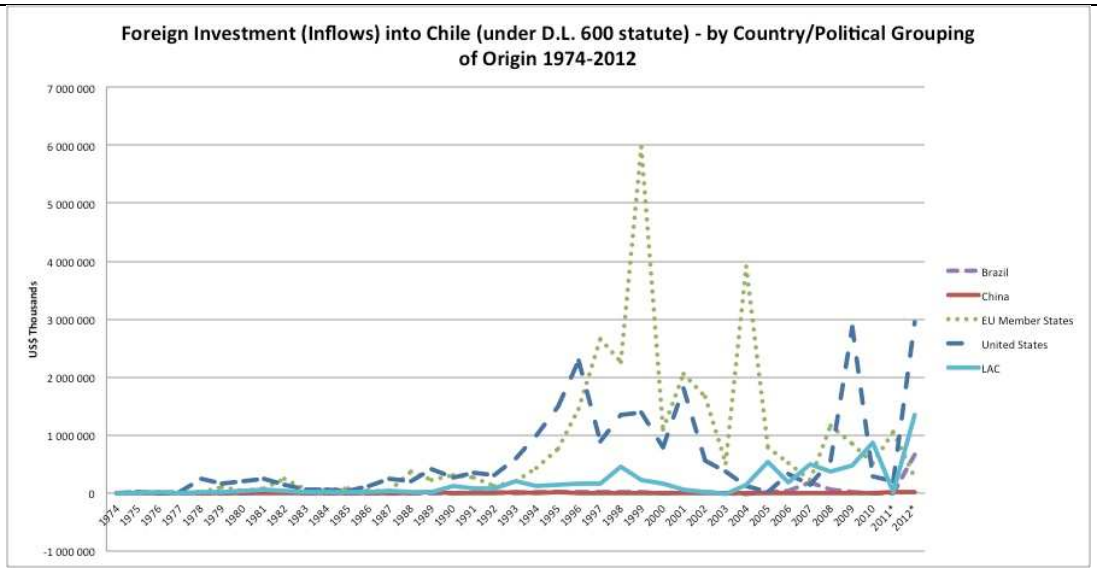

Figure 1. Chilean Foreign Investment Inflows (1974-2012) (Selected States & Regions). Source: http://www.foreigninvestment.cl

Figure 1 illustrates and compares the total annual amounts of incoming FDI in the Chilean economy as registered though the official Chilean Government investment mechanism: the Decree Law 600 (DL600) investment statute. The DL600, operates on "the principles of non-discrimination, non-discretionary treatment and economic freedom" as well as providing "legal certainty and stability". Signatories to the DL600 enter into a contract with the State of Chile. Currently the minimum investment amounts are US$5 million for investments in currency and US$2.5 million for investments taking other forms. (See: Foreign Investment Committee Brochure 2011, 72-73). In examining where Chile ranks as a recipient of EU FDI, Chile is the EU's fourth largest FDI recipient in Latin America (behind Brazil, Mexico and Argentina) and accounts for 3.4% of all EU FDI outflows between 2006 and 2009 (EEAS Website 2014).

In terms of comparative FDI investor country rankings in the 1974 −2012 period, China ranks as Chile's 16th largest foreign investing state/investor after the EU (as a political unit) (Rank #1), the US (#2), Japan (#3), Korea (#14) and Luxemburg (#15) (See Table 5). More recently in 2012, China invested US$9.2 million into Chile enabling it to become the ninth

largest foreign direct investor for the year. This shows that China is becoming more of an active investor in Chile over time even though it has hardly been a foreign investor in Chile at any point during the 1974 - 2012 time period.

China's Rank among FDI Inflows into Chile by Country/Region of Origin (1974-2012)			2012 $Amount and Rank	
Country/Org Unit	Rank	US$ Millions	US$ Millions	Rank
EU	1	30,455	263.1	5
US	2	23,094	2,951.5	1
Japan	3	6,960	2,316.9	2
United Kingdom	4	6,608	16.8	8
LAC	5	6,767	1,349.0	3
Italy	7	1,955	0.0	0
The Netherlands	8	1,732	0.0	0
France	9	1,703	53.1	7
Brazil	10	1,280	667.5	4
Belgium	11	1,019	1.6	10
Germany	12	737	0.0	0
Sweden	13	500	84.1	6
Korea (ROK)	14	199	0.0	0
Luxemburg	15	143	0.0	0
China	16	104	9.2	9
Source: www.foreigninvestment.cl				

Table 5. Total FDI Inflows into Chile by Country of Origin (1974-2012)

The fact that some of Chile's largest foreign investors (the EU, the US, Japan, and other Latin American countries) have registered their investments through the DL600 Chilean legal investment mechanism shows the organizational 'governance power' and the regulatory financial capacity embodied in the Chilean state. These investment data highlight three important trends. First, in terms of FDI inflows, during the years 1974-2012, China is clearly *not* a major foreign investor in Chile, in comparison to other states, even though China has increased its investments globally and even considering that Chile is the world's largest copper producer - an important

import commodity for China. Second, Latin America is a region that is notable for having multiple foreign and regional (i.e. Brazil and Chile) investment suitors and the idea that China is somehow becoming economically dominant, in terms of the number and quantity of investments its government or companies have made in the region (as compared with other investors) is simply not supported by the foreign direct investment data provided here. Third, the very nature of FDI, investment of foreign capital intended for the purpose of controlling the operations of a domestic-based firm, in Latin America shows that if anything, European and US companies are the outside powers most likely to be controlling economic processes in Chile, not Chinese or even Brazilian firms.

Economic Aid to Chile

Between 1946 and 1993, the United States provided approximately $1.2 billion in economic assistance to Chile. According to USAID, in 1996, Chile "graduated" from needing/receiving US economic assistance. A country is considered to have "graduated" when USAID development objectives have been met (USAID 2011). As suggested by the end of US government economic assistance in 1996, one of the main distinguishing features of the contemporary Chilean economy is that Chile currently has few outstanding loans and, apart from donations after a 2010 earthquake, has not received substantial amounts of economic assistance from any outside state. Like the US, the EU in 2011, considered Chile to have "graduated" to a new level of cooperation. According to the European External Action Service (EEAS), Chile is no longer in need of the same type of development assistance since it became a member the OECD in 2010 (EEAS 2014).

The Main Sectors receiving FDI in the Chilean Economy

From 2009-2012, the three Chilean economic sectors that were the largest recipients of foreign investment were 1) mining, 2) services and 3) electricity, gas & water. To date, several of the largest foreign interests in Chile – i.e. Phelps-Dodge (US), Anglo-American (UK), have been in the mining sector. The mining industry, particularly sales of copper, have helped the Chilean economy endure periods of global instability, including the 2008 Global Financial Crisis. In addition, because of several Chinese SOEs have operations in the mining sector (i.e. China MinMetals), there has been a general strengthening of relations between China and Chile in recent years (Stallings 2008, 250). However, one of the largest proposed Chinese-Chilean joint ventures, an accord between CODELCO (the Chilean Copper SOE) and China MinMetals, was also among the most controversial. The controversy arose in part by attempting to negotiate an accord between a Chinese SOE, (with its state capitalist practices) and a Chilean SOE, (which is situated in a very neoliberal, market friendly economy). In the agreement between MinMetals and CODELCO, the former was given the option to buy up to 49 percent of Gabriela Mistral (Gaby), a new Chilean mine (Ellis 2009, 37). When in 2007, MinMetals attempted to exercise its right to buy its stake in Gaby, protests arose and by 2008 the firm essentially abandoned its quest to acquire the mine (Diario Financiero 2008).

More recently, Chinese economic interests have had more success reaching investment agreements in Chile's energy sector. In 2012, the Chinese firm SkySolar, together with the Chinese Development Bank and a Chilean partner Sigdo Koppers announced a planned $900 million dollar investment in a solar panel farm in northern Chile (Esposito 2012). The magnitude and size of this agreement may indicate a technological upgrading of the types of projects and investments that Chinese interests seek to pursue in Chile moving forward.

Peru

Moving across the ideological continuum from the most neoliberal Latin American economy to the most dirigiste, Peru is next in line (after Colombia and Chile) though, in terms of its economic ideology is very similar to the make up of Chile. Peru's sizeable indigenous population together with the success of nationalist leaders has given rise to leftist ideas during the past decades. Other reasons explaining Peru's is placement slightly to the right of Chile on the neoliberal extreme of the neoliberal-dirigiste continuum can be attributed to Peru's recent election of Ollanta Humala, as President of Peru. President Humala's: a) sympathy for previous Peruvian President Juan Velasco's policies that included nationalizing important Peruvian industries in the 1960s, b) his close affiliation with leftist, "pink tide" leaders in South America and c) his 2011 call for re-uniting the Peruvian-Bolivian Confederation have contributed to Peru being perceived as slightly more state controlled and dirigiste than its Pacific neighbors, i.e., Colombia and Chile.

Foreign Direct Investment in Peru

In terms of China's interest in Peru as an investment destination, Peru possesses many attractive opportunities. Peru has a mining sector, which is of interest to China. Peru also has a hydrocarbons sector in which Chinese firms have already demonstrated an interest. The firm China National Offshore Drilling Corporation (CNODC) owns a 45 percent stake in PlusPetrol Norte that controls the largest and most productive oil fields in Peru. The China National Petroleum Corporation (CNPC) is another important player in the Peruvian hydrocarbons market having signed contracts to develop oil fields in the Peruvian Amazon. One of the biggest Chinese mining investments in all of Latin America is Shougang Hierro Peru, which is a Chinese mining company that owns the largest iron producing mine in Peru (Ellis 2009, 150-152).

Also, like Chile, Peru has a well-developed fishing industry (Ellis 2008, 148). The China Fishery Group has been an active operator and investor in Peru's fishing industry. For all of these reasons Peru is an attractive destination for Chinese foreign investment. Of course, these same investment opportunities are what also make the EU and the US Peru's top investment partners and economic aid donors.

In terms of recent foreign investment into Peru, between 2001 and 2012, the EU, the US, Brazil and Chile have been the main investors here (see Table 6). Official Chinese investment into Peru during this period has been limited though starting in 2007, Chinese investment has picked up considerably. In 2007, the China Aluminum Corporations (Chinalco), a Chinese SOE, spent approximately US$ 3 billion to purchase an entire mountain, Mount Toromocho, in order to eventually mine and sell 210,000 tones of copper annually (Ford 2012). This seemingly large price enabled Mount Toromocho's ownership to transfer from "the Peruvian people to the hands of the Chinese" (Moyo 2012, 1). Interestingly Table 6, which reports FDI flows into Peru in millions, apparently does not account for the Toromocho copper investment.

As of 2012, the EU (47%), followed by the US (14%) were the main foreign investors in Peru. As Table 6 makes clear, Chinese investments, while increasing in size and scale in recent years, have not accounted for a significant share of FDI into Peru during the 2001-2012 period (Proinversion 2014).

FDI flows in the host economy, by geographical origin - INFLOWS INTO PERU

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	785	1013	127	-116	-290	1478	367	1953	1765	1887	678	370
European Union	716	131	-41	-323	-648	487	185	789	624	696	430	221
United States	-89	-136	106	165	262	365	5	2	411	100	-	-
China	-	-	-	-	-	-	25	-	-	-	1	60
LAC	149	1000	44	98	83	396	141	675	428	983	86	66
South America	137	535	-	97	-73	193	84	669	416	953	82	53
Argentina	-	-30	-	-	-	1	-	-	-	1	2	-
Bolivia												
Brazil	-17	6	-1	211	1	74	5	5	151	613	36	-
Chile	123	26	1	-140	-84	72	6	651	193	31	34	17
Colombia	7	534	2	-	5	42	69	7	40	267	8	36
Ecuador	-	-	1	11	4	3	5	12	4	41	1	-
Mexico	2	-	-	-	415	2	9	7	10	-	-	12

Table 6. FDI Inflows into Peru (2001-2012). Source: UNCTAD.

Table 7 highlights the amount of FDI accumulated in Peru by country of origin. Examining these numbers reveals the regionally similar characteristics that Chinese FDI in Peru has with Chinese FDI in the other Latin American economies examined here. In the case of Peru, Chinese FDI stock is comparatively modest compared with the EU, the US and other large Latin American economies. What differentiates Chinese FDI stock in Peru is that Chinese actors have been investing in the country, through official channels at consistent levels (compared with smaller economies such as Ecuador and Argentina) *throughout* the 2001-2012 time period examined in this data. In this sense, throughout the first decade of the millennium, Peru has been a consistently attractive destination for Chinese foreign investment.

FDI stock in the host economy, by geographical origin - INTO PERU
(Millions of US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	13019	14031	14158	14043	13753	15231	15598	17551	19316	21203	21881	22251
European Union	8722	8853	8812	8488	7840	8328	8513	9302	9926	10623	11053	11274
United States	1886	1750	1856	2021	2284	2649	2654	2656	3067	3167	3167	3167
China	122	123	123	123	123	123	147	147	147	147	148	208
LAC	1587	2587	2631	2728	2812	3207	3349	4023	4451	5434	5520	5587
South America	978	1514	1514	1610	1537	1730	1814	2483	2899	3852	3934	3987
Argentina	58	29	29	29	29	30	30	30	30	31	33	33
Bolivia	5	5	5	5	5	5	5	5	5	5	5	5
Brazil	42	48	47	257	259	333	337	342	493	1106	1142	1142
Chile	591	617	618	478	394	466	472	1123	1316	1347	1382	1399
Colombia	83	617	619	619	624	666	735	742	782	1049	1057	1093
Ecuador	40	40	41	52	56	59	64	77	81	122	123	123
Mexico	21	22	22	22	437	439	448	455	465	465	465	477
Peru	25	25	25	25	25	25	25	25	25	25	25	25
Venezuela	8	8	8	8	8	8	8	8	8	8	8	8

Table 7. FDI Stock in Peru (2001-2012). Source: UNCTAD.

Economic Aid to Peru

Seen from the US's perspective, Peru was the fifth largest recipient of US aid in fiscal year 2008 and again in fiscal year 2011-2013 (Meyer & Sullivan 2012). In the three decade period spanning fiscal year 1980 through fiscal year 2010, Peru received 26% of all of US aid to the Andean region, or $6.5 billion with, on average 82% of these funds being designated for

economic assistance programs and projects and the remainder being dedicated to military aid (Meyer & Sullivan 2012, 17).

In terms of the EU's economic aid to Peru, a new EU aid package shows Peru's increased importance in the global drug trade. While US anti-drug assistance to the region has usually emphasized strengthening security forces in Latin America, the EU package focuses more on development-based initiatives (Wells 2013). According to Gamazo (2011), the Chinese government's Official Assistance for Development (OAD) from China to Peru reached $18.5 million in the 2006-2010 period. Such funds were focused on health, education, culture, environment and agriculture fields.

The main sectors receiving FDI in the Peruvian economy

According to Proinversión, as of December 2012, the top three Peruvian economic sectors receiving foreign investment funds (stock) were, mining (24%), finance (18%), communications (17%). Of the main foreign investors that made financial contributions or share purchases during the 2008 - 2012 period, all operated in the finance, mining and energy sectors and, with the exception of a Singaporean energy investment, all originated from US, EU or neighboring South American based companies (Proinversión 2014).

Mexico

In terms of the *neoliberal-dirigiste continuum*, I argue that Mexico lies on the neoliberal end of the triplet of countries including: Mexico, Brazil, and Argentina each being progressively more dirigiste (in that order). Mexico's position on this continuum can be justified by the Mexican government being a signatory to the North American Free Trade Agreement (NAFTA) in 1994, with free trade and open markets being a key principle of neoliberal economies.

Limited Chinese FDI in Mexico

Mexico is one of four Latin American countries to be recognized by China as a "strategic partner", with the remaining three countries being Brazil, Argentina, and Venezuela (Ellis 2009, 200). According to Ellis (2009) the reason that China considers Mexico to be considered one of its strategic partners relates to Mexico's leadership role in Central America and because of Mexico's crucial role as an important trading partner with the US. Despite the "strategic partner" designation, the appeal of the Chinese variety of state capitalism, and the corresponding FDI inflows from China to Mexico have not occurred to the same extent as they have with other Latin American countries.

Another reason that the Chinese state capitalist system is not as appealing to the Mexican economy as it is to other Latin American countries (i.e. Brazil and Argentina) is that "Mexico consumes, rather than exports, the vast majority of its primary products" and because of this Mexico has benefitted little from the recent surge in Chinese consumption of such goods. Also, despite being a petroleum rich nation, Mexico's commercial relations with China in the petroleum sector are limited because of at least two factors: 1) a stipulation in the Mexican constitution exists that prohibits FDI in the petroleum sector and 2) Mexican contractual obligations to supply oil to the US. In addition, beyond the petroleum sector, the competitive relationship that China and Mexico have with regard to producing the same types of manufactured goods, contributes to their being relatively few Chinese companies in Mexico (Hearn et al. 2011, 141; Ellis 2009, 200-206).

The main sectors receiving FDI in the Mexican economy

Data from 1994 to 2005, show that FDI flows into Mexico total approximately US$170 billion with the majority of foreign investment focused on manufacturing and service sectors, with electronics and automobiles being the targets of the most FDI (Gallagher & Porzecanski 2010, 107). Agriculture and mining - the other main sectors of the Mexican economy – have received much less investment. Historically and during this period, the US has been the major foreign investor in the Mexican economy, followed by EU countries such as Germany, Spain and France, the three of which together comprise 25% of FDI flows (Waldkirch 2010, 713-714). In general, Mexico has been able to attract investment into "greenfield" manufacturing sectors such as machinery and equipment, chemicals and automobiles (Baer & Miles 2001, 6).

US and EU FDI in Mexico

According to the Office of the US Trade Representative, in 2012, US FDI stock in Mexico reached $101 billion. This represents an increase of 11.3% from 2011. As mentioned earlier, US FDI in Mexico is primarily concentrated in the manufacturing, nonbank holding companies, and finance/insurance sectors sales of services by US owned firms operating in Mexico reached $37.6 billion in 2011 (OUSTR 2014).

As Table 8 shows, FDI inflows into Mexico during the 2001-2012 period originated predominantly in the US and EU countries. Chinese FDI in Mexico during this period has been minimal, though increasing inconsistently. In 2012 Chinese FDI inflow into Mexico ($83 million) was ten times less than that of the US investment flows into Mexico that year. Table 9 highlights the recent nature of official Mexican record keeping with regards to inward bound FDI stock. From the data available from 2009 to 2012, it is clear that the US, the EU and Latin

American states are the major foreign investors in the Mexican economy during this four-year time frame.

FDI flows in the host economy, by geographical origin - INFLOWS INTO MEXICO
(In US Millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	29984	23987	18896	25038	24669	20699	32184	28337	17055	23027	23009	17224
European Union	6480	9241	6284	13032	8429	6741	14773	10156	6416	13247	6733	3586
United States	21544	13202	8997	9186	11803	13059	13048	11526	7456	6256	11600	8514
China	2	-2	26	12	15	24	9	13	34	14	22	83
LAC	483	431	314	284	3023	484	1492	1774	262	712	795	954
South America	50	70	53	135	736	152	95	221	214	501	592	263
Argentina	10	11	4	12	542	25	25	44	3	-8	9	18
Bolivia	-	-	-	-	-	-	-	-	-	-	-	1
Brazil	26	16	19	50	46	50	25	93	129	404	224	67
Chile	5	32	17	8	124	61	33	32	50	84	55	23
Colombia	8	18	8	34	15	17	5	43	24	19	205	13
Peru	-	1	-1	12	-	-	2	1	3	3	4	3
Venezuela	5	8	-2	1	-3	-7	4	3	-	2	57	17

Table 8. FDI Inflows into Mexico (2001-2012). Source: UNCTAD.

FDI stock in the host economy, by geographical origin - INTO MEXICO
(Millions of US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	..	..	..	..	..	..	..	..	305808	363769	284611	361234
European Union	..	..	..	..	..	..	..	..	99523	125585	98360	117618
United States	..	..	..	..	..	..	..	..	177539	205102	146636	198833
China	..	..	..	..	..	..	..	..	262	257	267	300
LAC	..	..	..	..	..	..	..	..	6305	7057	6712	7906
South America	..	..	..	..	..	..	..	..	2466	2986	3196	3981
Brazil	..	..	..	..	..	..	..	..	665	734	965	1072
Chile	..	..	..	..	..	..	..	..	454	605	616	820
Colombia	..	..	..	..	..	..	..	..	253	411	382	354
Argentina	..	..	..	..	..	..	..	..	801	874	854	1124
Ecuador	..	..	..	..	..	..	..	..	10	13	14	15
Peru	..	..	..	..	..	..	..	..	59	67	71	98
Venezuela	..	..	..	..	..	..	..	..	118	134	145	190

Table 9. FDI Stock in Mexico (2001-2012). Source: UNCTAD.

In terms of the EU's FDI in Mexico, foreign investment by European states in the country are covered by sixteen comprehensive bilateral investment treaties (BITs) between Mexico and individual EU Member States (EU Commission 2014). EU FDI in Mexico reached a high of US$13 billion in 2010, due primarily to major acquisitions in the banking, beverage, and steel sectors (ECLAC 2011, 63).

Economic Aid to Mexico

According to Security Assistance Monitor, in 2014, the US pledged $182 million and $153 million in Military Aid and Economic Aid, respectively (SecurityAssistance.org 2014). Though the range of US development assistance varies considerably, ForeignAssistance.gov, another website that provides comprehensive US foreign aid (economic and military) statistics offers a more broadly encompassing estimate of US aid to Mexico of $534 million in 2013.[24] Regardless of the exact amount, it is clear that Mexico is one of the largest recipients of US financial assistance in Latin America.

Brazil

What is perhaps most unique about Brazil – compared with many other Latin American countries, is that it, like the U.S., prioritizes the creation of robust partnerships that promote development in other countries, principally in Africa and in the Western Hemisphere (US Department of State 2013). Like the US and China, Brazil has a state operated development bank – the Brazilian National Development Bank (known in Portuguese as BNDES) which invests in Brazilian companies and government projects that are seeking to expand into new markets and develop business and aid opportunities in developing regions. So while Brazil is itself situated in Latin America, because of its size, population and economic might, it views itself as much as a global force as it does a regional player.

[24] ForeignAssistance.gov, a website that attempts to make the federal government more transparent by providing economic aid data to the public, is managed by the Department of State, USAID, the Millennium Challenge Corporation, the Department of Defense and the Department of Treasury. In fiscal year 2013, the various agencies of the US government granted $534 million in aid to Mexico (ForeignAssistance.gov 2014).

Because of Brazil's size and export structure, China, along with the more traditional US and EU investors, view their economic relationship with Brazil as having a high level of importance. While a large percentage of Brazil's export economy shares a similar emphasis on primary products exports (especially petroleum, iron and soy products), in this way paralleling the export structure of many other Latin American economies, Brazil is also uniquely positioned to offer investment and collaboration opportunities that do not exist in neighboring economies. Investment opportunities and partners exist in the steel and aerospace sectors, for example. Embraer, a Brazilian-based jet-airplane manufacturer is one of the most prominent examples of companies that China has an interest in learning from and partnering with as it seeks to learn about important industrial sectors through its international investments. Another unique economic investment partnership that only exists between Brazil (among the Latin American countries) and China, is the recent satellite development agreement between Brazil and China in which Brazil would provide thirty percent of the financing and China, the remaining seventy percent (Lederman et al. 2006).

The Main Sectors receiving FDI in the Brazilian Economy

Agriculture, iron and steel, petroleum are the largest and most important sectors of the Brazilian economy targeted for foreign trade and investment. According to Tavares Maciel and Nedal, however, Chinese investments are focused on those sectors of the Brazilian economy that most closely meet and match its economic needs, i.e. iron ore, oil and gas (Tavares Maciel & Nedal 2011, 250).

Because of the importance of Brazilian iron and steel imports for the Chinese economy, in February 2006, the China Metallurgical Construction group and China Minmetals provided loans valued at $236.5 million to the Brazilian firm Gerdau in order to purchase new equipment

and build a new plant (China Economic Net 2006). Also in 2006, Chinese SOE, Baosteel, began a $1.4 billion joint venture with Brazilian iron ore giant Comphania Vale do Rio Doce (Vale)(Stewart 2006). Also, in August 2007, Vale and Baosteel publicized plans to construct another steel plant, this time in the Brazilian State of Espirito Santo (Portal Minero 2007). These are all examples of China's growing investment role in the Brazilian iron and steel sectors. According to Ellis (2009) Chinese firms "are evolving from purchasers of Brazilian iron and steel to partners in joint production endeavors" (Ellis 2009, 51).

In the petroleum sector, in July 2006, Brazil's state-owned oil company, Petrobras, signed a joint-venture exploration contract with its Chinese counterpart, Sinopec. Also in December 2008, the China Development Bank offered a $10 billion loan to Petrobras in order to develop new petroleum reserves with Sinopec (Ellis 2009, 52). Showing an interest in infrastructure construction as well, Chinese firms in 2006 proposed $4.8 billion in investments in order to modernize Brazil's railway system. Such a modernization would facilitate the transport of steel, iron ore and other products to market and for export to countries such as China (Ellis 2006).

FDI in Brazil

In 2013, Brazil was the 12th largest recipient of FDI of any country, holding $663.3 billion in total FDI stock. In examining official FDI *flows* into Brazil during the 2001-2012 period, several trends emerge (see Table 10). First, because of the size and diversity of its products, Brazil is one of the top two recipients of FDI in the entire Latin American region. As with other Latin American countries examined in this study, the EU and the US make up the top foreign investors here. Annual Chinese (PRC) investment flows, while growing are still relatively modest and, at one extreme, help to counter hyperbolic notions of Chinese economic

dominance in the region, and at the other extreme put into question the seriousness and validity of the often repeated idea of a Sino-Brazilian "strategic partnership" (See, e.g. Taveres Maciel & Nedal 2011).

FDI flows in the host economy, by geographical origin - INFLOWS INTO BRAZIL
(in US Millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	18765	17118	9320	18570	15045	15373	26074	30064	19906	48506	66660	65272
European Union	9701	9140	3006	11418	3988	5546	15079	14770	11214	18669	39607	31613
United States	3902	2459	1720	3455	3673	2192	2851	2207	1277	5348	5572	13509
China	28	10	16	4	8	7	24	38	83	480	432	325
Hong Kong, China	33	12	11	15	9	101	12	23	34	810	2186	155
LAC	3277	2281	1971	2037	3473	2936	3602	3702	2063	8270	4568	6586
South America	234	177	254	222	336	513	759	722	1207	1428	1721	2180
Argentina	10	84	67	78	104	122	31	-91	-6	0	0	0
Chile	62	45	67	23	103	27	690	-8	971	1428	1721	2180
Colombia	1	1	0	0	1	232	167	54	152	0	0	0
Peru	0	1	0	0	1	1	1	429	45	0	0	0
Mexico	34	24	45	61	1634	781	270	202	134	2230	932	2756

Table 10. FDI Inflows into Brazil (2001-2012). Source: UNCTAD.

Table 11 highlights Chinese FDI stock accumulation, especially during the 2010-2012 period. While the amount of Chinese FDI stock in Brazil is roughly ten times lower than that of US FDI stock in Brazil, during the last three most recent years shown on this table, the accumulated growth rate of Chinese FDI is positive while that of the US appears to be declining over time. EU investment, however, shows a consistent increasing trend during the final three years shown in this table. As is the case with the other target countries of this study, after the EU and US, the main foreign investors are neighboring and/or large Latin American economies. Mexican FDI Stock in Brazil in 2012, for instance, was almost seven times that of China's in that same year. Even cursory examinations of foreign investment trends can quickly clarify the dominant roles of regional and more traditional investors in the Brazilian economy – this, despite the growth of Chinese FDI over time, in Latin America's largest economy.

FDI stock in the host economy, by geographical origin - INTO BRAZIL
(Millions of US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	0	0	0	0	162807	0	0	0	0	670043	688588	746902
European Union	0	0	0	0	79344	0	0	0	0	392401	409617	464757
United States	0	0	0	0	27097	0	0	0	0	122584	119257	113440
China	0	0	0	0	80	0	0	0	0	1246	1592	2491
Hong Kong, China	0	0	0	0	43	0	0	0	0	690	1025	1166
LAC	0	0	0	0	39716	0	0	0	0	66000	67220	70919
South America	0	0	0	0	10531	0	0	0	0	18991	20602	23518
Argentina	0	0	0	0	683	0	0	0	0	3142	3123	2556
Bolivia	0	0	0	0	7	0	0	0	0	130	118	112
Chile	0	0	0	0	638	0	0	0	0	8814	10269	10768
Colombia	0	0	0	0	4	0	0	0	0	1487	1386	1869
Ecuador	0	0	0	0	3	0	0	0	0	0	0	30
Peru	0	0	0	0	28	0	0	0	0	392	387	403
Venezuela	0	0	0	0	20	0	0	0	0	67	78	105
Mexico	0	0	0	0	15051	0	0	0	0	19487	17088	17320

Table 11. FDI Stock in Brazil (2001-2012). Source: UNCTAD.

Economic Aid to Brazil

Despite being Latin America's largest economy and despite its association with other global development majors like Russia, India, China and South Africa, Brazil, as recently as 2010, received $25 million in development assistance from the US (DailyMail 2011). In 2005, Brazil received $191.9 millions of dollars in development aid from Britain (Indexmundi 2009; Doughty 2011). This amount refers to Official Development Finance (ODF) and this figure includes assistance from the World Bank, the IMF, and other international organizations and from individual nation donors.

USAID also provides funding directly to Brazil. This funding is focused on developing "basic workplace skills and expand(ing) access to English language training for disadvantaged youth, and foster corporate social responsibility goals and projects conducted by U.S. companies operating in Brazil" (US Department of State 2013).

Argentina

While Argentina was one of the world's wealthiest countries 100 years ago, during the 20th century Argentina suffered considerable setbacks relating to recurring economic crises, high inflation, mounting external debt, capital flight and persistent fiscal and current account deficits (CIA.gov 2014). In 2001, these setbacks culminated in the country's most serious social and economic crisis in the country's history. Recently, Argentina has been locked out of the traditional/western-inspired global capital markets since it defaulted on approximately $100 billion of debt in 2001. This, I argue, has helped convince Argentine policy makers to look to alternate/historically non-traditional sources of financing. In addition, Argentina's nationalization of private interests as well as the nationalization of private pension funds has provided the Argentine state with resources that will enable the presiding administration to boost public invest, potentially halt unemployment and consolidate power (see Malena 2011, 271).

FDI in Argentina

Despite and during Argentina's setbacks, the country has been able to maintain a strong export agriculture sector. The demands of developing countries with large populations with growing economies such as China, together with the needs of more developed economies such as the US and EU countries, has enabled Argentina's agricultural sector to continue its activity and importance despite the vicissitudes of the political and economic challenges faced by the country more broadly. In addition to agriculture, Argentina has a large manufacturing sector, which includes a variety of manufacturing types ranging from military weapons to consumer electronics.

However, due in part to a series of actions undertaken by the Argentine government, in 2014 relations with international investors have been gradually improving. According to political analyst, Carlos Germano, three actions taken by the Argentine government show its commitment to change and improve its fiscal policy and financial reputation in international monetary circles. These actions include: 1) a devaluation of the Argentine peso in January 2014 that help to stop a rapid decline in foreign exchange reserves, 2) agreements to financially compensate Spain's Repsol (petroleum corporation) after the expropriation of its assets in Argentina in 2012, and 3) repaying a $10 billion debt to the Paris Club of creditor Nations (Mander 2014). This has led to Chinese President Xi and Argentine President Kirchner meeting in July 2014 to sign more than twenty bi-lateral trade and investment agreements in sectors including: hydropower, marine and rail industries, oil, mining, nuclear power generation, agriculture and plant pathology worth an estimated $7 billion (AFP 2014).

Furthermore, in July 2014, the heads of the Russian and Chinese governments began to recognize this turnaround in Argentina's economic climate and visited Buenos Aires, prior to a meeting of the BRICS economies in Brazil, to discuss potential investment deals between China, Russia and Argentina. One part of China's long-term investment strategy in Argentina involves plans for a $10 billion currency swap. This transfer of Chinese renminbi to Argentina in exchange for Argentinian pesos would allow China to (eventually) receive renminbi for the products it sells to Argentina. Viewed from both the Chinese and the Argentine perspective, this strategy represents progressive thinking. Progressive in the sense that it represents a move toward a different type of global capital system. A system in which the US dollar does not necessarily have to be the single, default currency for international trade and investment. In this particular example, a Chinese-Argentine currency swap, relieves the pressure associated with

shortages of US dollars in Buenos Aires as Argentina faces difficulties in securing dollar-denominated international financing until its default standing in US courts gets resolved (Mander 2014).

In terms of FDI inflows into Argentina, one of the most noticeable trends relates to a decline of inflows from 2001 to 2002 and again in 2008 to 2009 for all foreign investors (see Table 12). This across-the-board drop in foreign investment can be attributed first to the Argentine political and economic crisis and then to the world financial crisis, the latter of which contributed to a 50% drop in incoming foreign investment flows in Argentina in 2009 (ICEX 2013, 3). As is the case with the other Latin American economies examined in this study, the largest foreign investors in Argentina are the EU countries and the US followed by large Latin American economies such as Brazil and Chile (Table 12). In terms of FDI stock, there was a much larger withdrawal of foreign capital during Argentina's national political and economic crisis (in 2001-2002) than during the world financial crisis of 2008 (see Table 13).

FDI flows in the host economy, by geographical origin - INFLOWS INTO ARGENTINA
(in US Millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	2166	2149	1652	4274	6800	7213	7658	11090	3283	10370	10745	12378
European Union	1160	-878	-203	1418	3010	4736	3887	2850	1601	3241	3177	4024
United States	533	342	-251	618	1211	744	671	2142	998	1092	2065	2031
China	0	0	0	0	-3	31	39	26	0	100	38	274
Bolivia	0	0	0	0	-2	2	4	5	2	-14	4	1
Brazil	0	0	0	0	1225	442	857	1564	-393	1653	1533	471
Chile	-245	22	24	171	601	518	501	863	309	1294	1126	1253
Colombia	0	0	0	0	3	-1	12	20	8	10	33	25
Ecuador	0	0	0	0	0	-1	3	4	1	3	3	2
Peru	0	0	0	0	2	3	3	19	13	19	23	41
Venezuela	0	0	0	0	4	21	51	115	-88	242	152	2
Mexico	0	0	0	0	593	28	546	544	105	308	418	562
LatAm8	-245	22	24	171	2426	1012	1977	3134	-43	3515	3292	2357

Table 12. FDI Inflows into Argentina (2001-2012). Source: UNCTAD.

FDI stock in the host economy, by geographical origin - INTO ARGENTINA
(Millions of US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	79504	43146	48298	57145	63095	69188	78397	81376	80868	88395	95996	102261
European Union	38795	19823	22243	31938	35480	39102	43319	43096	42864	44473	45317	46375
United States	19392	10888	10858	10274	11628	12158	13847	13993	14272	15040	16784	19380
China	0	0	0	13	11	45	83	102	101	188	231	584
Hong Kong, China	0	0	0	29	40	37	45	55	39	59	148	65
LAC	11652	6166	8999	10514	11316	12797	14830	17536	16405	19541	23210	23536
South America	6638	4899	5391	5602	6704	7873	9517	11811	11812	14194	16981	17503
Bolivia	0	0	0	12	11	8	15	20	32	16	31	30
Brazil	0	0	0	1770	2483	2812	3651	4965	4348	5340	6789	6760
Chile	3616	2090	2118	2005	2720	3090	3678	4194	4418	5445	6689	7018
Colombia	0	0	0	6	10	9	19	39	43	53	91	116
Ecuador	0	0	0	1	2	1	5	9	10	13	16	16
Peru	0	0	0	5	9	11	14	38	42	46	78	109
Venezuela	0	0	0	24	31	48	109	214	132	367	517	514
Mexico	0	0	0	345	328	556	1108	1398	1429	1731	1997	2233
LatAm 8	3616	2090	2118	4168	5594	6535	8599	10877	10454	13011	16208	16796

Table 13. FDI Stock into Argentina (2001-2012). Source: UNCTAD.

Chinese Investment in and Aid to Argentina

Of the 430 Chinese companies that have established a Latin American presence from 2007 to 2011, thirty-seven of these were operating in Argentina as of 2011, most of which are joint ventures operating in conjunction with Argentine firms. These firms represent a range of industrial sectors: including fishing (Chiarpesca, Univpesca), maritime logistics (COSCO Argentina Maritima), telecommunications (Huawei Argentina, ZTE Argentina), home electronics (Ambassador Fueguina, Radio Victoria-TCL) and motorcycle manufacturing (JINARG) (Malena 2011, 267). Other major Chinese investments have also been made in iron and railway sectors.

To help alleviate the pressures of defaulting on loans, China and Argentina initiated a currency-swap agreement, signed in March 2009 with a value of $10.2 billion. It is believed that this financing mechanism will be able to assist in reinforcing Argentina's financial stability as well as increase bilateral Chinese-Argentine trade (Malena 2011, 274).

The Main Sectors receiving FDI in the Argentine Economy

Major foreign investment sectors in Argentina for the twelve month period ending in August 2013, include industry and agriculture (44% of FDI stock), services (including finance) (30% of FDI stock), and, finally natural resources (36% of FDI stock). Within the broad manufacturing sector, the plastics and chemical sector accounts for 10% of FDI, while the automotive sector accounts for 6%. As for natural resources, petroleum and natural gas account for 22% of foreign investment, while mining accounts for 5%. Lastly, in services, telecommunications, finance, and retail trade, account for 6%, 5%, and 4% of investment, respectively (ICEX 2013).

Examining Argentine FDI at an even more disaggregated level, petroleum is the largest recipient of FDI in the country (receiving 19.5% of total FDI in 2010, though at the end of 2004, petroleum accounted for 28% of total FDI in Argentina). After petroleum, the chemical, rubber and plastics sectors cumulatively receive 10% of FDI, while the automotive, communications, mining and food/beverages and tobacco receive 7%, 6.5%, 6% and 5.5% of investment, respectively in 2011. In the same year the sectors that grew the most in terms of percentage increase of the amount invested include: machines and equipment (27%), automotive (19%), trade (16%) and finance (14.3%) (ICEX 2013). In 2011, most US investment was concentrated in the petroleum sector (31%), followed by the chemical, rubber and plastics sector (11%), which, in turn is followed by the communications sector (7%) with a variety of other industries accounting for the remainder of inward FDI.

Another "attraction" strategy implemented by Chinese political-economic forces in Argentina, relates to military courses conducted by the Chinese Peoples' Liberation Army (PLA) for foreign officers on topics such as "Military Doctrine and National Defense for Chief Officers" over the course of 3 months in Beijing. The seminars and events are often

characterized by "a spirit of disapproval about the state of affairs in the global system and of commitment to promoting a more multipolar international order" (Malena 2011, 270).

Ecuador

China's relationship with Ecuador–one of the smallest countries in South America–helps to explain the extent to which Chinese businesses are attempting to geographically diversify their investments as a strategy for securing long-term energy supplies and developing new and more lucrative markets in South America. To be clear, Ecuador itself does not represent a key market for China's economic expansion but it does contain several geographic features that are appealing to Chinese economic actors in their desire to find and invest in energy related projects. Interestingly, for Chinese government and business actors, *learning* how to engage in international development and trade is just as important an aim as is securing long-term access to energy resources (Brautigam 2009). Learning has always been a critical component of China's relationship with Latin America. Early on it was "expertise from abroad" that was one of the factors that attracted Chinese economic actors and the Chinese government to Latin America.

Part of this *learning,* on the part of Chinese economic actors has involved developing a cautious and judicious approach toward foreign investment in the region. In Ecuador's case in particular, in 2007, the Ecuadorian government began reviewing all of the investment pacts (twenty-two) it had signed with other countries including those signed with China (*El Comercio* 2007). Part of the reason for Ecuador's revision of its already agreed upon/completed investment packs relates to a huge populist sentiment that has been promoted by President Correa and his administration. Motivations to keep Ecuadorian resources for the people, since they originate in Ecuadorian land and soil, which is fundamentally connected to what it means to be Ecuadorian, have been a significant driver of politics in the country. Not only was Rafael

Correa able to run and win the presidency on this populist platform but he was also able to garner support for rewriting the Ecuadorian constitution in 2008. The new constitution is designed to strengthen state power in the presidency.

It is crucial to note that China's ability to obtain stable and increasing amounts of energy resources (such as Ecuadorian petroleum) contributes directly to Chinese leadership's ability to keep the domestic economy growing. While no single South American state accounts for the majority of Chinese oil imports, having strong business ties with multiple petroleum producing nations (including Venezuela, Brazil and Ecuador) in the region allows China to diversify its oil supply and hedge against potential oil embargoes in the region brought on by potential political instability. For Chinese leaders, economic growth is absolutely essential to maintaining national political stability and legitimacy as the national ruling party (*The Economist* 2012). Access to energy resources ranks as one of the most important drivers of China's economy and represents an industrial sector that is very well represented in the developing world–especially in Latin America, and especially in Ecuador, which, despite its size has important petroleum deposits. Access to Ecuador's petroleum reserves and promoting the expansion of access to interior South American markets for Chinese products, account for China's two main economic interests in Ecuador.

FDI in Ecuador

China's primary economic interest in Ecuador is oil. In 2005, Andes Petroleum (a joint venture between Sinopec and the Chinese National Petroleum Corporation (CNPC)) purchased oil and pipeline interests in Ecuador for US$1.42 billion (Palacios 2008). This purchase made China's investment in Ecuador the largest in Latin America up until that time (Ellis 2009, 122). With this purchase, the Chinese market began to obtain access to significant amounts of

petroleum. This investment translates into 218,200 barrels of oil per day available for use in the Chinese economy and also includes the capacity to transport 450,000 barrels of oil per day along a 500 km pipeline (Encana Corporation 2005). This Chinese investment in Ecuador's petroleum sector shows that a small domestic market size is often unrelated to factors attracting international attention. In fact, it is Ecuador's diverse array of "territorial strategic assets" (Narins 2013) - geographically valuable features of a nation-state's territory that are viewed both domestically and internationally as important that are attractive to Chinese actors' economic needs, which in turn help contribute to over Chinese state security and stability.

Tables 14 and 15 highlight annual FDI inflows and FDI stock for Ecuador from 2001 to 2012. As is the case with the other eight Latin American countries examined in this study, EU countries, the US and neighboring Latin American states make up the largest foreign investors in Ecuador. In examining FDI stock in Ecuador (see Table 15), it is worth noting that China has very quickly become a major foreign investor (especially in 2012).

FDI flows in the host economy, by geographical origin - INFLOWS INTO ECUADOR
(In US$ Millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	1330	783	872	837	493	271	194	1058	308	163	641	591
European Union	225	127	102	89	-4	77	231	320	78	-16	95	97
United States	317	441	-47	79	-77	-160	50	-29	-607	-535	12	94
China	0	16	29	-8	-20	12	85	47	56	45	80	86
LAC	263	192	722	358	556	557	-231	621	678	553	184	196
South America	87	60	17	258	381	417	157	218	-103	110	108	96
Argentina	64	5	7	13	2	3	4	56	-53	7	27	25
Bolivia	0	0	0	0	0	1	0	76	-81	0	0	0
Brazil	0	19	5	189	288	370	100	46	3	10	10	1
Chile	22	7	11	35	73	15	12	5	19	8	16	16
Colombia	1	24	-10	12	1	20	21	21	0	19	21	17
Peru	0	0	1	2	9	-7	3	32	14	13	7	13
Venezuela	0	2	2	7	2	0	16	20	8	14	24	18
Mexico	0	0	6	0	7	43	-40	313	621	279	70	83

Table 14. FDI Inflows into Ecuador (2001-2012). Source: UNCTAD.

FDI stock in the host economy, by geographical origin - INTO ECUADOR
(Millions of US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
United States	579	809	975	881	941	904	1 007	1 098	1 339	1 283	793	851
China	-	-	1	2	18	39	49	89	107	130	95	408
Brazil	72	100	56	116	9	43	40	33	31	40	41	96
Chile	-	-	-	-	-	27	42	54	60	245	325	389
Mexico	-	-	-	-	-	-	-	-	441	913	963	1 387

Table 15. FDI Stock in Ecuador (2001-2012). Source: UNCTAD.

Economic Aid to Ecuador

From 2009 - 2013, Ecuador has received $144.4 million in aid from the U.S., with $26 million being donated in 2012 alone (USAID 2012). In early 2014, however, Ecuador has decided to essentially stop USAID funding from entering the country "by refusing for almost two years to allow the agency to extend its current programs or initiate new ones" (Bonicelli 2014). Ecuador's refusal to continue its cooperation with USAID stems from an anti-imperial, anti-yanqui populist sentiment and movement led by President Correa.

The Main Sectors receiving FDI in the Ecuadorian Economy

Major Ecuadorian industrial sectors include: petroleum, mining and agriculture (especially bananas, but also including aquaculture, cacao and soy products) (Ellis 2009, 130). Because of its small size and pacific coast location, Ecuador has also been considered as a possible western terminus for a transcontinental highway extending from Ecuador in the Pacific to the northeast Atlantic coast of Brazil.

Bolivia

Because of the recurring threat of a La Paz government nationalizing Bolivia's minerals and hydrocarbon industries, foreign direct investment in Bolivia is lower than that of most of other South American counties. The $1.5 billion investment by Shengli International Petroleum

Development Co., Ltd., for instance, which was announced in 2004 in Bolivia's hydrocarbon sector has never materialized (ABI 2004). One of the reasons that this and other hydrocarbon deals may never materialize between China and Bolivia is that Chinese energy requirements focus on fuel oil and coal, whereas as natural gas (one of Bolivia's most valuable resources) represents below ten percent of China's energy requirements (Palacios 2008, 180). According to Roett & Paz (2008), Bolivia is among a select group of Latin American countries that lack sound and credible institutions protecting foreign investment. Inbound FDI in Bolivia is significantly lower than its neighbor Chile – despite Bolivia having the world's largest concentrated supply of lake-brine based lithium, large tracts of forests, some of the world's largest natural gas supplies, valuable minerals such as gold, silver and tin. The unstable investment regime framework that characterizes Bolivian FDI exists in a country that is thirty-three percent larger by area than Chile. Table 16 shows that Argentina and Brazil are Bolivia's largest sources of FDI though the EU countries, cumulatively account for twice as much inbound FDI in Bolivia as compared with any South American investor.

FDI flows in the host economy, by geographical origin - INFLOWS INTO BOLIVIA

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	877	999	567	448	488	581	739	1302	687	936	1033	1505
European Union	291	428	202	156	143	89	123	193	268	552	651	722
United States	351	289	189	133	195	324	474	679	158	84	83	90
China	0	0	0	0	0	3	8	2	0	0	0	0
LAC	216	270	123	129	127	63	98	344	206	234	238	346
South America	186	228	94	107	98	62	37	196	185	206	186	346
Argentina	100	31	20	30	55	25	-10	-36	0	37	52	0
Brazil	72	182	61	19	11	12	16	158	96	75	134	286
Chile	5	5	5	8	16	9	7	16	27	0	0	0
Colombia	3	3	4	26	2	-1	-2	21	14	0	0	0
Ecuador	0	1	0	0	0	0	0	0	0	0	0	0
Peru	6	6	2	21	10	13	23	15	41	84	0	60
Mexico	0	0	2	0	4	4	2	18	7	9	0	0

Table 16. FDI Inflows into Bolivia (2001-2012). Source: UNCTAD.

An examination of FDI stock in Bolivia between 2001-2012 highlights the recent nature of record keeping relating to foreign investment in the country. As Table 17 shows, official

Bolivian investment data have been kept/reported starting only in 2009. Equally noteworthy is that official Chinese FDI stock in Bolivia is extremely low and remains static at $3 million for each year from 2009 to 2012. As mentioned earlier, the probable reason for the lack of official Chinese investment in Bolivia relates to the fear and concerns surrounding the expropriation and nationalization of foreign funds by the Bolivian government, in the name of 'the Bolivian people'.

FDI stock in the host economy, by geographical origin - INTO BOLIVIA
(Millions of US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	0	0	0	0	0	0	0	0	5371	6890	7749	8809
European Union	0	0	0	0	0	0	0	0	3523	3740	4368	4853
United States	0	0	0	0	0	0	0	0	656	700	758	868
China	0	0	0	0	0	0	0	0	3	3	3	3
LAC	0	0	0	0	0	0	0	0	791	2000	2150	2584
South America	0	0	0	0	0	0	0	0	0	1192	1372	1620
Argentina	0	0	0	0	0	0	0	0	0	104	123	122
Brazil	0	0	0	0	0	0	0	0	0	731	856	1059
Chile	0	0	0	0	0	0	0	0	0	10	12	0
Colombia	0	0	0	0	0	0	0	0	0	60	69	72
Peru	0	0	0	0	0	0	0	0	0	283	295	342
Mexico	0	0	0	0	0	0	0	0	162	173	183	184

Table 17. FDI Stock in Bolivia (2001-2012). Source: UNCTAD.

Economic Aid to Bolivia

The economy of Bolivia, and to a certain extent, the functioning of the Bolivian government (i.e. the decadal census) could not function regularly without economic assistance. Even something as fundamental as the Bolivian decadal census could not be prepared and administered without international financial assistance. With respect to China's role in providing economic assistance more specifically, the Chinese government is a major lender to Less Developed Landlocked Countries (LDLCs), such as Bolivia. While these loans are not registered as official FDI, since they do not translate into foreign ownership of local firms, the loans can ultimately help to shape and influence economic policy and bilateral relations between economic aid donors and recipients.

Here it is useful, to view economic aid/loan making as being in line with the loan maker's interests rather than representing an act of pure altruism. With this lens, it is easier to consider and understand the types of investments that China is making in Bolivia. Using data obtained from the Central Bank of Bolivia (*Banco Central de Bolivia - BCB*), it is clear that China's financial contributions to the operations of the Bolivian state are significant and diverse (Table 18). Also, noteworthy in this table is the absence of the US as a top provider of economic aid.

Nevertheless, historically, the US, through its USAID program has played a role as a significant economic aid donor. According to USAID, expenditures in Bolivia since 1964 have totaled nearly $2 billion and have been dispersed in close collaboration with the Bolivian government in areas such as education, health, agriculture, food security, alternative development, economic development, and environment programs. More recently, in 2004 for instance, the US provided US$150+ million for development assistance to Bolivia, while in 2011, USAID's budget in Bolivia was $26.7 million (USAID Bolivia 2014). Because of the Morales' administrations accusation of U.S. political interference, USAID programs in Bolivia have stopped as of May 2013.

Returning to consider Chinese economic aid in Bolivia, of all donor countries listed in the BCB's records, Chinese loans/grants (along with German loans/grants) are aimed at the widest array of distinct industries not including the "various" category. Apart from Brazil and Venezuela, other Latin American countries do not play significant roles as lenders to Bolivia. Unlike officially reported Chinese FDI with Bolivia, Chinese donations/loans, which translate to "external debt" on BCB's accounts, are meaningful and have a large and broad impact, especially if viewed in comparison to the loans originating from other countries.

CHINA'S PLACE AMONGST ACTIVE EXTERNAL LENDERS TO BOLIVIA (LOANS MEDIUM & LONG-TERM)

AS OF AUGUST 27, 2012

COUNTRY	CREDITOR(S)	PROJECTS	ECONOMIC SECTOR	TOTAL AMOUNT OF LOANS IN EQUIVALENT USD
BRAZIL	BNDES - BRAZIL PROEX BRAZIL	HIGHWAY CONSTRUCTION: FOOD EXPORT FINANCING	TRANSPORTATION, FARMING & LIVESTOCK	754,645,663
VENEZUELA	GOVT OF VENEZUELA, PDVSA	PROJECT INFRASTRUCTURE	MULTISECTOR, HYDROCARBO	722,911,664
CHINA	EXIMBANK OF CHINA, GOVERNMENT OF CHINA	VARIOUS: EQUIPMENT & MACHINERY PURHCASE, MILITARY, PROJECT CREDITS, ECONOMIC AND TECHNICAL COOPERATION, SATELLITE CONSTRUCTION	FARMING & LIVESTOCK, TRANSPORTATION, HYDROCARBONS, DEFENSE, TECHNICAL ASSISTANCE, BASIC SANITATION, COMMUNICATIONS	601,891,928
GERMANY	KFW GERMANY	VARIOUS: POTABLE WATER, SMALL BUS. FINANCING, IRRIGATION, POVERTY REDUCTION, ETC.	BASIC SANITATION, FARMING, LIVESTOCK & STRUCTURAL ADJUSTMENT	99,108,658
ITALY	ARTIGIANCASSA ITALY	ENERGY DEVELOPMENT & HIGHWAY CONSTRUCTION	ENERGY & TRANSPORTATION	71,674,632
FRANCE	NATIXIS FRANCE	BASIC SANITATION, OTHER SERVICES		17,758,097
SPAIN	ICO SPAIN	AGRICULTURE, HOSPITAL CONSTRUCTION, UNIVERSITY STRENGTHENING	FARMING & LIVESTOCK, HEALTH, INSTITUTIONAL STRENGTHENING, EDUCATION	16,068,443

Table 18. Largest, Active Creditors of Bolivian External Debt/Loans as of August 27, 2012. Source: Central Bank of Bolivia, International Division.

As Table 18 indicates, China, together with Brazil and Venezuela is one of three states that have committed loans to the State of Bolivia in excess of US$500 million cumulatively. However, China, unlike Brazil and Venezuela, provides loans and financing to the Bolivian state in a more diverse and broad manner. According to official Bolivian records, the other top donor/loaner states are all EU member states (Germany, Italy, France, Spain). This table highlights Chinese loans being directed at seven sectors of the Bolivian economy - from basic sanitation & farming and livestock to defense and communications. While Brazil and Venezuela have each donated more to Bolivia than has China, the focus of these later two states has been concentrated predominantly in three sectors: transportation, food and hydrocarbons. All donors are credit-granting agencies connected with the federal governments of their respective states. Upon closer examination of Chinese loans granted to Bolivia, it is clear that in addition to resource related, infrastructural and financing projects, Chinese interests are involved in other types of multi-sector loans as well (See Table 19). As is common with many types of Chinese

loans to developing states, technology related loans in exchange for goodwill and access to natural resources are prevalent in China's economic aid relationship with Bolivia.

LOANS GRANTED BY CHINA (PRC) TO BOLIVIA

Through August 16, 2012

CREDITOR	REFERENCE	PROJECT	ECONOMIC SECTOR	DATE SIGNED	CURRENCY	AMOUNT	EQUIV. USD	STATUS
EXIMBANK OF CHINA	2004 04 114A	EQUIPMENT AND MACHINERY PURCHASE	FARMING AND LIVESTOCK	3-Nov-2004	RMB	43,946,174.52	6,907,30.84	ACTIVE
EXIMBANK OF CHINA	2004 04 114B	AQUISITION OF MACHINERY TO IMPROVE TARIJA HIGHWAY	TRANSPORTATION	3-Nov-2004	RMB	33,455,196.51	5,258,366.84	ACTIVE
EXIMBANK OF CHINA	2004 8 118	AQUISITION OF EQUIPMENT TO REBUILD HIGHWAYS	HYDROCARBONS	22-Jan-2005	RMB	152,273,337.08	23,933,772.63	ACTIVE
EXIMBANK OF CHINA	2005 14 135	GAS NETWORKS PROGRAM	TRANSPORTATION	15-Nov-2005	RMB	18,600,000.00	2,923,480.76	ACTIVE
EXIMBANK OF CHINA	GCL NO. (2007) 13(184)	PURCHASE OF TWO MA-60 AIRCRAFT	TRANSPORTATION	5-Sep-2007	RMB	279,875,674.69	43,989,846.75	ACTIVE
EXIMBANK OF CHINA	GCL (2009) 223 (274)	PROJECT TO INSTALL GAS IN HOMES 39K	HYDROCARBONS	2-Dec-2009	RMB	0.00	0.00	VOIDED
EXIMBANK OF CHINA	GCL (2009) 43 (294)	ENGINEERING BATALION EQUIPEMENT PROJECT	TRANSPORTATION	16-Mar-2010	RMB	280,357,882.60	44,065,638.45	ACTIVE
EXIMBANK OF CHINA	GCL (2011) 17 (367)	DRILL ACQUISITION PROJECT	HYDROCARBONS	11-Aug-2011	RMB	411,000,000.00	64,599,494.17	ACTIVE
EXIMBANK OF CHINA	GCL (2011) 41 (391)	6 HELICOPTERS PURCHASE PROJECT	TRANSPORTATION	22-Dec-2011	RMB	716,427,053.03	112,605,414.20	ACTIVE
GOVERNMENT OF CHINA	RMY-AC No. 1	AGRICULTURAL PROJECT	FARMING AND LIVESTOCK	5-May-1986	RMB	20,000,000.00	3,143,527.70	CANCELED/FORGIVEN
GOVERNMENT OF CHINA	RMY-AC No. 2	VARIOS PROJECT CREDITS	MULTI-SECTOR	9-Nov-1988	RMB	20,000,000.00	3,143,527.70	CANCELED/FORGIVEN
GOVERNMENT OF CHINA	USD-AC No. 1	MILITARY EQUIPMENT ACQUISITION/2	DEFENSE	8-Mar-1990	USD	2,000,000.00	2,000,000.00	REPAYED
GOVERNMENT OF CHINA	RMY-AC No. 3	TECHNICAL COOPERATION IN DIFFERENT PROJECTS	TECHNICAL ASSITANCE	14-Sep-1990	RMB	30,000,000.00	4,175,291.55	CANCELED/FORGIVEN
GOVERNMENT OF CHINA	RMY-AC No. 4	FINANCING (FOR) VARIOUS PROJECTS	MULTI-SECTOR	8-May-1992	RMB	48,987,030.00	7,699,604.28	CANCELED/FORGIVEN
GOVERNMENT OF CHINA	USD-AC No. 2	ACQUISITION OF MATERIALS AND MILITARY EQUIPMENT	DEFENSE	8-May-1992	USD	4,000,000.00	4,000,000.00	REPAYED
GOVERNMENT OF CHINA	RMY-AC No. 5	DRILLING WATER WELLS	BASIC SANITATION	11-Oct-1994	RMB	17,391,323.00	2,733,505.28	CANCELED/FORGIVEN
GOVERNMENT OF CHINA	USD-AC No. 3	MILITARY EQUIPMENT ACQUISITION/1	DEFENSE	29-Oct-1994	USD	2,000,000.00	2,000,000.00	REPAYED
GOVERNMENT OF CHINA	USD-AC No. 4	MILITARY EQUIPMENT SUPPLY	DEFENSE	14-Jul-1995	USD	2,000,000.00	2,000,000.00	REPAYED
GOVERNMENT OF CHINA	LOAN A/C NO. 1-2001	ECONOMIC AND TECHNICAL COOPERATION PROJECTS	MULTI-SECTOR	29-May-2001	RMB	20,000,000.00	3,143,527.70	ACTIVE
GOVERNMENT OF CHINA	LOAN A/C NO. 1-2007	ECONOMIC AND TECHNICAL COOPERATION	MULTI-SECTOR	21-Nov-2006	RMB	10,000,000.00	1,571,763.85	ACTIVE
GOVERNMENT OF CHINA	LOAN A/C NO. 2-2007	ECONOMIC AND TECHNICAL COOPERATION	MULTI-SECTOR	20-Dec-2007	RMB	20,000,000.00	3,143,527.70	ACTIVE
GOVERNMENT OF CHINA	LOAN A/C No. 2009/1	ECONOMIC AND TECHNICAL COOPERATION PROJECTS	MULTI-SECTOR	29-Sep-2009	RMB	20,000,000.00	3,143,527.70	ACTIVE
GOVERNMENT OF CHINA	LOAN A/C No. 2010/1	ECONOMIC AND TECHNICAL COOPERATION PROJECTS	MULTI-SECTOR	30-Dec-2009	RMB	20,000,000.00	3,143,527.70	ACTIVE
GOVERNMENT OF CHINA	LOAN CDB 23-12-2010	TUPAC KATARI SATTELITE SYSTEM	COMMUNICATIONS	23-Dec-2009	USD	251,124,000.00	251,124,000.00	ACTIVE
GOVERNMENT OF CHINA	LOAN A/C No. 2011/1	ECONOMIC AND TECHNICAL COOPERATION PROJECTS	MULTI-SECTOR	30-Dec-2009	RMB	30,000,000.00	4,175,291.55	ACTIVE
GOVERNMENT OF CHINA	LOAN A/C No. 2012/1	ECONOMIC AND TECHNICAL COOPERATION PROJECTS	MULTI-SECTOR	12-Aug-2011	RMB	30,000,000.00	4,175,291.55	ACTIVE
TOTAL							601,891,928.06	

Table 19. Loans Granted By China to Bolivia. Source: Central Bank of Bolivia, International Division.

Foreign Direct Investment in Bolivia

As in the Chilean case, Bolivian FDI similarly originates predominantly from Latin American and EU investors. One of the biggest limitations of examining foreign direct investment in Bolivia is that official Bolivian FDI inflows are available only until and including 2008.[25] As Figure 2 illustrates, during the period from 1999-2008, FDI in Bolivia was dominated by the LAC region as a whole. During this same time frame, the EU and the US, were the only other major contributors of FDI into the Bolivian economy. While Brazil was a significant contributor of FDI to Bolivia, Figure 2 clearly shows that China was clearly not a major investor in the country during this time. So minor have been official Chinese FDI contributions that they do not visibly register in Figure 2. This figure is useful in highlighting just how minimal a role

[25] See the Instituto Nacional de Estadística (www.ine.gob.bo).

China has played in contributing to Bolivian FDI in recent years, especially compared with other investors such as Brazil and other Latin American investors.

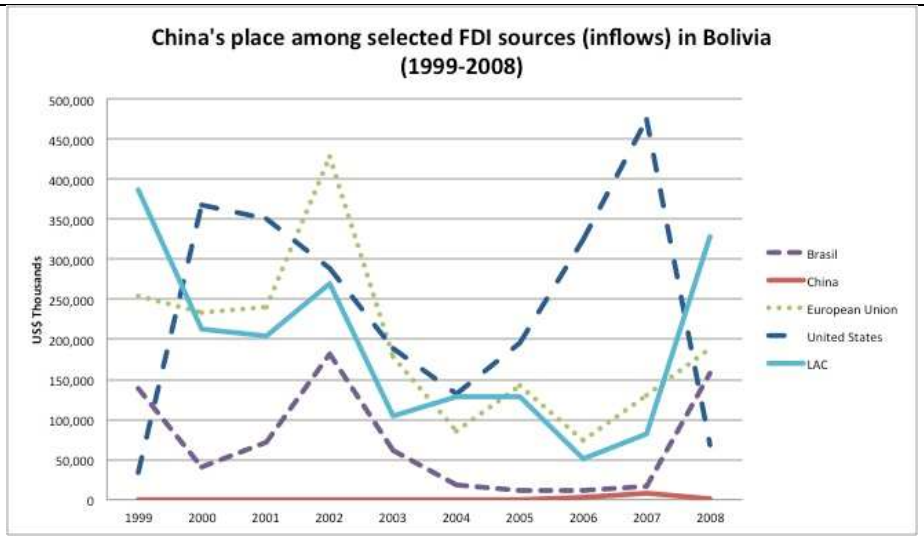

Figure 2. Bolivian FDI from selected countries. Source: http://www.ine.gob.bo

The FDI inflows presented for selected states in Figure 2, stand in stark contrast to certain scholars' insistence that China has already become the dominant economy in Latin America. By understanding the geography of Chinese investments (extent and location), ideas of Chinese government and economic activities somehow disrupting current economic forces in these two states and in the region can be alleviated and clarified.[26] Some authors argue that the international expansion of Chinese companies in Latin America is important "as they are the main players operating in Latin America" (Fornés and Butt Philip 2012, 84). If, by this statement, these authors mean that Chinese companies are the main companies or even the main foreign companies operating in Latin America then, based on the data gathered here, these authors are mistaken.

[26] An example of Chinese overseas foreign direct investment translating into political influence in Latin America can be seen in the Chinese Development Banks US$40 billion investment in Venezuelan petroleum reserves (See Sanderson & Forsythe 2012).

Table 20 is useful in visualizing the investing power of the regional countries, specifically Argentina, Brazil, the Cayman Islands, Chile and Peru, which have cumulatively comprised the major FDI inflows into Bolivia during this time. Also noteworthy are the withdrawals of FDI from Bolivia by select Latin American countries during the 2006-2008 timeframe. Although not shown in this table, China has made no such withdrawals of FDI from Bolivia during the 1999-2008 time period.

LAC FDI in Bolivia by Country of Origin (1999-2008)

Country Name	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Netherland Antillies	0	0	0	0	15	1,936	8,365	497	278	510
Argentina	105,965	81,133	99,862	31,176	2,035	29,903	55,093	25,214	-10,466	-35,934
Bahamas	0	99	320	0	0	0	0	1,423	2,882	350
Barbados	0	0	0	0	0	0	1	617	-230	0
Bermudas	0	0	0	0	0	461	857	257	7,923	19,659
Brazil	139,039	40,399	72,048	181,944	61,127	18,565	10,642	11,605	16,371	158,121
Cayman Islands	81,251	48,105	12,032	5,289	3,036	16,811	5,252	-15,498	45,163	107,493
Colombia	2,389	5	2,978	2,502	4,328	25,717	1,991	-646	-1,501	21,154
Costa Rica	1,377	208	722	49	0	636	4,776	0	0	0
Chile	21,108	2,818	4,874	5,004	4,752	8,183	15,653	8,589	7,351	16,383
Ecuador	40	0	34	697	395	7	27	65	0	0
El Salvador	0	0	0	0	0	2	3	0	0	0
México	0	0	402	0	1,942	315	4,184	394	2,361	1,824
Panamá	7,141	28,807	1,213	37,087	23,594	1,965	6,183	1,005	6,062	2,204
Paraguay	30		321	258	935	1,751	254	2,348	-563	19,077
Perú	27,799	6,138	5,716	5,881	2,028	21,432	10,304	13,424	2,279	14,977
Dominican Republic	0	0	0	0	0	1	0	0	0	0
Trinidad and Tobago	0	0	0	0	0	0	1	0	0	0
Uruguay	114	8	230	40	315	1,444	3,723	1,439	2,839	2,713
Venezuela	0	0	0	0	0	113	339	-393	0	0
British Virigin Islands	736	4,635	4,352	0	1	0	41	186	502	-134
LAC (Total)	386,989	212,355	205,104	269,927	104,503	129,242	127,689	50,526	81,251	328,397

Table 20. Bolivian FDI by Country of Origin. Gray shaded boxes indicate withdrawal of investment funds. Source: www.ine.gob.bo

Venezuela

Venezuela falls at the dirigiste extreme of the *neoliberal-dirigiste continuum*. Part of the reason for this is its government's statist political orientation. It is surprising then to examine the recent history of Venezuela's inward-bound foreign investment, which very clearly shows that the country has received billions of dollars of FDI flows during the 2001-2012 period (See Table 21). As with the other eight targeted countries examined in this study, the EU, the US, other Latin American countries and China stand out as the largest investors in Venezuela during this eleven-year period. The US, for example, imports between sixty and ninety percent of Venezuelan oil exports – depending on the year (Paz 2011, 227). As Paz, notes, for Venezuela to

reduce its dependence on US dollars it views petroleum sales to China as a welcome diversification alternative, though not a complete replacement of the US as a trading partner. It is important to note that the UNCTAD data provided here does not account for the billions of dollars in China Development Bank (CDB) assistance to Venezuela.

While Table 21 does account for the outward flow of foreign investments leaving Venezuela (presumably returning back to the initial investing country), for the most part, most countries that have invested in the Venezuelan economy in 2001, continued to do so in 2012.

FDI flows in the host economy, by geographical origin - INFLOWS INTO VENEZUELA
(In US Millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	3683	782	2040	1483	2589	-508	1505	1741	-2169	1849	3778	3216
European Union	858	368	133	225	355	-339	365	622	-13	563	1490	4555
China	21	-22	-20	-74	-53	1	-6	-7	-92	624	232	125
LAC	158	62	16	-97	110	93	81	79	384	523	233	712
South America	46	-50	-56	-159	-118	19	-13	-26	-40	147	84	275
Argentina	38	-46	-40	-138	-104	10	-14	-37	62	53	119	74
Brazil	-1	-1	-	-	-	-	-	-	-91	94	-36	95
Chile	3	-4	-3	-11	-8	-	-1	-	-	-	-	-16
Colombia	3	5	-8	1	2	9	3	11	-11	-	1	149
Ecuador	3	-4	-3	-11	-8	-	-1	-	-	-	-	-25
Peru	-	-	-2	-	-	-	-	-	-	-	-	-2
Mexico	-1	-	-	-	1	-	-	-1	-	-	-	131
United States	1243	634	60	161	1078	-1243	-339	-1132	-127	126	286	1022

Table 21. FDI Inflows into Venezuela (2001-2012). Source: UNCTAD.

In considering FDI stock in Venezuela, a few observations are worthy of consideration. Apart from the fact that the Venezuelan government either did not collect FDI stock data from 2003 to 2010 or simply chose not to report it, it is clear that FDI stock in Venezuela, (with the exception of the US) has increased for all countries listed during this time period. Brazil is the investor with the largest increase in FDI stock (400%) in Venezuela (See Table 22).

FDI stock in the host economy, by geographical origin - INTO VENEZUELA
(Millions of US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	31666	33034	..	..	..	..	..	..	..	..	44576	49079
European Union	7102	7516	..	..	..	..	..	..	..	..	13363	18424
United States	9317	9824	..	..	..	..	..	..	..	..	6821	7764
China	..	..	..	..	..	..	..	..	..	..	1170	1418
LAC	2447	2446	..	..	..	..	..	..	..	..	5922	6773
South America	1560	1523	..	..	..	..	..	..	..	..	2428	2815
Argentina	1068	1031	..	..	..	..	..	..	..	..	552	567
Brazil	3	3	..	..	..	..	..	..	..	..	1102	1205
Chile	265	262	..	..	..	..	..	..	..	..	65	205
Colombia	148	154	..	..	..	..	..	..	..	..	436	592
Ecuador	73	70	..	..	..	..	..	..	..	..	64	40
Peru	3	3	..	..	..	..	..	..	..	..	3	..
Mexico	..	..	..	..	..	..	..	..	..	..	441	612

Table 22. FDI Stock in Venezuela (2001-2012). Source: UNCTAD.

The Main Sectors receiving FDI in the Venezuelan Economy

While Venezuela's petroleum sector receives the most foreign interest and investment from large traditional investors like the US, the EU and more recently China, other sectors of Venezuela's economy have also been the focus of FDI. These sectors include telecommunications and satellites as well as electricity production.

Chinese FDI in Venezuela

Since 2007, China, working through its policy banks, has extended $42.5 billion in loans to the government of Venezuela in exchange for access to the world's largest proven oil reserves (Devereux 2012). These oil-for-loan agreements have quickly elevated Chinese-Venezuelan economic relations' importance vis-à-vis relations with other, more traditional investors. One such sector is the telecommunications sector, which has recently received a large influx of funding and attention from Chinese firms eager to take advantage of the profits to be gained.

From 2000-2010, the development of Chinese-Venezuela economic relations has occurred quickly and across a wide variety of sectors, so much so that "collaboration with China continues to expand and now engages almost every economic and infrastructure sector" (Paz 2011, 225). Since the creation of the Venezuela-China High Level Commission more than 300

planning and development related agreements have been signed between the two countries. Both sides have donated monetary resources to create "strategic funds" to finance\investment and infrastructural plans that support projects in the transport, telecommunications and energy sectors (Paz 2011, 224). The most important sectors of Chinese involvement in the Venezuelan economy include: agriculture, power plant construction, housing construction, telecommunications, finance, railways[27], oil tankers (Paz 2011, 223).

In 2006, according to the Chinese Embassy in Caracas, Venezuela became home to the most valuable stocks of FDI in Latin America (Domínguez et al. 2006, 41). Electricity production is another important area of Chinese investment in Venezuela. In 2010, the Chinese company CAMC Engineering agreed to construct and manage a thermoelectric plant in Vigía, in the Venezuelan state of Miranda. CAMC agreed to take charge of this project on behalf of the Venezuelan state enterprise Corpoelec. This arrangement exemplifies China's political and economic strategy with respect to Venezuela: Chinese specialist firms, that often have strong political and financial ties to the Chinese Central government, "provide concrete assistance in areas of critical need, generating political capital for Chavez (and now Maduro) while creating opportunities for Chinese companies to acquire foreign business and technical expertise" (Paz 2011, 225). The problem, I argue, with such an apparently mutually beneficial arrangement, relates to the lack of personal safety for foreign workers in Venezuela and to the lack of effective civil society organizations, such as a functioning police force and legal system that willing to enforce and protect foreign interests.

[27] For an interesting description of Chinese-Venezuelan cooperation in Venezuela's railway sector, see Paz (2011) 224-225.

US & EU FDI in Venezuela

According to the Office of the US Trade Representative, in 2012, US FDI stock in Venezuela stood at $15 billion that represents a 26.6% increase from 2011. US foreign investment is concentrated mainly in the manufacturing sector. US-owned affiliate firms operating in Venezuela sold $37.6 billion worth of services in 2011 (OUSTR 2014). Despite these investment amounts, Venezuela's move to nationalize key industrial sectors (e.g. petroleum) together with changes in foreign investment contracts between the State and foreign companies have contributed to a cautiousness and a withholding of investment (ECLAC 2009).

Economic Aid to Venezuela

Given its strained relations with the Venezuelan government the US has only provided very limited amounts of foreign assistance to Venezuela. Recently, US economic aid has centered on counter narcotics funding, primarily from the Department of Defense, and aid for nongovernmental organizations, which has been donated through the Economic Support Fund (SecuritAssistance.org 2014). Chinese economic aid is given predominantly in the form and guise of development aid with the loan-for-oil deals accounting for most Chinese money transferring into the South American nation. Despite Venezuela's wealth, from 1994 to 2002, the EU donated €130 million to the country. EU aid to Venezuela focuses on financial and technical cooperation projects in areas such as: counter-narcotics, education, environment, health, prison conditions and regional development. For the 2000–2006 period, the EU has earmarked a total of €63.8 million to Venezuela for technical and financial co-operation, reconstruction and rehabilitation.

Understanding the utility of the *neoliberal-dirigiste continuum* in Latin America

In an attempt to examine the validity and utility of the theorized *neoliberal-dirigiste continuum* put forward in this work[28], this section 1) combines FDI and economic aid[29] averages from China to each of the nine target Latin American countries and 2) aggregates data on Chinese FDI and economic aid to Latin America as a whole. After examining these averages, I then further test this classification schema by grouping the FDI and economic aid averages into the three sub-groups, which cumulatively make up the *continuum*. In keeping with the presentation order of this chapter, these sub-groups include: Group 1 – the Neoliberal Champions (Colombia, Chile and Peru), Group 2 – the Middle/Mixed Economies (Mexico, Brazil and Argentina), which represent a political middle ground between high levels of state control and neoliberalism (albeit with a range of variation among these three countries), and Group 3 – the Dirigiste Champions (Ecuador, Bolivia and Venezuela), which are the most state-directed economic regimes in the region. After analyzing the commonalities in investment and aid levels within each of these sub-groups, I finally compare the averages of each three-country subgroup to the overall FDI and economic aid means for identical Chinese economic activities with Latin America as a whole.

Average Chinese FDI and Economic Aid Contribution (Flows and Stock)

This section considers Chinese FDI in and economic aid to Latin America using two different data sources: 1) UNCTAD investment database (www.unctad.org) and 2) the China Latin America Finance Database (CLAFD)(www.thedialogue.org). First I will examine the

[28] Another major goal of this work is to more accurately understand the variegation inherent in China's economic relations with and across Latin American political space.

[29] Here, in this study, as with other studies examining Chinese economic engagement beyond China's borders, foreign investment and economic aid, including loans and other financially valuable assistance (i.e. military and transport equipment donations) are reported together.

UNCTAD data and then will examine the CLAFD data. First, using annual, self-reported FDI data provided by the governments of individual countries to UNCTAD, Table 23a lists the average annual Chinese FDI flows to the target country from 2005-2012 and Table 23b lists the average annual Chinese FDI stock to the target country during the same time period. An examination of these annual Chinese FDI annual averages reveals that the neoliberal-dirigiste continuum, as hypothesized in this chapter, appears to have some validity, at least with regards to comparing the extreme neoliberal and dirigiste countries, Colombia and Venezuela, respectively. During this period, Venezuela experiences average annual Chinese FDI flows that are more than thirteen times higher than Colombia's foreign investment flows originating from Chinese economic actors. Apart from these two 'extreme' cases, Brazil – a more middle/mixed country, receives the highest average Chinese foreign investment inflows. This could be due to the diverse array of complementarities that exist between Chinese and Brazilian economic actors. In addition, the sheer size of the Brazilian market, coupled with Brazilian business actors interest in engaging with China across a host of sectors, may help explain why Chinese investment inflows are so high in this country.

Reporting Country	Average Annual Chinese FDI Flows (2005-2012)(in US Millions)
Colombia	5.75
Chile	12.13
Peru[1]	28.67
Mexico	26.75
Brazil	174.63
Argentina	63.13
Ecuador	48.88
Bolivia	1.63
Venezuela	103.00

Table 23a. Average Annual Chinese FDI Flows in selected Latin American countries 2005-2012. Calculations based on UNCTAD data. Note: 1) For Peru, average flows based on 2007, 2011, 2012 data, other years not reported.

Moving now to consider average annual Chinese FDI stock in these nine target countries, we see a similar trend of more annual investment accumulating (on average), in Venezuela, the extreme dirigiste country compared with Colombia the extreme neoliberal country. Brazil, Peru and Argentina comprise three next largest recipients of FDI stock (on average per year) in this study. It is clear in examining both Chinese FDI flows and stock that Bolivia, although very dirigiste in its economic orientation, is an anomaly with regards to it hosting extremely low levels of Chinese investment according to the UNCTAD data used in this study. We know from the data that is discussed earlier in the Bolivia section of this chapter that since 1994, Bolivia has received more than $600 million in economic investments and aid from China (Central Bank of Bolivia).

Reporting Country	Average Annual Chinese FDI Stock (2005-2012)(in US Millions)
Colombia	60.50
Chile[1]	114.57
Peru	148.75
Mexico[2]	271.50
Brazil[3]	1352.25
Argentina	168.00
Ecuador	116.88
Bolivia[4]	3.00
Venezuela[5]	1294.00

Table 23b. Average Annual Chinese FDI Stock in selected Latin American countries 2001-2012. Calculations based on available UNCTAD data. Note due to limited data reporting (countries did not necessarily report investment for each year during this time period) for the following countries only certain years of data made available: 1) For Chile, average flows based on data made available for 2006- 2012. 2) For Mexico, 2009-2012 data is used. 3) For Brazil, 2005 and 2010-2012 data is used. 4) For Venezuela, data for 2011 & 2012 are used.

Tables 24a and 24b aggregate the data used in Table 23a and 23b at the sub-group level, using the neoliberal, middle/mixed and dirigiste categorizations as a way trying to understand broader relationships and trends in the data. As with Tables 23 a & b, Tables 24 a & b reveal a general increased level of Chinese FDI stock in more dirigiste vs. neoliberal economies, though the middle/mixed sub-group registers the highest level of over Chinese FDI stock. This

somewhat surprising result might be explained by the amount of Chinese FDI in Brazil being related to the size of the Brazilian economy. Apart from Brazil, Venezuela is clearly the largest recipient of Chinese FDI during the most recently available 2005-2012 UNCTAD data.

Latin American Sub-Group	Average Annual Chinese FDI flows (2005-2012)(US Millions)
Neoliberal Champions	15.52
Middle/Mixed Economies	88.17
Dirigiste Champions	51.17

Table 24a. Average Annual Chinese FDI Flows by Latin American Sub-Group 2005-2012. Calculations based on available UNCTAD data. Countries did not necessarily report investment for each year during this time period.

Latin American Sub-Group	Average Annual Chinese FDI Stock (2005-2012)(US Millions)
Neoliberal Champions	107.94
Middle/Mixed Economies	597.25
Dirigiste Champions	471.29

Table 24b. Average Annual Chinese FDI Stock by Latin American Sub-Group 2005-2012. Calculations based on available UNCTAD data. Countries did not necessarily report investment for each year during this time period.

Comparing an examination of average FDI flows and stock levels from China to each of the nine Latin American countries (based on UNCTAD) data highlights an unusual trend. These self-reported data appear to be unusually low in value, especially compared with the CLAFD data, which we will examine next. While looking at a slightly longer time frame (2005-2013), Table 25 reveals that according to CLAFD, Chinese investments and loans (which can be considered a form of economic aid) in Latin America have a much higher valuation – usually by one or two orders of magnitude - than do FDI and economic aid/loans mentioned in the UNCTAD data. How could this be? It is possible that certain country governments do not report to all investment and aid they have received over the last 10-15 years. Certainly, within the UNCTAD data presented in this chapter many years reflect no FDI flows or stock whatsoever. Whether or not this means that no foreign investment entered these countries during a particular

year or whether this represents a reporting omission is difficult to determine with certainty. However, because of the existence of the China Latin America Finance Database (CLAFD), which draws on data from Gallagher et al. (2012), one could speculate that at least some of the target Latin American economies in this study were severely underreporting their incoming FDI statistics.

Another reason for outward FDI (OFDI) from China to destination countries being distorted relates to "the fact that most Chinese companies route their foreign investments through the Special Administrative Regions of Hong Kong and Macau, Taiwan Province of China and other financial centres and tax havens…[f]or the same reason, data from Latin American countries does not capture the full extent of Chinese FDI in the region" (ECLAC 2011, ELAC 2013). As of 2011, "Of all China's OFDI, 79% is registered as going to Hong Kong (SAR), Cayman Islands or the British Virgin Islands (ECLAC 2011).

CLAFD data, presented in aggregate total value in Table 25, reveal a remarkably clear and different portrait of Chinese investment and economic aid in Latin America than the one presented by the UNCTAD data. First, with the exception of Bolivia, which as mentioned earlier can be considered an anomaly in Latin America, there is a very clear correlation between where on the *neoliberal-dirigiste continuum* a country lies and how much Chinese foreign investment and economic aid it has received during the 2005-2013 period.

Reporting Country	Total Chinese FDI (2005-2013) (in US Millions)	Number of Chinese Loans Granted
Colombia	75	1
Chile	150	1
Peru	2300	4
Mexico	2400	3
Brazil	13400	7
Argentina	14100	8
Ecuador	9900	10
Bolivia	611	3
Venezuela	50600	13

Table 25. Total Chinese FDI Stock by Latin American Country 2005-2013.
Source: Based on Data from the China Latin American Financial Database: Available at: www.thediaglogue.org

According to ECLAC from 1990 to 2009 total Chinese FDI in Latin America was valued at $6.342 billion. As a means of comparison, according to the CLFAD, overall Chinese FDI to the entire Latin American region as a whole from 2005 to 2013 was valued at $98.374 billion. The nine Latin American target countries that make up this study account for $93.536 billion or 95 percent of total Chinese FDI in Latin America during this period. Table 26 highlights the utility of employing the neoliberal-dirigiste continuum at a more aggregated level. At the level of the Latin American sub-group, as described in this chapter, Chinese FDI demonstrates a very clear pattern and preference for lower FDI amounts in the more neoliberal economies and a preference for higher FDI amounts in the more dirigste (state-run) economic regimes. As would be expected, the middle/mixed economies have been the recipients of Chinese FDI but not to the same extent as those in the dirigiste sub-group. This point is significant because, Brazil, the largest economy in the region did not attract as much Chinese FDI compared with other smaller economies, i.e. Argentina and Venezuela.

Latin American Sub-Group	Total Chinese FDI (2005-2013)	Annual Sub-Group Country Average Chinese FDI	Average Annual Latin American Country Chinese FDI (~$1.3 billion)
Neoliberal Champions	2.5 billion	0.1 billion	Below Average
Middle/Mixed Economies	29.9 billion	1.25 billion	About Average
Dirigiste Champions	61.1 billion	2.55 billion	Above Average

Table 26. Total Chinese FDI Stock by Latin American Sub-Group 2005-2013.
Source: Based on Data from the China Latin American Financial Database: www.thediaglogue.org

Comparisons of Sub-Group Average investment with Chinese investment in Latin America as a whole

According to a working document published by ECLAC 2013, since 2010 Chinese economic actors have invested US$10 billion on average per year in Latin American (ECLAC 2013, 5). While not directly mathematically comparable, this per year average can be taken into consideration with the 2005-2013 Chinese FDI data presented for the 9 countries and 3 investment subgroups described in this chapter (See Table 26). Table 26 highlights the strongest affinity of Chinese investments to the Dirigiste Champion economies, followed by the Middle/Mixed economies, followed by the Neoliberal Champions. The Neoliberal Champions, as a Chinese-investment host sub-group, have been the target of the lowest value of Chinese FDI and aid (with annual average of $100 million), based on the data presented here. This figure is considerably below the $1 billion Chinese investment annual Latin America country average. The Middle/Mixed economies have received an annual average of $1.25 billion in Chinese investment. This figure is roughly on par with the $1 billion of Chinese investment annually in a given Latin American country. The Dirigiste Champion countries have received an annual average of $2.55 billion in Chinese investment. This figure is more than two and a half times the $1 billion average of Chinese annual investment in a given Latin America country. From this comparison, it is clear that, among the major Latin American economies examined here, it is

Dirigiste Champions – as a sub-group, that have been the most successful in attracting Chinese FDI and economic aid to their economies in recent years.

Conclusion

The scale and speed with which Chinese economic actors have engaged with distinct Latin American economies has caused much curiosity and concern from economic actors and policy makers in the West both in Latin America and in the US. While it is clear that China's demand for energy, food and mineral resources has led to increased government coffers in certain economies across the region, not all economies have responded to or been affected by Chinese economic engagement to the same extent or in the same way. While part of the reason for this has to do with each country having a distinct natural resource make-up, I argue here that the overriding reason for variation of Chinese investment and economic aid has more to do with the inherent political framework that shapes the policy logic and orientation of different countries. So, while Columbia borders Venezuela, the former is a stalwart member of the neoliberal, free trade camps, while the latter is statist and vehemently opposed to U.S. economic ideology. Similar types of divergences exist with other geographically proximate countries in this study. Chile and Bolivia, for instance, share a sizeable Andean *altiplano* border, on both sides of which exist valuable copper and lithium resources. However, the political geography of Chile's and Bolivia's investment regimes could not be more different. In this case, Chile epitomizes the liberal orientation while Bolivia represents a much more closed, dirigiste antipode.

Having described at length the reasoning behind the neoliberal-dirigiste continuum, it is important to note that some Chinese investments are successfully executed and completed because of Chinese economic actors' need for certain mineral or energy imports. This helps

explain why Peru, Argentina and Brazil, especially over the last ten years have been targets of sizeable Chinese investments. In Chapter 5, I investigate and compare three mining companies (one based in each of the following countries: China, the US and the EU) along with one of each of these companies' home country-based policy banks. The purpose of this comparison is to determine the difference in frameworks and operating procedures that explains how different MNCs operate in the Latin American mining sector (one of the most internationalized sectors in the region) both in terms of bilateral trade and foreign investment.

Chapter 5 – Comparing business strategies and encounters of US, EU and Chinese resource companies and policy banks operating in Latin America

How do Chinese resource companies and banks engage with investors and economies in Latin America? One of the driving considerations posed by Westerners trying to understand Chinese economic practices relating to the operations and aims of Chinese firms in the region is: "What makes Chinese firms different?" More specifically, I am interested in discerning what makes Chinese resources companies and banks behaviorally distinct from the US and EU firms and banks that are also operating in Latin America? An emphasis on behavior here is key since the assumption – (as is the case with all businesses) – is that there is some financial end goal or bottom line that is the ultimate target of any international business' expansionary efforts.

I argue, however, both in this chapter and in previous chapters, that part of what makes Chinese business expansion into Latin America so unique and *alluring* to the main economies in the region, is the inherent umbrella like infrastructure, that many Chinese firms and organizations operate within, which is cumulatively referred to as "Chinese State Capitalism." In some ways, Chinese State Capitalism is more understandable to Latin American economies than the neoliberal economic model advanced by the US and EU. More specifically the *dirigiste* (state controlled) nature of Chinese economic actors is both practically and historically familiar. The Chinese model is attractive and understandable to a host of Latin American economies, many of which descend from lineages of state-run economies. Many Latin American state-run economies gained strength from trying to rebuild from the devastating consequences of Western (mainly US and EU) inspired neoliberal tenets of free trade, open markets and limited government regulation. I argue that the spectacular growth of the Chinese economy generally, and the rapid growth of Chinese bilateral trade and overseas foreign direct investment (OFDI) in Latin America specifically has served to rekindle Latin America's interest in state-centered

economies and has simultaneously put into question the present and long-term relevance of the Western business "quarterly results" oriented framework that for more than a century has had a very noticeable presence among foreign direct investors active in the region.

In an attempt to craft a more concrete and detailed portrait of the distinct ways in which Chinese firms operate in the region, the chapter examines three resource/mining companies (one from each of the investor's region of origin: the US, the EU and China) along with three banks (one from the home country/region of each investor). The firms selected for this study focus on mining/commodities production and trading and include: 1) Newmont Mining (US), 2) Glencore PLC (Anglo-Swiss)/ and 3) MinMetals (China) along with three banks from each region: 1) the U.S. Import Export Bank, 2) the Bank of the European Union, and 3) the China Development Bank.

In order to carryout this comparison, this chapter is organized into two main sections. The first section examines the unique and different types of economic relationships that exist between important Chinese firms and host economies beyond China's borders (generally). The second section tries to explain the operations of the three firms and the three banks selected for this study. This section attempts to justify and 'build a case' for the differences in Chinese firms' operations vis-à-vis more traditional foreign investors (i.e. European and American) working in Latin America. The hope here is that developing an understanding of the operations of the China Development Bank (CDB), for example, will shed light on the distinct ways in which China's mining firms are operating (both through expansion and contraction of business operations) in a markedly distinct way, from the ways in which Western investors operate.

Economic behavior of Chinese firms beyond China's borders

Chinese firms, like already established Western firms, face similar challenges in expanding into new, international markets. These challenges include: developing an understanding and being in compliance with relevant business, legal and environmental policies that exist in a given country, hiring capable talent to lead and manage in-country operations, and deciding on the extent to which such overseas operations are part of a firm's globalization strategy versus developing the business at a more local, intra-country-level (Backaler 2014, 9).

One of the large-scale, macro-level differences that define and distinguish Chinese companies investing and growing overseas today is that they "have matured in a domestic business environment unlike that of firms from developed countries in Europe or the United States" (Backaler 2014, 9). For reasons related to China's size and its long history of political and economic centralization, China's economic structure and framework is fundamentally distinct from that of the leading western economies that today represent the vanguard of the global economy. It is not surprising then that these internal/domestic structural features of the Chinese economy present and reveal themselves as different (and to some countries and commentators conflicting) when the Chinese government and Chinese firms do engage in business activities overseas. In essence, the difference between business relations, strategies and operations that many Western firms and commentators view as being (or potentially being) threatening is, at one level, a manifestation of Chinese business culture operating as it always has.

In addition, Chinese firms, especially those that are increasing their overseas trade and investment, are learning to compete and operate in a business environment that is much more globally competitive, based on hyper-efficiency and is able to source human and technical resources with less regard for political boundaries than ever before in human history.

According to Backaler, the main distinguishing features between Chinese and western business styles and approaches can be cumulatively conceived as relating to fundamentally different conceptions of Western corporate governance and international business. The six primary elements that Backaler identifies as distinguishing Chinese firms are: 1) Chinese firms are considerably younger than their western counterparts (see Table 1), 2) because of the prominence of the State-Owned Enterprise (SOE) model in China, the role of the government in Chinese business is much more "hands on" than it is in the West, 3) because of their structure and their intimate connection to the central government, Chinese SOEs present unique challenges that do not exist in western conceptualizations of business operation and strategy, 4) Chinese business leaders, compared with their counterparts in the West, generally take very different paths to power, 5) motivations for Chinese firms to expand into new business areas/new markets vary, and 6) The Chinese regulatory environment overseeing international investment is distinct and complex (Backaler 2014, 9).

Industry	Western company	Founded	Chinese company	Founded
Home Appliances	Electrolux	1910	Haier	1984
Beverages	The Coca-Cola Company	1892	Jianlibao	1984
Athletic Apparel	Nike	1964	Li-Ning	1990
Medical Devices	Roche	1896	Mindray	1991
Petroleum & Gas	Chevron	1879	PetroChina	1999

Table 1. Comparative age of selected Chinese vs. Western firms.
Source: Backaler 2014, 11.

Several additional major and important distinctions between the operations and strategies of contemporary Chinese businesses and those of Western businesses are geographic in nature. First, the scale at which Chinese economic actors are trading, investing and providing economic aid to both developed and developing economies is unprecedented in terms of its globe spanning

reach. Most countries in the world today trade with China and the number of countries that have hosted Chinese investment likely also exceeds three-fourths of the world's trading states. The Chinese government's understanding of operating at a large scale within its own complex, continental economy, provides the underpinnings for its expansion beyond its borders, first to East Asia and Southeast Asia, then to the rest of continental Eurasia, the Middle East, Africa, and Australia followed by North America and, perhaps most recently Latin America. This order is no coincidence. Distance and cultural distinctiveness have contributed to a comparative lack of economic integration between these two regions. Though, in today's technologically developed and logistically connected global economy, even distant and underdeveloped markets, like many in Latin America, are becoming increasingly and indelibly connected to China's production network. Nevertheless, as Chapter 4 in this dissertation clearly indicates, trade and investment between neighboring Latin American states is still much more valuable and significant than are comparable Chinese economic activities with the region. Again, this supports the idea that while globalization creates a network that facilitates the connection between distant trading partners, geographical proximity still holds a significant weight in the daily economic routines and procedures of the main economies in Latin America (and beyond).

A second major distinction, not mentioned by Bacakler, between Chinese and Western businesses relates to the speed of investment across space. Just in Latin America alone, for instance, Chinese firms have investment more than $100 billion dollars since 2005 (thedialogue.org). From contributing almost no investment whatsoever at the beginning of that same decade, to the present time, Chinese investments are so noticeable because they have appeared so quickly in and onto an investment landscape that has for centuries been dominated by European and US investments. These major Western investors have built up their investments in a comparative and gradual way in the Latin American region. While most Western MNCs,

like those from China, initially developed expertise and a customer base in their home country (or continental markets) before expanding internationally, many of the most prominent Chinese MNCs have been the object of global attention because of the shorter timeframe in which such Chinese companies have transitioned (or 'evolved') from domestic to international firms. Again Table 1 highlights the very rapid trajectory of Chinese firms into the global economy.

A third significant and additional distinguishing feature that makes Chinese firms distinct in comparison to their western counterparts, relates to how (this is in reference to Chinese firms engaging with Latin America specifically), Chinese firms enter new markets. Typically Chinese firms enter into a joint-venture arrangement in Latin American economies – especially when the object of investment relates to natural resources such as mining (China's MinMetals and Chile's Codelco) or petroleum (China's Sinopec and Brazil's Petrobras) development. Western firms, on the other hand, have typically and traditionally entered Latin American markets and have set up their own, local/national subsidiary of their own home country firm. Part of the reason for this distinction arises from the historical success and abundance of Western firms.

Kotschwar et al. (2012) have further refined and delineated the ways in which Chinese firms engage with foreign (in this case, natural resource) firms. According to these authors, the ways in which Chinese capital enters foreign markets to procure resources happens in one of four ways. First, investors from China assume a large equity stake in a major, already-established producer. Second, Chinese investors take an equity-stake in a new, up-and-coming resource producer. Third, the Chinese government in conjunction with the Chinese firm that is seeking to invest makes a loan to an already-established resource producer in exchange for the right to buy said resource in order to service the loan. The final way that Chinese firms engage with international resource firms, are for a combination of Chinese firms/Chinese government to

make a loan to finance start-up producers in exchange for the right to buy resources produced in order to service the Chinese loan (Kotschwar et al. 2012, 4-5).

1. Newmont Mining (US)

Colorado-based, Newmont Mining, operates several of the largest goldmines in South America. It must be noted that simply because Newmont is a US-based firm, has not precluded it from falling victim to accusations of committing bribery in order to win large mineral concessions (i.e. the scandal surrounding Newmont's acquisition of Peru's Yanacocha mine). The reality of closed-door, quasi-legal negotiations in order to gain access to mining concessions in Latin America, is not limited to new Chinese economic actors whose operating style is typically more opaque than that of western mining companies. In this sense, comparing Newmont's operations and tactics in the Latin American mining sector to those of China MinMetals, shows that while Chinese state capitalism is functionally and structurally different than Western Capitalism it is not necessarily worse (in the legal/moral sense).

Today, Newmont is majority owned by US Newmont Mining. Other joint owners include with Peruvian company Buenaventura, and 5 percent held by the International Finance Corporation (IFC). Like Glencore PLC and MMG (a subsidiary of China MinMentals Corporation), Newmont is a member (and one of the co-founders) of the International Council on Mining Metals (ICMM Website 2014 & Newmont.com) - an organization that strives to improve sustainability and performance in the mining industry. Also like Glencore PLC and MMG, Newmont is a participating member of The Extractive Industries Transparency Initiative (EITI). The EITI is a global coalition of governments, companies and other organizations that jointly seek to enhance the openness, accountability and management of revenues that are derived from natural resources (www.EITI.org).

Newmont's three South American mines include: 1) the Yanacocha mine in Peru, which is the largest gold producing mine in all of Latin America, 2) the Conga Project, which is also in Peru, and contains both copper and gold reserves and 3) the Merian Gold Project in Suriname (Newmont.com). Interestingly, the size of Newmont's mines makes Newmont and important player in the Latin American mining and exploration sector. China Minmetals itself, a relative newcomer to the region, has signed agreements to work jointly on four mining projects in Latin America.

Because the Yanacoha mine is believed to be reaching its production limit, Newmont is attempting to invest in and develop the Conga project, which is capable of producing 120 million pounds of copper and up to 350,000 ounces of gold per year during the anticipated 19-year life of the mine. The future of the Conga project is uncertain especially because of the pull (attractive) and push (detractive) factors that surround the proposed mining investment. From the perspective of the Peruvian economy, the proposed US$4.8 billion Conga project represents the largest single private investment in Peruvian history and therefore has come to be seen as an important milestone in Peruvian economic growth through foreign direct investment. One the other hand, preparations for the mining project have already raised concerns of serious environmental damage ranging from the blatantly obvious destruction of a natural landscape to the more threatening toxic environmental damage, specifically leading to harm to water supplies caused by mining runoff potentially entering rivers and contaminating such supplies used by local populations. Such dissatisfaction has led to major protests in Peru (Associated Press 2012 & Jamasmie 2012).

Because of the regulatory complexity of international mining investment and the economic development potential that large projects such as the Yanacocha mine and the proposed Conga mine have come to represent, it is clear that Newmont Mining is among the

many international mining companies that must negotiate a course of action amidst a large array of demanding constituencies. It is clear also that some of Newmont's initiatives are not beneficial to all actors involved and aim to ultimately make a profit for the firm. In this sense, Newmont Mining, like Glencore PLC and China MinMetals, does not operate in a morally 'superior' way to a Chinese firm like MinMetals. As has been discussed, Newmont has been involved with accusations of bribery in its Latin American mining operations. This same but significant point is important to recognize when reflecting on the operational style and tactics of Chinese mining firms that have entered the Latin American market more recently.

2. Glencore PLC - (formerly Glencore-Xstrata) (Anglo-Swiss)

Glencore PLC is an Anglo-Swiss, diversified commodities producer with operations around the world. The company's formation via the May 2, 2013 merger of Glencore (primarily a commodities producer and trader) and Xstrata (a mining company) led to the creation of the world's tenth largest firm on Fortune's Global 500 ranking of the world's largest companies (Fortune Global 500 2013) and now employs approximately 200,000 people. The company focuses primarily on the production and trading of metals and minerals and is also a player in agricultural and energy products (Glencore Website 2014). Initially called Glencore-Xstrata, the company officially changed its name to Glencore PLC in May of 2014. Although not known with certainty, some industry-watchers have speculated that the name Glencore is derived from the first two letters of the words "global, energy, commodities and resources" (Onstad et al. 2011).

As a physical commodities trader, Glencore, like its main rivals Cargill, Trafigura and Vitol, succeeds financially by finding customers for its raw materials and selling these raw

materials at a mark-up, often employing complex financial hedges in order to reduce the risk of unpredictable events such as regime change, piracy, market swings or bad weather (Onstad et al. 2011).

As a formerly independent company Glencore "ha[d] more ships than the British Royal Navy and handle[d] 3% of the world's oil consumption through its operations in 40 countries from Australia to Argentina" (Marston 2012). The formerly independent Xstrata also had a very large global presence as a major producer of commodities used in activities such as building construction, electricity delivery, jet engine development and mobile phones (Marston 2012).

As one of the world's truly transnational corporations, Glencore has come under scrutiny for conducting business with "rogue regimes" in Iran, Iraq (under Saddam Hussein), South Africa, and the former Soviet Union. Glencore has a "history of busting UN embargoes to profit from corrupt or despotic regimes" (Long 2005). Because Glencore is a Western based MNC, I argue that it is expected to follow certain "universal" business practices, which actually originate in the Western business tradition. Having established the breadth and global presence of this very large and complex commodity producer and trader, it is now our task to understand the ways in which Glencore has invested and developed economic relationships in Latin America.

With operational facilities and/or joint ventures, participations and subsidiaries in Argentina, Bolivia, Brazil, Colombia, Chile and Peru, Glencore has a broad geographic and financial interest in Latin America (Glencore.com 2014). As previously mentioned, although it is a Western company operating in Latin America (arguably another Western world region), Glencore has not been free of criticism for its less than ethical business practices in the region. In Colombia in 2006, for instance, management of its Cerrojón mining subsidiary, was accused of corruption and human rights violations linked to the company's forcibly expropriating and evacuating local populations to allow for a mine's expansion (Sweeney 2012). Also in Colombia

in 2009, Glencore's subsidiary Prodeco was fined approximately $700,000 for environmental violations relating to producing coal without an environmental management plan and disposing of waste without a permit (Onstad et al. 2012).

Nationalization of a foreign firm's assets and capital is a threat that all multi-national firms face, when investing in (or considering investing in) projects in Bolivia. Glencore's Empresa Metalurgica Vinto, which processes gold, silver, tin and zinc and is located in the Bolivia's department of Oruro, was seized and nationalized by Bolivian President Evo Morales in February of 2007.

Nationalization, as a political economic process, acts as a 'double-edged' sword in contemporary Chinese-Latin American economic relations. According to the theoretical mutual attraction between distinct state-run economies (represented by those Latin American economies that lie on the right side of the neoliberal-dirigiste continuum) for the most part there exists a large and strong trade and investment relationships with China. Latin American countries with nationalized industrial and resource sectors tend to be amenable to operating with Chinese economic actors' dirigiste outlook. In Bolivia, unlike the other Latin American economies examined in in this study, the contemporary and ongoing process of nationalization has served to repel most foreign actors – Western and Chinese alike. The seizure of Glencore's Vinto operation is proof of the fragile investment climate.

It is possible to speculate that because of the high growth rate of the Bolivian economy and associated poverty reduction of the Bolivian population, that eventually, 'established' nationalized Bolivian mining and resource operations will be more open to conducting business with Chinese government, state-owned and private business actors, precisely because of both sides' similar dirigiste economic orientation. The fact that Morales has led an economy that has tripled in size under his tenure and, which is set to grow at South America's fastest rate for 2014

(Schipani 2014b), may suggest a change of investment stance on the part of Chinese interests. The combination of a growing and stabilizing economy coupled with its large resource abundance and diversity in energy and food commodities, may be enough to have Chinese investors revamp their efforts into a previous pariah (at least from an investment stand-point) economy. The temptation may be too great for China not to invest.

The act of nationalizing large, valuable and important mining assets may be one of the main reasons why China has not invested large amounts of capital into the Bolivian mining sector. Somewhat in defiance (or perhaps 'non-compliance') of its international reputation as an economy that engages with regimes that western states have deemed "rogue", China for the most part has steered cleared of Bolivia.

Despite the widespread concern and discussion surrounding the opaque tactics relating to Chinese companies' engagement in prolonged negotiations in order to secure positions in Latin American markets, Glencore's behavior highlights the fact that Chinese firms are not the only types of firms that operate in less than transparent ways. Glencore's behavior in Latin America also supports the idea that opaque negotiations in order to establish controlling stakes of natural resource production in Latin America, may in fact be an industry wide phenomenon as opposed to one associated specifically with Chinese firms.

The competitive ethos and stigma associated with nefarious business dealings in the natural resource sector is very much personified in the behavior of one of Glencore's founder's Marc Rich. According to one observer Rich "was faster and more aggressive than his competitors…he went where others feared to tread -- geographically and morally. Trust and loyalty are very important to him. In many deals he wouldn't rely on contracts but on the idea that 'my word is my bond'" (Ammann in Onstad 2011). This reliance on trust and oral agreements, instead of contracts, bears a great deal of resemblance to Chinese government and

SOE business tactics in business and market development activities in Latin America. While MOUs, formal written agreements and contracts are now used between Chinese and Latin American actors, much of the initial bi-regional economic relationship was built around a series of trust building encounters, meetings and dinners as opposed to being centered solely around the legalities of contract signing and associated obligations.

In terms of Glencore's long-term commitment and increase of future investments in Latin America, the commodities and mining giant is different that other top competitors that "are seeking to expand in Australia, Mongolia and Latin America". Through its actions and investments, Glencore has placed Africa at the core of its development initiatives (Manson & Blas 2014). Because it is not especially focused on Latin America, Glencore may be possibly encouraging Chinese mining interests to enter into a regional market that is less competitive than that of the African market.

3. China Minmetals Corporation - CMC (Chinese)

China's MinMetals, a large Chinese SOE, may represent and embody the gradual transition of Latin American mining foreign investment away from Western interests towards investments that are Chinese-backed and based. As has been shown in the previous chapter, currently and cumulatively, Western mining and natural resource investments in the region still account for more investment than Chinese investments. Nevertheless, the recent and large-scale investments from Chinese SOEs such as MinMetals represent a trend that is likely to increase and intensify as in the near future. As recently as 2010, for instance, Chinese resource and infrastructure related investments in Latin America were higher than those from the World Bank and IMF combined (thedialogue.net). However, this trend represents much more than a

straightforward acquisition of resources on the part of Chinese economic actors. The emergence of Chinese State Capitalism as an attractive and acceptable form of financing has become much more mainstream than it was ten years prior. Functionally and operationally, Chinese State capitalism includes the following: (negotiations, long-term contracts based on resource-backed loans, infrastructure construction around resource and logistics related industries, and, increasingly a move into more high-tech and sophisticated industrial investments)

The firm is also symbolic of a group of Chinese companies that is playing a positive role in improving *overall access* to Latin American resources for sale in the global marketplace. As this section attempts to make clear, China Minmetals' investment and procurement activities in the region are distinct from those of its Western competitors.

In Latin America as Glencore's holdings in the region either: a) come under scrutiny for various labor and environmental infractions or b) get sold off in order to shift capital resources to more promising projects in Africa, MinMetals emerged as one of the largest mining concerns to increase its mining stakes in Brazil, Chile and Peru. Although speculative at this point, potential evidence for the gradual shift of Glencore's investment focus away from Latin America, as somehow signaling an entrée and increase of Chinese mineral investments in the region, can be seen in MinMetals' 2014 acquisition of Las Bambas copper mine from Glecore-Xstrata[30]. Las Bambas was one of Glencore-Xstrata's largest copper mines.

With ideology markedly absent from Chinese-Latin American mining investment discussions, Eleodoro Mayorga, Peru's energy and mining minister, has recently commented on conducting business with Chinese actors: "China has evolved as a partner. There is more openness, not only at a financial level, [but] also at trade and social responsibility levels. It is not

[30] Glencore-Xstrata was the company's temporary name after merging. Since May 2014, the company has been renamed Glencore PLC.

the closed, traditional, governmental China, but transnational companies playing the market game" (Shipani 2014a). This sentiment reveals that, while Chinese SOEs, are playing an active role in financing Chinese economic activities in Latin America. Part of the appeal of Chinese State Capitalism – for individuals participating in the market in general – is that concentrations of regional Latin American resources are becoming more broadly available. While the idea of a foreign investor entering Latin American markets in order to increase the availability of resources (by increasing the number of private, non-government mining interests) may not seem immediately appealing to governments that have nationalized (or are in the process of nationalizing) their resource wealth, the historical nature of many Latin American governments' dirigiste orientations, coupled with Chinese firms' ability to often overpay for resource purchases has led to an increased acceptance of Chinese firms competing and operating in the Latin American marketplace. As has been mentioned earlier, it is worth reiterating that most Chinese M&A deals in Latin America have not been successful.

Because, as we have seen, Peru is among the more liberal and marketized Latin American economies examined in this study, it is possible that Peruvian views of its economic relations with China reflect an appreciation of the market oriented features of Chinese economic initiatives in the region. At the same time, it is also conceivable that Argentine or Venezuelan observers might comment on the common *dirigiste* framework that these Latin American economies have with China. In short, it might be possible to interpret how an individual country accommodates and interprets Chinese investment initiatives, based on where on the dirigiste-neoliberal continuum it resides.

Despite its size and financial heft, China Minmetals' acquisition attempts in Latin America have not always resulted in the company's ability to procure the resources it has

intended to acquire.[31] In 2005, for instance, Minmetals signed an agreement with Chile's nationalized copper company, Codelco, with the expectation that the former would be granted the ability to acquire a 49 percent stake in the company, should it choose to exercise that option. When Chilean unions balked at this move, China MinMetals had to suspend its ownership stake plans. Nevertheless, in 2011, MinMetals returned to Chile to sign a memorandum of understanding (MOU) for joint cooperation between itself and Codelco. This time however, instead of focusing on developing Chilean copper reserves, the two companies have sought to "jointly develop business and exploration opportunities in Latin America and Africa…by focusing on technological innovation and development, and developing projects together" (Pica 2011).

A recent study examining thirty-four recent Chinese natural resource investments and purchase agreements in Latin America highlights MinMetals' generally positive contribution towards solving "the problems of strong demand" in the region (see Kotschar et al. 2012, 4). Rather than contributing to a 'zero-sum' arrangement of locking up Latin American natural resources for one particular customer, i.e. the Chinese government or the Chinese domestic market, Minmetals' four investment/economic activities in Latin America tendency to engage in 'competition-enhancing' practices. The premise behind competition enhancing investments is that when foreign, in this case Chinese, investors commit capital to a private mining operation in a Latin American country that has a tradition of nationalized natural resource production and distribution, then the overall market for such commodities in that country becomes more open, presumably more fair, and less concentrated (in terms of power) in one sole organizational entity. As an expert in Chinese mining activities in South America has recently remarked, "China's

[31] In general, the vast majority of Chinese merger and acquisition attempts in Latin America to date have not succeeded.

industrial policy is inherently pragmatic and entrepreneurial, encouraging state entities to adopt a business mindset even as firms remain closely tied to state objectives" (Koch-Weser 2014). Simply put, even Chinese state-backed economic actors that are active in the South American mining sector behave similar to businesses, which operate in a practical manner that focus on obtaining results that promote the financial returns to an investment. In fact, when Chinese mining firms are accused of harming water supplies, mistreating workers, or engaging in opaque business practices that may appear to be corrupt, these firms in these instances are demonstrating problems at the firm level not with Chinese business practice more broadly. As the *Economist* notes, "these are problems of bad business, not of grand strategy" (*Economist* 2014e, 45). To reiterate, Chinese international business investments, especially the very large investments, are practical not ideological in nature.

Comparing the Financial Institutions of Latin America's principle

Foreign Investors

Examining the financial institutions from each of the foreign investing countries/entities focused on in this dissertation (the US, the EU and China) comprises the final section of this chapter. The purpose of conducting such a comparison is to better understand the ways in which the financial tools, tactics and strategies used by the policy banks – more generically called Export Credit Agencies (ECAs) – differ in the ways in which they subsidize and promote their own home economies' international exports (See Path 2014). As the following section will show, the idea behind ECAs and the policy banks that support each country's exports, is that without such banks making loans to prospective buyers, exporters from that particular country would lose out to goods produced elsewhere. Perhaps this "elsewhere" might entail a domestic producer, but most likely exporters without a policy bank extending a loan to the intended client

country would be loosing out to exporters that operated with the backing and support of an ECA based in their home economy. The following analysis will consider the operations and strategies of the US Export-Import Bank (US Ex-Im Bank), followed by the European Investment Bank (EIB), followed finally by the China Development Bank (CDB), which is actually one of two main Chinese government-funded and directed development banks.[32]

The U.S. Export-Import Bank (US Ex-Im Bank)

Founded in 1934 and declared an independent agency in 1945, the practical purpose of the US Ex-Im Bank is to finance foreign purchases of American goods by customers who are unable to purchase American made goods – and who otherwise may consider purchasing goods made by other foreign/competing suppliers. From an official U.S. policy perspective, the mission of the bank is to support American jobs by providing purchasing credits to international buyers of American made products (see www.Exim.gov 2014). Aside from publically emphasizing its commitment to supporting American jobs, the U.S. Ex-Im Bank helps both small and large businesses compete for contracts and sales opportunities.

In terms of volume, 90% of the bank's financing activities have been carried out on behalf of small businesses. This fact portrays the bank as having a populist mission that complements the emphasis on creating and maintaining American jobs. However, in terms of the actual value of sales and contracts signed, it is the large American businesses – such as Boeing, Caterpillar and GE – that account for most of the bank's funding. In one recent estimate Boeing itself, accounted for 46 percent of the bank's financing activities.

[32] The operations of a second Chinese policy bank, The China Export Import Bank (China Ex-Im Bank), are examined in depth in Brautigam (2009).

One of the impediments that the US Ex-Im Bank has in its stated mission to help American jobs relates the distinct and particular American political aversion to (real or perceived) government 'interference in the free-market'. This idea of 'interference' has been a mainstay throughout US business history and has been promulgated most vigorously by right-wing politicians. Left leaning politicians, such as President Obama in 2008 also stated that the bank was "little more than a fund for corporate welfare" (Path 2014). Ultimately, if the bank's charter is not renewed, other emerging economies (i.e. China) will be better situated to extend financing to international customers that no longer afford to even consider purchasing American products.

Of the banks' eleven 'key markets', three are located in Latin America – Brazil, Colombia and Mexico. At the macro-level, reasons relating to the bank's specific targeting of these three economies relates to their: market size, general free-trade orientation and industrial sector diversity. In the case of Brazil, according to the Ex-Im Bank, US financing of projects in the country is expected to continue due primarily to anticipated growth of imports, more government spending on infrastructure projects and strong domestic demand. This positive economic outlook has led the Ex-Im Bank to approve "a $2 billion preliminary commitment to encourage purchases of U.S. goods and services by Petrobras" (Brazil – www.Exim.gov). The US Ex-Im Bank website also states that Petrobras has plans to invest $174 billion in development during the next five years. While such a statement may be considered alluring to potential US business owners and exporters, the uncertain fate of the bank may encourage Brazilian businesses/purchasers to buy goods from European producers with the help of the European Development Banks and/or from Chinese businesses using the assistance of the China Development Bank. Brazil, of course, not only has its own Development Bank (BANDES) but also has experienced a history of dictatorial and dirigiste leadership that makes Brazilian society

and Brazilian business more understanding of engaging with financing frameworks and deals that are sponsored and administered by a central government authority.

The case for Ex-Im Bank financing of Colombian purchases of US products and projects is also similarly strong though for slightly different reasons. As will be shown here, and as has been emphasized throughout this larger project, the theme of a general, overarching unity in economic development stages and trajectories of Latin American countries can be seen in the case of Colombia, even though Colombia lies at the extreme, neo-liberal end of the continuum that is central to this project.

Like Brazil, Colombia is forecasting significant infrastructural and defense spending increases in the near future. According to the US Ex-Im Bank, Colombia's National Development Plan stipulates for billions of dollars of infrastructure related to areas such as: air navigational and port security aids, construction equipment for public roads and airports, electric power generation, railway construction, transportation equipment, water treatment and water supply (Colombia - US Ex-Im Bank 2014).

Despite this perceived demand, there is, of course, no certainty that all of Colombia's infrastructural needs will be met by US businesses/the US Ex-Im Bank alone. Nevertheless, it is the case that Colombia, in fiscal year 2011, was the fastest growing market for the Ex-Im Banks' financial authorizations. In that year the bank approved $3.7 billion in financial exports (i.e. loans to purchase American Products) to Colombia. This amount represented 34 percent of *all US exports* to Colombia in 2011. This compares drastically with the $6.5 million in export financing that the Bank lent Colombia in 2008 (Colombia - US Ex-Im Bank 2014). As is the case with foreign financing in Latin America, often times the largest and fastest increases in financial/lending activity attract the most media and scholarly attention.

In Latin America, the Bank also regards Mexico as a key market for export finance assistance. Mexico is the US's largest regional trading partner. In fact, the US supports more exports to Mexico than to any other country. According to the Ex-Im Bank website, between fiscal years 2007-2012, most of the Bank's export financing activity with Mexico was directed at the mining sector. PEMEX, Mexico's nationalized petroleum company, was the recipient of $900 million long-term direct loan granted by the Bank. The loan was directed at petroleum development related projects in the Bay of Campeche, including: drilling services, engineering services, offshore platforms, oil field equipment and well services. Other noticeable Bank financing in Mexico has been granted to projects in Guadalajara, Mexico City and Oaxaca (Mexico - US Ex-Im Bank 2014).

The European Investment Bank (EIB)

Starting in 1993, when the bank first began financing economic activities in Latin America, the European Investment Bank **(**EIB) has supported 80 projects and provided in excess of €6.3 billion in long-term investment projects located in thirteen countries across the region (EIB 2013, EIB 2014). With regards to financing projects in Latin America, during the 2007-2013 time frame, The EIB had a clear mandate to promote and fund climate change, mitigation and adaption projects in the region (EIB 2013). The total value of EIU's lending to the region during this time period is valued at €3.2 billion. This, despite the European Union's mandate of setting a lending limit of €2.9 billion for Latin America. Part of the reason for this discrepancy relates to the EU formally establishing a €2.9 billion Climate Change Mandate for the 2011-2012 time frame (EIU 2013).

This specific and focused, socio-environmental emphasis, while related broadly and tangentially to economic development, distinguishes the EIB from other policy banks, such as

the US Ex-Im Bank and the CDB. These later banks maintain a much more explicit and overt emphasis on financing high-technology export sales and domestic infrastructure projects in target countries for the purpose of bi-lateral business development.

While the bank has clearly stated its intentions in favor of supporting climate action in Latin America from 2007 to 2013 (i.e. €500 million to fund projects to combat climate change in Brazil, €150 million to fund large and medium-scale renewable energy schemes in Chile and €100 million for climate change mitigation projects in Central America), since July 30, 2014, the bank has reverted back to its more traditional development bank 'roots' by continuing to fund more classic, economic development projects in line with its original mandate to "*foster the growth of the local private sector, develop economic and social infrastructure*" (EIU 2014).

These more traditional EIB funded projects include: €76 million for the modernization and expansion of a gearbox manufacturing factory in Cordoba, Argentina and €200 million for the construction of fifteen stations along with the first metro-line in Quito, Ecuador. Also included in this category is €73 million for the construction of a tissue factory in Hidalgo, Mexico and most recently, the EIU extended €50 million in financing for the first time to the Bolivian government for the construction of an important highway running along Bolivia's east-west corridor (EIU 2013 & European Commission 2014). In summary, recent EIU lending to Latin America, in addition to its stated economic development has also privileged and sought to fund projects focused on climate change and climate mitigation in the region.

China Development Bank (CDB)

Adding to a much lengthier examination of the CDB in chapter 2, this section is meant to juxtapose the CDB with corresponding policy banks based in the US and Europe. In 1994, the Chinese government created three policy banks: China Development Bank, China Export Import Bank and China Agricultural Development Bank. Unlike other Chinese banks, these policy banks were essentially "tools of the government, allowing Beijing to allocate preferential or targeted finance through a hybrid of planning and market means" (Brautigam 2009, 80). It is important to highlight, as has been mentioned in previous sections, that the policy banks of the US (Ex-Im Bank) and of the EU (European Investment Bank) have *also* operated in a 'hybrid state' that takes advantage of both the benefits of government planning and market mechanisms. In this sense China's policy banks, and in particular China Development Bank is not institutionally unique when examining parallel policy banks in other major investing countries.

What then distinguishes the CDB from other countries' policy banks? First, the amount of financing made available by the CDB to prospective business partners and partner governments in Latin America alone, valued at approximately US$100 billion since 2007 (thedialogue.org), is more than the value of the US Ex-Im Bank, the World Bank and the IMF loans to the region during this period combined. Second, CDB's sheer speed of lending to Latin American countries coming in the form of a very rapid ascendency from non-existence prior to 1994 to being the major development bank donor in Latin America, has caught the attention of governments both within and beyond the region. Finally, what is perhaps CDB's most distinctive structural feature is its direct connection to China's party leadership. Unlike, its US and EU equivalents, the CDB is directly controlled and influenced by China's top leaders – leaders whose party loyalties are paramount to the way they oversee China. This close relationship

between individual leaders and a policy bank is absent from the US Ex-Im Bank and the European Investment Bank. These western banks have more independent structures in place for managing international financial policy.

Despite this fundamental structural difference, many scholars and media pundits are questioning whether CDB-backed, Chinese corporations will soon assume the role that U.S. corporations held in representing imperialistic tendencies as they seek to profit from the economic opportunities presented in Latin America. As Sanderson and Forsythe state "The bogeyman of twentieth century Yanqui imperialism often were US companies. Is CDB taking that role for China?" (Sanderson and Forsythe 2013, xi).

According to a study conducted by Lin & Milhaupt (2013), overlap between the US and Chinese corporate systems is to be expected. These scholars argue that understanding the history of the US corporate system "can help to shed light on the development and evolution of China's corporate culture" (Lin & Milhaupt 2013, 703). Three important similarities between the US and Chinese corporate system include: 1) the resemblance of China's system of national champion capitalism to the U.S. 'robber baron' era in that today, large, politically connected conglomerates that operate in an institutionally weak environment dominate the economy, 2) the American experience from the late 1800s to the early 1900s shows that substantial change in corporate capitalism can take place over the course of just a few decades, and 3) the U.S. corporate experience serves to highlight the power that large corporations have a on the institutional, political, and social structures of which they are a part (Lin & Milhaupt 2013, 703). However, while it may be tempting to draw similarities between the historical rise of US corporate capitalism with that of Chinese firms' rise, assuming that that the later group will

follow a similarly imperialistic, controlling and manipulative approach in Latin America - is at this point speculative.

In the case of CDB's financing of Latin American projects, Venezuela, has been the recipient of the most financing, by a large measure. As of 2012, the Venezuelan government secured $50 billion in Chinese loans-for-oil and on January 8, 2015, President Maduro confirmed an addition $20 billion in Chinese loan guarantees. Apart from being home to the world's largest proven oil reserves, the *dirigiste* and statist nature of the Venezuelan regime has most likely smoothed and facilitated its political and economic relations with China. The CDB has also been active in Ecuador. The nature of CDB loans made to the governments of these Latin American countries is also appealing for the amount of money the bank is willing to offer (sometimes up front, in one lump sum) for energy and mineral commodities.

Conclusion

This chapter has attempted to highlight and compare the differences between a US, a European and a Chinese multi-national firm that has operations in the Latin American mining sector. These firms: Newmont Mining, Glencore PLC and China MinMetals, while operating in distinct ways, all face similar demands and constraints of working in a complex regulatory framework. This framework, in Latin America, involves considerations as varied as resource nationalism, environmental protection, workers' rights and, most crucially, an understanding of the degree to which a particular economy is open to working with foreign economic actors. The later half of this chapter seeks to understand the difference in the nature of the three investing regions' policy banks – the US Ex-Im Bank, the European Investment Bank and the China Development Bank. An attempt has been made to distinguish the CDB from other policy banks based on the particularities of the Chinese state capitalist system. Chapter 6 attempts to take the

very practical considerations of Chinese business operations and investments in Latin America, and attempts to understand how such practical activities have led to a global (both Western and Eastern) “China hype” and ‘journalist balloon’, which has helped to inflate Chinese economic actors’ presence to a level beyond its present capacity.

Chapter 6 – Countering the China Hype and the Journalistic Balloon of China in the Developing World

This chapter considers Western media's portrayal of China's economy as inevitably coming to dominate the developing world. English and Spanish language journalistic portrayals of China's preordained economic domination of various developing world economies have proliferated in recent years (e.g. Fornés and Butt Philip 2012, Moyo 2012, Cardenal and Araújo 2014). This 'journalistic balloon' of China as the dominate player of the new economy, both now and into the foreseeable future, appears to satisfy commonplace Western preconceived notions that a rapidly growing, large scale, recent 'movement' of Chinese economic players beyond China's territorial borders and into the global economy somehow equates to a dissolution of the positions of the current major economic powers, namely the US and the EU. The inherently geographic concepts of scale, speed and variety of industries and spatial extent of Chinese economic activity has increased from very low levels in the early 1990s to, in many cases, finding a place among the top economic partners of certain economies in developing world regions such as Africa and Latin America. Nevertheless, as this chapter attempts to argue, discussions of a 'new dependency' or of a resurgence of 'neocolonialism' associated with China's economic expansion into Latin America are, in fact, overstated. Trade data (see Chapter 3 and this chapter) with an emphasis on Chinese economic relations with Bolivia and Chile are meant to tame this 'China hype'. In addition, a discussion of the varied policy orientations of the nine Latin American economies that comprise this broader study is also meant to tame the 'journalistic balloon' that has surrounded China's economic engagement with the region.

One way to address the 'journalistic balloon' - to see if it holds weight and merit or is just 'hot air' - is to examine Chinese economic activity with a given region in order to understand the extent to which China's economic relationship with resource-rich countries, for instance, is considered a dominant force in the economies of such countries. However, of course, over the long dureé, China remains a small investor and relatively limited trader - especially in comparison to the involvement of high income/developed economies investing in still developing Latin American economies. With Western media and politicians expressing increasing concern about Chinese global economic dominance, this chapter seeks to address the uncertainty surrounding Chinese economic activity in Latin American countries. In so doing, the chapter highlights the persistent, Western-dominated, economic trade and investment trends that continue to exist in Latin America despite the recent entrance and increase of Chinese economic actors in the region. In a reversal of the usual logic of 'dependency', I argue that China's role is of an active engagement in the region but that it is also geographically variegated with regards to trade, investments and loan/aid levels. As a result, Chinese economic actors' (cumulative) position is very far from any sort of dominance in the usual way in which 'dependency' is understood in Latin America. The "China hype" and its corresponding 'journalistic balloon' can be dismantled in a relatively straightforward manner using economic trade and investment data.

To engage in this process of dismantling, the chapter starts by considering the central question raised in Peter Nolan's book, *Is China Buying The World?* (Nolan 2012) but as applied specifically to Latin America using two countries to examine the case in more detail. Nolan uses economic data to compare China's connectivity beyond its borders with that of other actors' (i.e. developed countries, multinational corporations, etc.) engagement with the same countries. In this way, Nolan makes a compelling case that China is far from 'buying the world' anytime in the near future – especially when viewed in terms of Chinese firms' current participation in a)

high-income countries and b) high-technology sectors (i.e. aviation and automobiles). However, Nolan's empirical analysis is at a high level of geographical aggregation. The trade, foreign direct investment and economic aid/loan activity carried out by Chinese economic actors in Latin American economies, have increased especially during the last five years, but to a much lesser extent than often alleged.

Recently, comprehensive temporal and spatial approaches to understanding the geography of China's 'place in the world' (Agnew 2012, Oakes 2012) have served as important reminders of Chinese economic actors' adaption to a contemporary global economic system that is itself undergoing serious structural economic and geopolitical changes. As China's economy has grown, entire industrial sectors inside the country (i.e. retail) have undergone a rapid international expansion that has attracted the attention of academics and policymakers alike (e.g. Tacconelli and Wrigley 2009). At the same time, the geographic expansion of Chinese-based firms within and outside China has also increased the focus on better understanding Chinese forms of capitalism, including ways in which FDI is used in various Chinese contexts (e.g. Yang 2007) including factors determining how FDI gets located in China itself (e.g. Qiu 2005). The issue of economic aid, and particularly accusations of Chinese government financing of pariah regimes being symbolic of 'rogue aid' has also put Chinese economic actors in the geopolitical spotlight. Because the forms and patterns of aid flows are increasingly reflecting "the character of relations between states" (Roberts 2013) and because China, and other countries previously outside the global "aid economy", have become major providers within it – a certain discomfort and suspicion has arisen in traditional, western government and NGO aid granting agencies. This chapter seeks to address and quell the recent wave of the popularization of 'the Chinese juggernaut' by discussing China's comparative economic position in Latin America vis-à-vis other economic powers active in the region.

While it is true that previous center-periphery conceptions of the world economy have privileged the geo-economic[33] dominance of the US, the EU and Japan, this paradigm has, over the last four decades, been complicated by two concurrent trends: 1) the dynamism of emerging Asian economies and 2) the rise in financial strength and independence of states in other regions that have traditionally been considered peripheral, e.g. certain states in Latin America and the Caribbean (LAC) (See e.g. Kupchan 2012, Davidson 2012, Escobar and Lagos 2012). The implications of China's economic expansion for different world regions are numerous, from the overall impact on world commodity markets to the geopolitical influence following from economic ties (e.g. Pant 2011). This chapter approaches the ongoing 'China hype' by asserting that examining and comparing broad economic data and investment indicators, is one way to paint a more realistic picture of the reality of China's positioning as an economic actor beyond its borders.

Beginning in the 1990s, when Chinese President Jiang Zemin launched China's first "go out" policy (*zouqu*)[34] that encouraged China's state owned enterprises (SOEs) to operate beyond China's borders in search of natural resources (See Economy 2004, Friedberg 2006), debates relating to how to interpret China's strengthening economic power have been widespread – from those envisioning a China inevitably altering the Western-dominated world order to one which sees the U.S. benefiting from China's continued political economic strengthening (e.g., Jacques 2009, Gross 2013). The expanding geography of China's global quest for mineral and food resources has amplified the perceived strength of the Chinese economy and has spurred debate as

[33] The term 'geo-economic' here refers to economic processes relating to relative economic power and its effects on patterns of trade, investment and aid that take place across large geographic zones usually labeled as core, periphery and semi-periphery.

[34] See "China Makes More Overseas Investment in 2005, Mainly in Asia." *People's Daily Online*. Beijing, China. http://english.peopledaily.com.cn/200602/10/eng20060210_241644.html February 10, 2006.

to the uncertainty associated with China's impact on developed and developing regions alike. While capitalist globalization as a whole has emerged over the last four decades, Chinese trade, foreign investment and economic aid/loans have increased globally and rapidly only since the 1990s. This rapid increase of Chinese external economic activity has caused concern among global development scholars leading some to conflate the reality of the speed and spread of Chinese economic/financial presence in regions beyond China's borders with an aura of inevitability of present (if not impending) Chinese economic domination (e.g. Subramanian 2011, Fornés and Butt Philip 2012, Cardenal and Araújo 2014). The rapid growth and geographical scope of the increase of Chinese economic activity beyond its borders has led two journalists, for example, to recently comment as follows:

> *By buying companies, exploiting natural resources, building infrastructure and giving loans all over the world, China is pursuing a soft but unstoppable form of economic domination.* (Araújo and Cardenal 2013, SR1)

Studies on the geographic expansion of the Chinese economy beyond its borders have tended to privilege the consequences and implications that Chinese trade and investments have for the potential economic development trajectories of the states that trade with and receive investments from China (Carmody 2011, Ellis 2009). In reality, the relationships that China has acquired with the LAC region, seem more limited and site specific than the generalizations about the inevitability of Chinese economic supremacy would lead one to expect. So, for instance, while Chinalco's 2007 purchase of Mount Toromocho (which purported contains 2 billion tons of copper), for US$2 billion may be viewed as a spectacular 'Chinese advance' in Peru, in

comparative terms, Chinese mining investments (overall) are not as valuable as those originating in the US or EU.

Carefully examining the data relating to the actual economic activity between China and Latin American countries, for instance, allows for a better framing and situating of the reality of China's relative position in the region. Initially, hope and enthusiasm were common sentiments expressed by leaders in Latin American countries with regard to increased Chinese diplomatic and business interests in the region. These sentiments come from the longstanding dependency on United States and Europe and the failure of these relationships to lift Latin America out of poverty and encourage sustained economic development. Numerous books and articles depict this story, among the most recent are, *The Open Veins of Latin America* (Galeano 1997), *The Forgotten Continent* (Reid 2007), and speculating on the possibility of a reversal of fortunes, *What If Latin America Ruled the World* (Guardiola-Rivera 2010), etc. Reflexively, discussions of foreign economic relationships and influence in Latin America necessarily revolve around how new external relations will or will not change the status quo of predominantly underdeveloped economies in the region.

While China may now be purchasing substantial amounts of food commodities, minerals and petroleum from Latin America, this does not necessarily translate into China being or inevitably becoming a controlling and/or dominant economic force in the region, whatever the fears of locals or foreign commentators. The reality on the ground in Bolivia and Chile, for instance, is clearly at odds with *perceptions* of Chinese economic activity in the region more broadly. A brief examination of such activity in these two countries is intended to bring some clarity to China's position in the region as more appropriately described as actively engaged and geographically variegated with regards to trade, investments and loan/aid levels but, as yet at least, hardly dominant. As will be discussed in the subsequent, concluding chapter, Chinese

economic activity in Africa is operating at a very different, more entrenched level than similar economic efforts in Latin America. By focusing on actual Chinese economic activities in Latin America, and 'placing' such activities in comparison to those of other major foreign economic actors, the chapter both challenges perceptions of China's already dominant economic role in Latin America (Fornés and Butt Philip 2012, 87) and provides perspective into the competitive economic environment in which China finds itself in the region. Because of its active engagement in the region and in spite of a recent increase of Chinese investment capital, particularly in Mexico, Peru and Argentina, I argue that the Chinese economy is more dependent *on* than dominant *in* Latin America.

The chapter first addresses Nolan's conceptions of China's economic activities with the rest of the world. It also discusses how Latin America does or does not fit into the "buying the world" claim. The idea of "buying the world" can be translated or interpreted as a form of ownership and control – the type that feeds directly into the 'China hype' & 'journalistic balloon' frenzies. In light of the discussions in the previous sections, the conclusion revisits the notion of China as an inevitably dominant economic power in the region and suggests that concerns relating to China's 'economic threat' in Latin America can be more fruitfully addressed by steering the discussion in a different direction.

Nolan's conceptions of China's activities with the rest of the world and how Latin America fits into the "buying the world" claim

In his book, *Is China Buying the World?* Peter Nolan makes some important observations about the rapid growth of the Chinese economy over the past three decades and uses economic data to highlight an often under-reported fact in Western academic and journalistic literature about China. This fact is that, to date, China's cumulative economic activity (and more

specifically its investments) in the high-income countries, represents a minor economic position in comparison with the major economic actors – Western-based, 'traditional,' multinational corporations (MNCs) – operating in these regions. It is because of this reality that Nolan focuses on several observations in support of his negative answer to the question that he raises in his book's title. These observations include macro-economic realities that, in turn, shape and clarify the current state of China' political economy beyond its borders.

According to Nolan, China's overseas economic interests are not dominant[35] because of the overwhelming economic positions already occupied by traditional MNCs in high-income countries. Such dominance usually comes in the form of foreign direct investment (FDI) and, in developed countries, as Nolan shows, China is still a comparatively minor investor. Nolan provides other observations, such as China's struggle to move away from a path dependent, "unbalanced and unsustainable growth model" and its significant policy challenges in dealing with income and wealth inequality in light of state led economic reforms (Nolan 2012, 137). The challenges China faces are further characterized by the potential instability brought on by ongoing environmental damage and the need to steer China's economy away from a "heavy reliance" on export growth. Nolan uses these factors to help posit China as more of an emergent rather than incipiently hegemonic economic actor.

Nolan highlights the degree of China's openness to international investment as being unique among large, latecomer developing countries (Nolan 2012, 139). This observation represents the first half of one of the book's main arguments that "'we are inside 'them', but 'they' are not inside 'us'" (Nolan 2012, 141). To date Western MNCs have invested more in

[35] Here 'dominant', refers to actors, in this case Western-based MNCs, that have a *controlling ownership stake* in the economic activities and industrial sectors in certain countries.

China than Chinese 'national champion' firms have invested in developed high-income countries. The other complimentary half of Nolan's view of Chinese firms (the 'they' are not inside 'us' portion) is that despite their success and growth within China's large domestic economy, such firms have not yet developed into globally competitive companies "with leading global technologies and brands that can compete within the high-income countries" (Nolan 2012, 140). With regards to the developed world then, Nolan highlights an interesting paradox - that although China is the world's largest exporter and second largest economy and manufacturer, it is still underdeveloped in terms of its own businesses' presence in high-income countries (Nolan 2012, 140-141). Though internationalizing rapidly, Chinese firms, have not yet attained the level of global economic success that Western-based MNCs have achieved. This is yet another observation that counters the 'economic domination' concept and helps to support the idea that such a concept is misguided.

Interestingly, however, it is the very nature of China's 'national champion' firms – state-supported firms that are active in industries considered strategic in bolstering Chinese national development – that make possible the pursuit of investment and related economic activities beyond China's borders. These industries include: banking, construction, electricity generation and distribution, metals and mining, telecom services and transport (Nolan 2012, 140). Highly capitalized, state-supported 'national champion' firms in such industries lend themselves to international commerce and investment, particularly in developing world regions, such as Latin America, where natural resource diplomacy and economic activity is commonplace. Even so, despite their *clear strength*, *weight and influence* within the Chinese domestic economy, Chinese SOEs are not, as of yet, as central to the global economy as are Western MNCs. This point also dilutes 'China-hype' exaggerations of Chinese state control of developed and developing world regions.

Equally important is Nolan's observation that Western-based MNCs, not Chinese companies, have built up dominant positions in developing countries, not just in high-income countries. So to the extent that China is 'buying the world' the majority of China's buying comes in the form of either direct purchases of energy, metal and food resources, or access to them. This reality contrasts with the perception that China "is buying the world in relation to global supplies of oil and gas", for example, when in reality "China's oil companies have had to painstakingly build up their international reserves mainly through a sequence of small-scale acquisitions of minority positions in developing countries" (Nolan 2012, 139).

In keeping with his regional, political economic framework, Nolan highlights China's ability to successfully and rapidly compete for and provide infrastructural facilities to developing countries and acknowledges that this has led to both benefits and complications for China and its economic partners in regions including Africa and Latin America (Nolan 2012, 138). While Nolan characterizes China's relationship with developing countries as "greatly expanded" due in large part to a) China's increased imports of metal, energy and food resources and b) developing countries' increased imports of China's labor-intensive manufactures, he does not specifically examine China's relationship with developing regions in detail.

In keeping focused on investments, as the *sina qua non* of what it means to be a major and powerful economic actor in another country, Nolan neglects to emphasize the other ways in which China is in fact dependent, to a certain degree, on regions such as Latin America. The new diversity of export destinations of Latin American commodities, for instance, is one basic way in which the importance and types of new bilateral relationships – that did not exist four decades ago – today holds real economic and political weight. Such a rapid shift in the final destination of Latin American commodity outflows has taken place in a region that is itself becoming economically stronger in relation to Asia, in certain respects. In 2012 in Latin America

"strong intraregional acquisitions by Latin American TNCs [in this context, firms much like the MNCs discussed previously] (from Argentina, Brazil, Chile and Colombia) more than doubled from 2011, while those by developing Asian TNCs almost halved" (UNCTAD 2012, 58). Several Latin American states have themselves been participating at multiple levels within the global economy (both as raw material providers and as high-end value added business actors) for which China is best known.

Because of Latin America's political and economic competencies, over the past two decades, Chinese MNCs have developed new corporate, diplomatic and technological linkages with the LAC in ways that shift traditional assumptions about Chinese dominance over natural resource rich regions more towards economic *dependency* on the part of the Chinese economy (Narins 2012). In the last two decades Latin American corporations have become newly globalized (e.g. Casanova 2009) and have become capable regional and international providers of a range of products varying in complexity, from aviation/aerospace (e.g. Embraer (Brazil) to the world's largest copper producer (Codelco of Chile).[36] Notably, Latin America has been able to attract international financing during the 2008 world financial crisis, a time when growth in lending to most other emerging markets diminished significantly (Kamil and Rai 2010). The ability to continue to attract such financing is, in part, attributable to the politically stable nature of the LAC region - compared with other developing world regions from the 1990s onwards.

One possible reason for this is that Latin America, while is still itself developing and contains economies that are routinely categorized as being part of the developing world, is unlike Africa, a region that contains countries that have been categorized in the recent popular press as economically vibrant and successful (See Escobar and Lagos 2012, Davidson 2012). In addition,

[36] Africa has few indigenous MNCs.

Latin American states, on the whole[37], have political institutions in place that enable its citizens to participate in civil societies and hold their elected representatives accountable.

Considering China's economic activities in Bolivia and Chile

A purely economic comparison of Chinese economic activities in distinct Latin American economies would most likely entail contrasting China's activities in a low-cost assembly and manufacturing intensive country such as Mexico (or a Mexican-type *maquiladora* economy in Central America) with its activities in a commodity exporting country such as Brazil (or a Brazilian-type resource-rich economy in South America) (See Pilling 2013). These are two commonly reported economic profiles in Latin America. However, a substantial amount of variety – beyond these two profiles – exists across and within Latin Americas 26 distinct economies. This chapter aims to analyze and highlight the diversity of Latin American economic engagement with the global economy.

Table 1 is helpful in drawing attention to important trade and investment indicators that not only define and distinguish Bolivia's and Chile's similarities and differences regarding how each of these economies engages with China economically, but also helps to position Chile and Bolivia with respect to how the seven other countries that make up the *neoliberal-dirigiste continuum* compare with regards to their economic relations with China. Apart from GDP per capita, in 2012, Chilean imports and exports were about 8 times those of Bolivia. Table 1 also helps to clarify the economic importance that China plays with these two states with regard to trade. China is Chile's largest export partner, yet does not rank in the top-5 of Bolivia's export partners. While such a reality may at first seem to run counter to the idea that Bolivia's more

[37] Despite widespread bureaucratic inefficiencies and corruption existing at all levels of government.

dirigiste position on the neoliberal-dirigiste continuum, should somehow indicate a closer economic relationship with China, the lack of substantial trade with China, I argue here, is less indicative of strong economic relations than, say, investment from China into the Bolivian economy. While it is true that China is the largest purchaser of Chilean copper, this transaction is a purchase and does not equate to China's economic presence on the ground within the Chilean economy in the way that potential Chinese FDI aimed at building a power plant or toll road would signify. While the types of export commodities originating in Bolivia and Chile are similar in nature (concentrated in minerals and hydrocarbons (Bolivia)), these two countries are chosen here as a way of highlighting economies that lie on different ends of the *continuum*, and for this reason are worthy of comparison for our purposes here.

Country	2012 GDP (US$Billions), current US$	2012 FDI Flows (US millions)	2012 FDI Stock (US millions)	2012 Foreign Aid (US millions)	2012 Merchandise Exports / Imports (US$Billions)	*Breakdown in economy's total exports*		*Breakdown in economy's total imports*	
						By main commodity group (%)	By main destination (%)	By main commodity group (%)	By main origin (%)
Colombia	$370.00	Total: 15650	Total: 19461	764.4	60.1/59.1	Agricultural Products: 11.0	1. US: 36.9	Agricultural Products: 10.8	1. US: 24.3
		From China: 21	From China: 346			Fuels & mining products: 66.7	2. EU (27): 15.1	Fuels & mining products: 11.2	2. China: 16.5
		From LAC: 9583	From LAC: 6091			Manufactures: 17.3	3. China: 5.5	Manufactures: 76.1	3. EU (27): 12.6
		From EU: 1780	From EU: 2168				4. Panama: 4.8		4. Mexico: 11.0
		From US: 2480	From US: 8434				5. Venezuela: 4.2		5. Brazil: 4.8
Chile	$270.00	Total: 22500	Total: 182719	125.5	78.3/79.5	Agricultural Products: 24.2	1. China: 23.3	Agricultural Products: 8.0	1. US: 22.9
		From China: 76	From China: 92			Fuels & mining products: 60.4	2. EU (27): 15.3	Fuels & mining products: 24.4	2. China: 18.2
		From LAC: 9600	From LAC: 59672			Manufactures: 13.3	3. US: 12.3	Manufactures: 67.5	3. EU (27): 13.4
		From EU: (-774)	From EU: 37656				4. Japan: 12.7		4. Argentina: 6.6
		From US: 4376	From US: 29728				5. Korea, Rep. of: 5.8		5. Brazil: 6.5
Peru	$203.80	Total: 370	Total: 22251	393.8	46.2/42.3	Agricultural Products: 16.8	1. EU(27): 17.1	Agricultural Products: 11.3	1. US: 19.0
		From China: 60	From China: 208			Fuels & mining products: 50.2	2. China: 17.1	Fuels & mining products: 15.3	2. China: 18.5
		From LAC: 66	From LAC: 5587			Manufactures: 11.5	3. US: 14.2	Manufactures: 73.2	3. EU (27): 11.9
		From EU: 221	From EU: 11274				4. Switzerland: 11.0		4. Brazil: 6.1
		From US: --	From US: 3167				5. Canada: 7.5		5. Ecuador: 4.8
México	$1,178	Total: 17224	Total: 361234	417.8	370.6/380.5	Agricultural Products: 6.2	1. US: 77.8	Agricultural Products: 7.3	1. US: 50.1
		From China: 83	From China: 300			Fuels & mining products: 17.8	2. EU(27): 5.9	Fuels & mining products: 11.6	2. China: 15.4
		From LAC: 954	From LAC: 7906			Manufactures: 72.7	3. Canada: 2.9	Manufactures: 78.2	3. EU(27): 11.0
		From EU: 3586	From EU: 117618				4. China: 1.5		4. Japan: 4.8
		From US: 8514	From US: 198833				5. Brazil: 1.5		5. Korea, Rep. of: 3.6
Brazil	$2,253	Total: 65272	Total: 746902	1288.2	242.6/233.4	Agricultural Products: 35.6	1. EU(27): 20.2	Agricultural Products: 5.9	1. EU (27): 21.4
		From China: 325	From China: 2491			Fuels & mining products: 27.0	2. China: 17.0	Fuels & mining products: 20.9	2. China: 15.3
		From LAC: 6586	From LAC: 70919			Manufactures: 33.8	3. US: 11.1	Manufactures: 73.1	3. US: 14.6
		From EU: 31613	From EU: 464757				4. Argentina: 7.4		4. Argentina: 7.4
		From US: 13509	From US: 113440				5. Japan: 3.3		5. Korea, Rep. of: 4.1
Argentina	$405.50	Total: 12378	Total:102261	178.9	80.9/68.5	Agricultural Products: 53.3	1. Brazil: 20.4	Agricultural Products: 3.6	1. Brazil: 26.1
		From China: 274	From China: 584			Fuels & mining products: 10.2	2. EU (27): 14.7	Fuels & mining products: 15.8	2. EU (27): 17.9
		From LatAm8: 2357	From LAC: 23536			Manufactures: 31.2	3. Chile: 6.3	Manufactures: 67.5	3. China: 14.5
		From EU: 4024	From EU: 46375				4. China: 6.2		4. US: 12.4
		From US: 2031	From US: 19380				5. US: 5.1		5. Mexico: 3.3
Ecuador	$84	Total: 591	Total:-	149.4	23.8/25.5	Agricultural Products: 31.2	1. US: 44.7	Agricultural Products: 8.7	1. US: 26.9
		From China: 86	From China: 408			Fuels & mining products: 58.5	2. EU (27): 10.3	Fuels & mining products: 23.6	2. EU (27): 11.5
		From LAC: 196	From LAC: -			Manufactures: 7.8	3. Chile: 8.4	Manufactures: 67.4	3. China: 11.2
		From EU: 97	From EU: -				4. Peru: 8.3		4. Colombia: 8.7
		From US: 94	From US: 851				5. Colombia: 4.4		5. Panama: 6.6
Bolivia	$27	Total: 1505	Total: 8809	658.6	11.2/8.3	Agricultural Products: 14.4	1. Brazil: 31.1	Agricultural Products: 8.1	1. Brazil: 18.4
		From China: 0	From China: 3			Fuels & mining products: 77.0	2. Argentina: 17.9	Fuels & mining products: 16.4	2. China: 13.1
		From LAC: 346	From LAC: 2584			Manufactures: 5.2	3. US: 14.8	Manufactures: 74.9	3. Argentina: 13.1
		From EU: 722	From EU: 4853				4. EU: 5.7		4. US: 11.0
		From US: 90	From US: 868				5. Peru: 5.3		5. EU (27): 9.5
Venezuela	$381.30	Total: 3216	Total: 49079	48.1	97.3/50.5	Agricultural Products: 0.0	1. EU (27): 0.6	Agricultural Products: 14.1	1. US: 27.9
		From China: 125	From China: 1418			Fuels & mining products: 97.1	2. China: 0.5	Fuels & mining products: 1.2	2. China: 13.8
		From LAC: 712	From LAC: 6773			Manufactures: 1.9	3. US: 0.5	Manufactures: 62.7	3. EU (27): 12.0
		From EU: 4555	From EU: 18424				4. Colombia: 0.5		4. Mexico: 8.6
		From US: 1022	From US: 7764				5. Brazil: 0.4		5. Brazil: 4.2
							Unspecified destinations: 29.8		Unspecified destinations: 0.0

Sources: WTO.org, http://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics-Bilateral.aspx, http://data.worldbank.org/indicator/DT.ODA.ALLD.CD
Note: LatAm8 signifies the total for the 8 other Latin American trading partners that are included in this study.

Table 1. Summary of economic trade and investment indicators for nine Latin American economies.

Chinese Bilateral trade with Bolivia (2000-2013)

By examining Chinese bilateral trade with Bolivia over the last 13 years, it is clear that China plays only a minor role in the export activities of Bolivia (See Figure 1) and a role of medium importance with regards to Bolivian import activities (See Figure 2). Latin America as a whole and Brazil and to a lesser extent, have been the major Bolivian trading partners during this time period.[38] The fact that China plays such a minor role here suggests that, despite Bolivia being rich in natural resources, significant long-term natural resource contracts have not yet been signed between the governments of these two states.

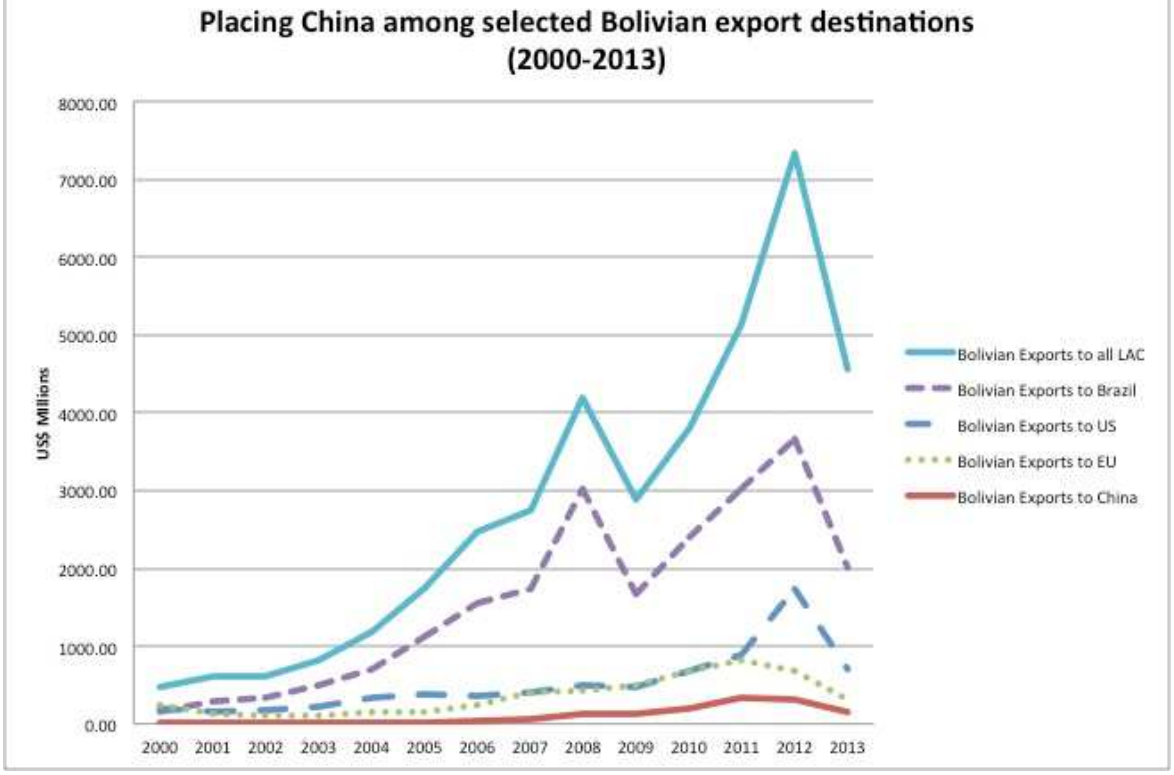

Figure 1. Source: Instituto Nacional de Estadística (INE) http://www.ine.gob.bo

[38] One of the reasons for Brazil featuring so prominently as a main Bolivian trading partner has to do with a natural gas line/agreement in which Bolivia provides Brazil with gas.

In considering China's role in Bolivia's overall imports, China has gone from being a minor provider of durable goods in 2000 to becoming Bolivia's second most valuable trading partner (after Brazil) in 2011 and, after an across the board decline in imports, becoming Bolivia's third largest source of imported goods after Brazil and the US in 2013 (See Figure 2). Both China's position as an importer and exporter with respect to other states suggests that China is operating in a competitive business environment – one in which its competitors for Bolivian exports have larger and more valuable overall stakes than does China. As with Brazilian, US, and EU imports and exports in Bolivia, Chinese trade has followed a sustained growth phase followed by a dramatic decline phase beginning in 2012.

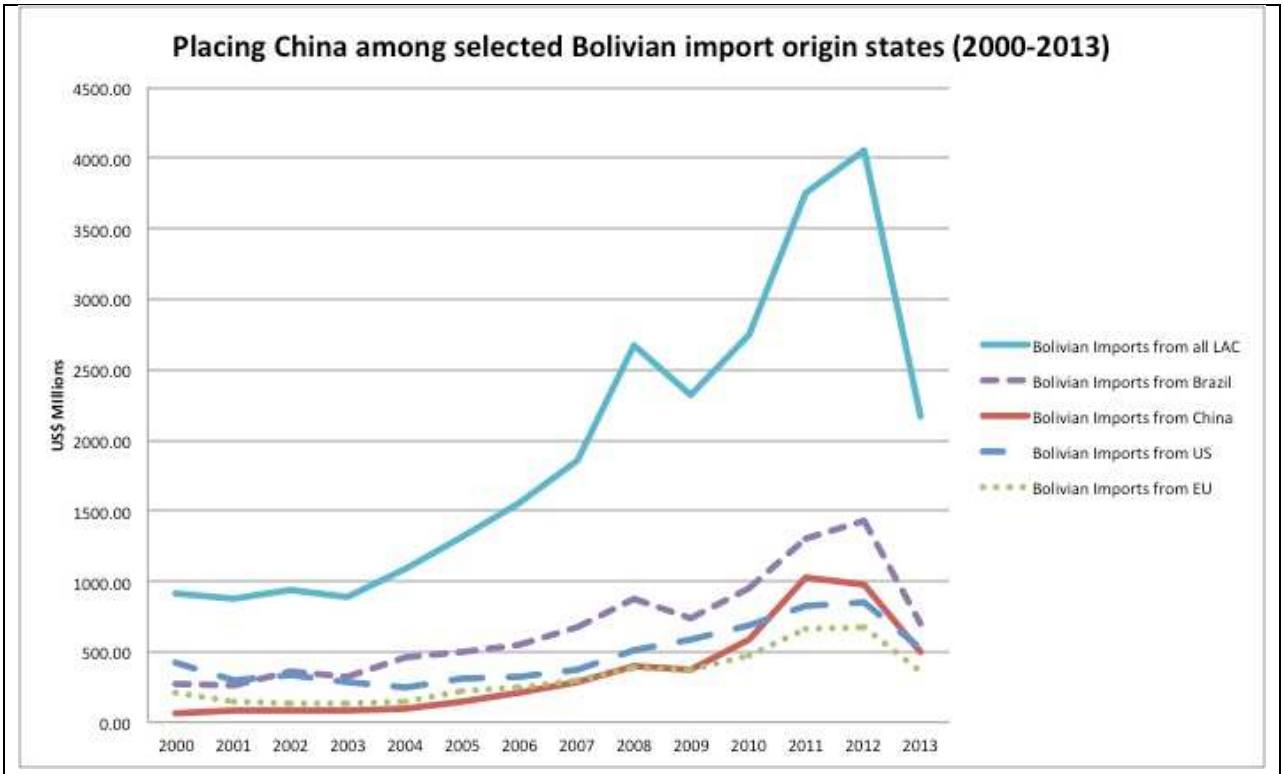

Figure 2. Source: Instituto Nacional de Estadística (INE) http://www.ine.gob.bo

Chinese Bilateral trade with Chile (2000-2012)

In examining Chinese bilateral trade with Chile, trends similar to the Chinese-Bolivian trading relationship appear. During this thirteen-year time frame, China moved from being a relatively minor provider of goods to the Chilean economy in 2000 to becoming Chile's second largest single import partner (excluding imports from all other Latin American countries combined) in 2013 (See Figure 4). In addition, China has continued to increase its shipment of goods to Chile at a growth rate similar to that of U.S. imports. By 2013, Chinese goods entering Chile were valued at US$1.25 billion, approximately twelve times the value of imports during the year 2000. As was the case with Bolivia, Chilean imports during this period came mostly from the Latin America.

With regards to exports, as of 2009, China has become Chile's top export destination and has maintained and increased this position ever since (See Figure 5). This has to do in large part with the amount of copper China buys from Chile on an annual basis. China being Chile's top commodities customer shows a Chinese dependence on the Chilean economy more so than showing any type of economic control. While China's MinMetals (China's largest metal trader) and Chile's Codelco, (the world's largest copper producer) had in 2005 agreed that Codelco would provide MinMetals with 4,650 metric tons of copper per month for 15 years in exchange for US$ 2 billion (Pica 2011), by 2008 this agreement ultimately fell through. Nonetheless, Chinese firms (cumulatively) continue to be Chile's largest copper buyer.

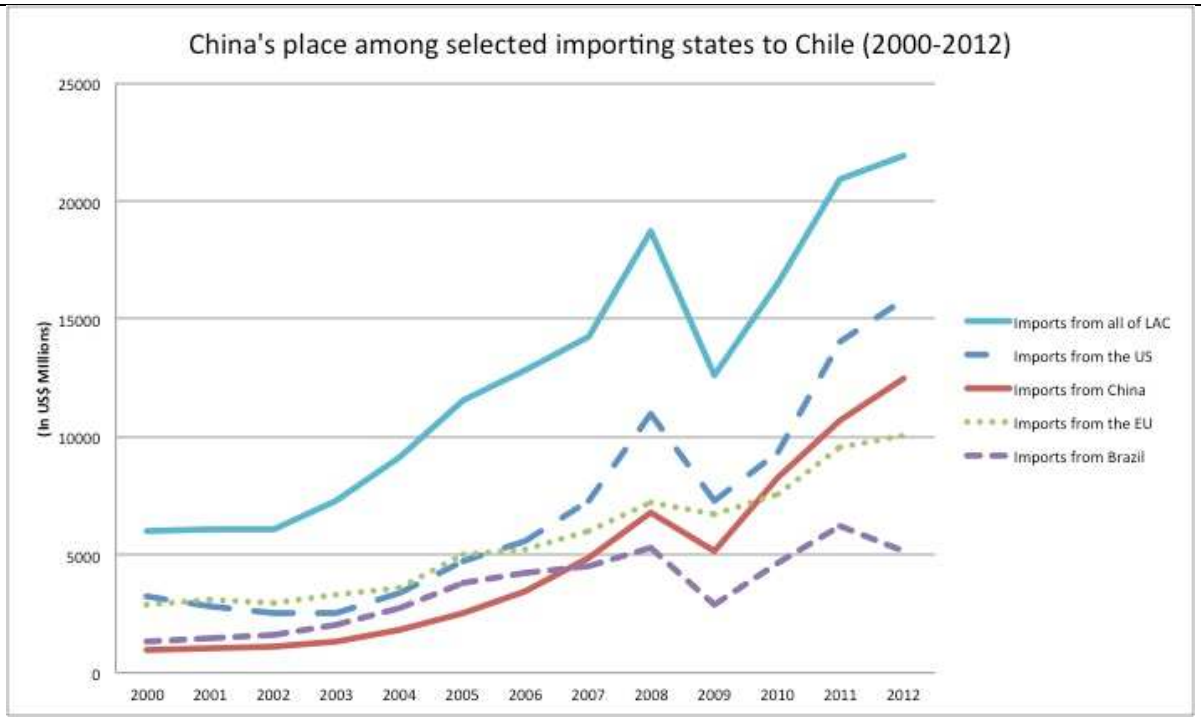

Figure 3. Source: Servicio Nacional de Aduanas (Chilean National Customs Service) http://www.aduana.cl

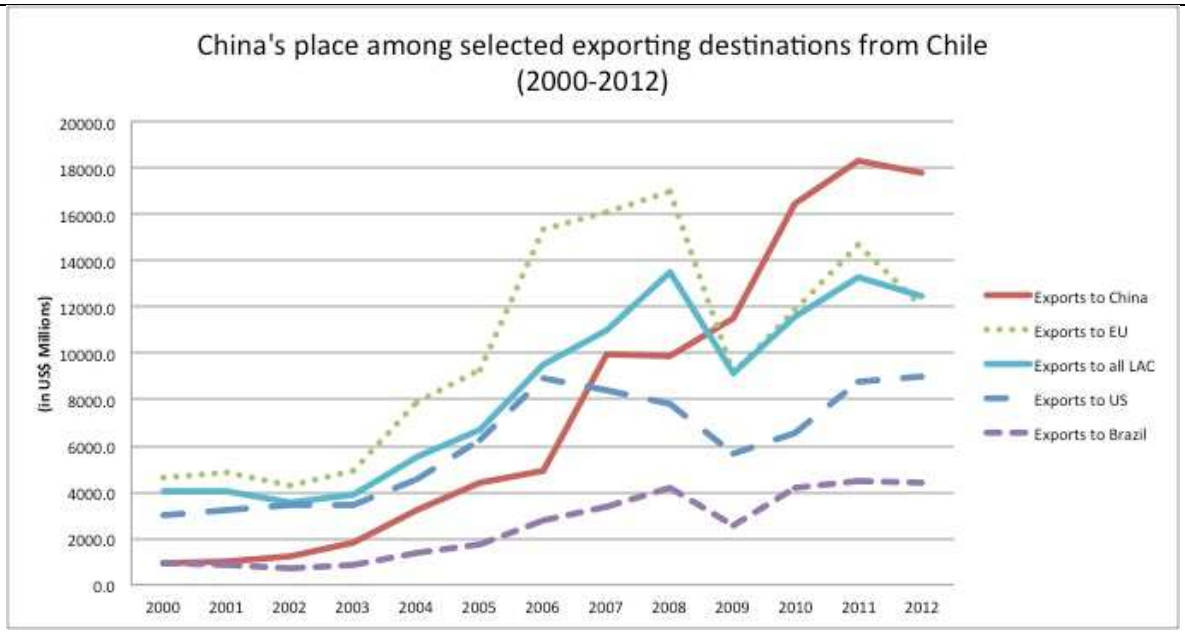

Figure 4. Source: Servicio Nacional de Aduanas (Chilean National Customs Service) http://www.aduana.cl

Rationalizing the selection of Chile and Bolivia for understanding Latin American trade with China more broadly

The primary reason that this chapter utilizes Chile and Bolivia as representative case studies of the range of behaviors that comprise the nine Latin American economies targeted in this overall project relates to each of these two economies' position in the 'top half' (Chile) and 'bottom half' (Bolivia) of Latin American countries in terms of their annual imports from China (see Figure 5) and exports to China (See Figure 6). By dollar value, Chile is the third largest importer of Chinese goods, while it is the second largest exporter of goods to China. In terms of both imports from and exports to China, Bolivia conducts the least amount of trade with China. By understanding the different trading histories and trajectories of Chile and Bolivia, I argue that it is possible to better comprehend two general types of 'China trade' in Latin America – trade that involves a) highly connected economies in terms of trade and investment and b) trade that is characterized by little economic interchange and activity.

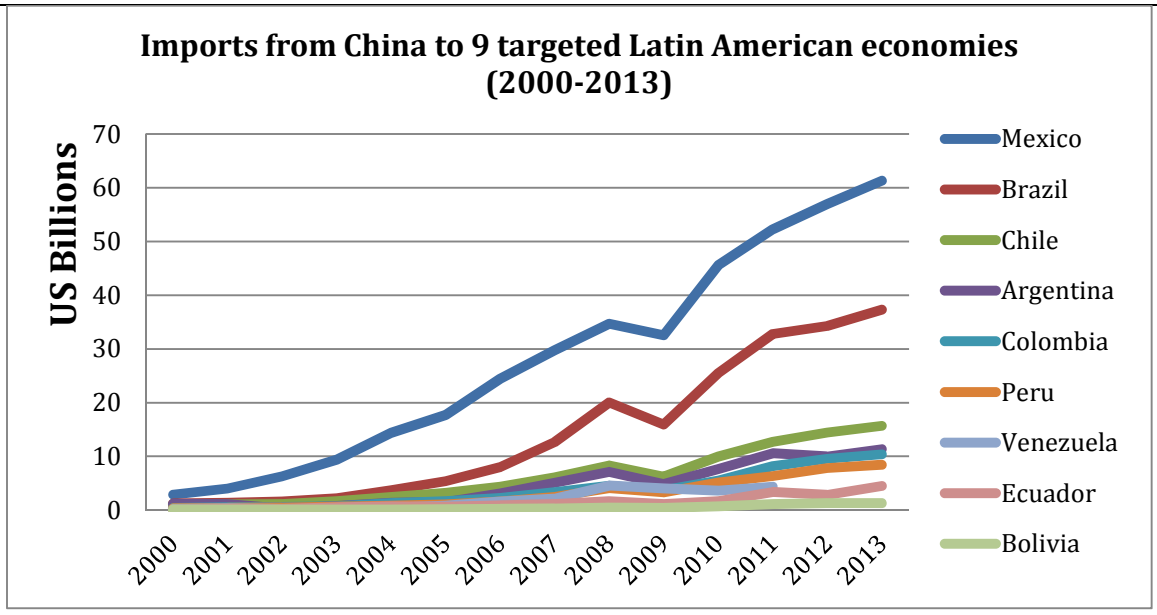

Figure 5. Source: UNCOMTRADE

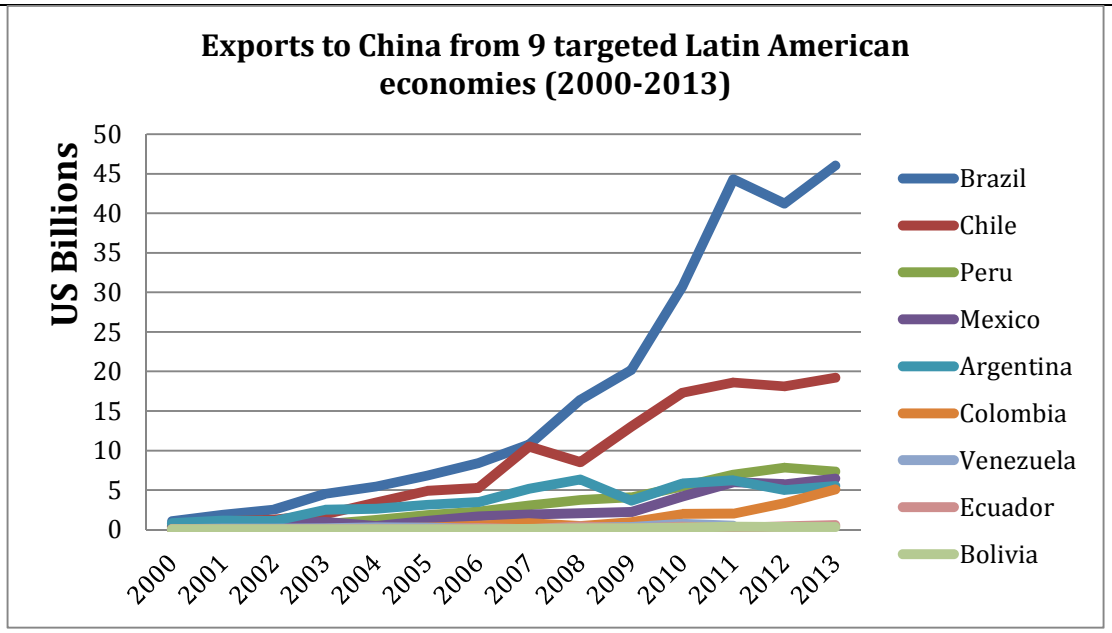

Figure 6. Source: UNCOMTRADE

In terms of similarities, both Bolivia and Chile rely on the sale of primary commodities (specifically minerals such as copper, tin, gold and iron) for the vast majority of their national earnings (See The Observatory 2010). In the case of Chile, the country's historic natural resources lineage has developed from the initial sale of nitrates in the nineteenth century to becoming the world's largest copper producer and seller today (Fernández Jilberto 2010). Chile has also developed a varied export agribusiness market. Bolivia has also had a long history of natural resources extraction, including tin, iron and gold, though much of this economic activity has not translated into benefit for average Bolivian citizens (Artaraz 2012). Today, extractive natural resource activities still account for the largest amount of trade and foreign investment in both Bolivia and Chile, and in Bolivia's case, economic aid as well.

While natural resources continue to be the main driver of all Chinese investment and trade with and within both of these South American states, the *different economic geographies* of

Chile and Bolivia, both at the state and sub-state/more local levels point to variations of trade and investment in these two countries. In terms of differences, Bolivia's and Chile's subsurface geomorphology[39] (geologic mineral composition) is much more similar than these two states' surface political and economic geographies. While Bolivia is landlocked, Chile has direct shipping access to the Pacific Ocean, the presence of which facilitates trade via international containerized shipping routes.[40] After Brazil, Chile led the FDI growth in South America followed by Columbia, Argentina and Peru. Chile was one of the world's largest FDI host economies ranking #11 worldwide attracting US$30 billion in 2012 (ranking in between Brazil ranked #5 (attracting US$65 billion) and Colombia ranked #18 (attracting US$16 billion). At the same time Chile was and one of the world's largest FDI investor economies ranking #17 worldwide (investing US$21 billion), ranking below the British Virgin Islands (ranked #10 at US$42 Billion) and after Mexico (ranked #15 at US$26 billion).

Lastly, Chile distinguishes itself as being one of the few Latin American economies that has the ability to invest beyond its borders in search of higher returns on investment in larger developing markets, i.e. in Brazil. According to the UN Conference on Trade and Development (UNCTAD) 2013 World Investment Report:

> buoyant conditions at home, cash-rich balance sheets and saturated domestic markets encourage Latin American companies to seek new opportunities abroad. That is why companies from Chile, for example, are among the most active purchasers abroad, with the latest examples being the $3.4 billion acquisition of the Brazilian airlines TAM by LAN

[39] Both states contain large amounts of valuable metal minerals – copper, iron, zinc, lithium, gold.

[40] See Marc Levinson's *The Box*, for a fascinating explanation how containerization and the transport of containers on ships has changed global trade (Levinson 2008).

Chile and acquisitions by the Chilean retailer Cencosud in Colombia and Brazil for more than $3 billion (UNCTAD WIR 2012, 57).

While such economic strength may characterize Chilean macro-economic conditions such is not the case with the Bolivian economy. Bolivia, has consistently been amongst the poorest, least FDI friendly, South American states (UNCTAD 2013). Bolivia is neither a major destination for FDI nor a major capital exporter. Over the last four decades, it has been less open to foreign trade but has displayed a willingness to take on long-term debt/loans thereby maintaining more a typical path dependent trajectory where traditional agrarian systems have not given way to industrial production on a wide scale.

Comparing each country's trade policies, the domestic policies and regulations taken by Chile's leadership in each of these states has accounted for Chile developing into a globally integrated and strong economy[41]. Bolivia, on the other hand, has an abundance of smaller scale local or regional trading alliances. Studying these extreme political economic positions, in relation to China's geo-economic expansionary capabilities, provides insights into the different ways in which China has navigated the contours of Latin American political landscapes over the past four decades.

Placing Chile and Bolivia on the Neoliberal-Dirigiste Continuum

In spite of sharing a common Andean border as well as containing significant deposits of several of the same (economically important) export commodities (i.e. copper and lithium), Bolivia and Chile lie far apart on the neoliberal-dirigiste continuum. Apart from Venezuela and Colombia, which as a pair of Latin American economies represent the largest extreme/difference

[41] Albeit small and highly unequal in terms of its socio-economic demographics.

of dirigiste and neoliberal economies examined in this study (respectively), Bolivia and Chile, I argue, are the two economies that represent the second largest discrepancy on the continuum (See Figure 7).

Figure 7. The Neoliberal-Dirigiste Continuum

As has been discussed earlier in this chapter, it is primarily because of Chile's and Bolivia's distinct approach to its governing institutions, that these countries lie far apart on the continuum. More specifically, Chile's protection of foreign investors' rights contrasts dramatically with Bolivia's (up until very recently) penchant for nationalization of industries (i.e. mining) that attracted most foreign investment. Chile's engagement as a foreign investor in neighboring Latin American economies contrasts with the near absence of Bolivian investment beyond its borders. Also, in general, Chile has been at the forefront of the free trade movement in Latin America and, together with Mexico, is the Latin American economy that has signed the most Free Trade Agreements (FTAs). The Bolivian government, in contrast, is known for its socialist and protectionist approach to economic development.

Conclusion – Dismantling the China Hype and the Journalistic Balloon in relation to China's economic relations with Latin America

This chapter considers some of the drivers behind the China Hype in Western media and addresses some of the ways in which, the journalistic balloon surrounding the recent and high-profile portrayals of the inevitability of China's economic domination of the world economy may be dismantled, or at the very least, quelled. I argue here that consulting actual economic data and considering the policy orientations of various Latin American economies is key. Examining actual trade and investment data between China and its overseas targets is one very simple and straightforward way of deflating the journalistic balloon, which more than anything has figuratively 'gotten off the ground' because of the fundamental lack of knowledge about China's comparative economic position as a trader and investor, vis-à-vis other, more traditional foreign investors such as the EU and the US.

Building on Peter Nolan's (2012) approach of using economic data in order to assess China's geo-economic expansion and economic activity beyond its borders over the past four decades, this chapter examines China's economic relations with Latin America. By examining Latin American FDI during this time period, it is clear that Chinese firms have made some noticeable and high profile investments in South America. Nevertheless, these investments show that while Chinese investments are growing they are hardly dominant. In the case of Bolivia and Chile, for instance, Chinese firms operate in a competitive environment and must contend with three broad groups of actors: 1) established European and U.S. multinational corporations (MNCs), 2) emerging regional firms (i.e. Brazilian firms in certain sectors) and 3) firms from other Asian economies (notably Japanese and Korean firms).

The economic investment and trade data between China and Bolivia and Chile, provide a stark and contrasting reality to more mainstream authors' views whose economic

prognostications have already anointed China's economic ascendancy as "underlying an unstoppable and silent world conquest that is set to change the course of human history" (Cardenal and Araújo 2014, xvi). While, on the one hand, there exists the idea that China's economic activity in Latin America will put the West 'in its place', at the same time Chinese economic activity can enable and facilitate the economic growth of resource-rich Latin American states themselves. In terms of a comprehensive economic force (defined by the merging of trade, investment, loans and aid) China is a country of moderate, macroeconomic importance to Chile. For Bolivia, China is a major loan/aid donor though it plays a less significant role in trade and investments (FDI). More importantly, however, China's growing engagement across the diverse array of Latin American political economies represented by large purchases of Chilean copper ore on the one hand and large aid packages to Bolivia's Central Bank projects on the other indicates that the Chinese economy is *dependent* on a variety of Latin American economies for a variety of different reasons. While natural resource accumulation may show a clear dependency, economic aid represents the building of goodwill with the statist Bolivian administration, one which controls some of the world's largest deposits of untapped lithium and formerly operational iron ore mines.

In light of these findings, it is clear that discussions about the variegated nature of China's economic engagement in distinct Latin American countries is being overlooked. Examining Chinese bilateral trade, foreign direct investment and loan/economic aid data goes beyond the filling of empirical gaps. It offers compelling evidence that China's economic activity in this region is overstated in comparison to the sustained economic commitments of other foreign concerns. Based on the data presented in this chapter, conceptions of a 'China' somehow already being the most important (dominant) economic player in the region (Fornés and Butt Philip 2012, 87) are misleading in that China's economic activities in Bolivia and Chile

– two resource-rich, yet politically distinctive countries – do not occupy considerable investment positions in comparison to those of other foreign actors. As a result, the discussion of China being a threat or not is ultimately not even the most productive line of inquiry in which to be engaged. More important is a consideration of Chinese actors' adaptation to political conditions on the ground and developing an understanding of how the Chinese State Capitalism framework shapes Chinese-Latin American bilateral economic relations.

It is with this understanding that comparing the presence and activities of the Chinese government and Chinese firms with that of Western governments and Western-based MNCs in developing world regions, such as Latin America, can be a useful endeavor in extending and deepening our understanding of the economic geography of 'China's place' in natural resource-rich world regions. However, while a debate relating to China's 'place in the world' ranges from "next in line" to "unique and exceptionalist" (see Agnew 2010), the Chinese economy does exhibit at least two unique features: 1) "economies of scale" in relation to the size and speed of the growth of its exports and investments in a variety of world regions and 2) closeness of coordination between the Chinese State (the Chinese Communist Party) and Chinese businesses. This means that examining Chinese economic activities is by definition different from examining other political-economic actor combinations.

The China hype discourse is misleading because it perpetuates misinformation. It obscures the differences in many parts of the world and obscures the areas where China is considered to be a legitimate and immediate threat (i.e. to Japan, to states surrounding the South China Sea, including Taiwan). In Latin America, however, China is not poised to displace regional or US interests, at least not yet. But the fact that Latin American governments view China as a source of a trade and investment bonanza may be considered a challenge to the ways in which investments have been arranged (focusing mainly on the US and the EU). One potential

problem related to the increase of Chinese economic activity in Latin America, is not foreign economic domination but rather that an eventual, large scale economic engagement by Chinese economic actors may have the potential for governments in the region to rely on Chinese trade, investment and aid at the expense of homegrown industrialization (Gallagher and Porzecanski 2010).

By shifting attention from broad, hyperbolic claims about "China" to more granular, on the ground, details of Chinese economic actors' actual economic engagement to date, this chapter presents a more realistic portrait of the economic geography of China's economic activity in Latin America. Speculation may suggest that if the rates of trade and investment both continue to increase in the Latin America as fast as the overall Chinese economy has grown over the past 30 years, then it might one day be possible that Chinese government and business investors may edge out current leading foreign investors and become the most important/dominant foreign investors in the region. But speculation and economic forecasting do not and cannot substitute for the reality of the last three decades that clearly show that Chinese investments make up a small mix of the overall trade, investment and loan portfolio that encapsulate economies in the region. Put simply, in Latin America as a region, the China hype cannot be substantiated. Instances where China is clearly a dominant trading partner with a Latin American economy (i.e. China is the main importer of Chilean copper) highlight China's own economic dependence, not dominance on Latin American economic processes, predominantly those related to resource extraction and access to the region's commercial markets. While the coming 'age of China' and the inevitably of the 'Chinese way' continue to be hyped by various media pundits and journalists, the legacy and flexibility of the western-based global economy, has so far made such a reality far from certain.

Chapter 7 – Conclusions

Major Empirical Conclusions

In examining the trade, investment and economic aid data presented in the preceding chapters, it is clear that the variation of contemporary Chinese economic activity (dispersed across and connected to Latin America) differs according to the political-economic frameworks and governance systems that exist within specific, individual economies/countries in the region. Such differences often stand out in the form of starkly contrasting neighboring political economies. Colombia and Venezuela or Bolivia and Chile, for instance, are economies that share borders but could not be more ideologically distinct in terms of their political-economic policy frameworks. It is clear from this study that Latin America, in spite of its constituent economies sharing a common historical-economic legacy of European Colonialism and US Imperialism, is also comprised of a mélange of various and unique political economies. What this project attempts to do is examine how Chinese economic actors have had to adapt their strategies to compete within (but not completely dominate or control) industrial sectors and resources in the Latin American marketplace. The distinct rules of economic engagement drafted and enforced by the nine Latin American economies examined here underscore the lengths to which Chinese economic agents must go in order to learn, adjust and compete with foreign actors (usually Western) that trade and invest in the region.

A second major finding realized from the data analysis conducted in this project is that Chinese exports to the nine Latin American countries targeted in this work, in general, have not climbed the "technology ladder." What is meant by this is that Chinese firms are exporting products to Latin America that are, on average not becoming more sophisticated and, because of

this, do not at this time appear to be on a trajectory towards displacing (or replacing) higher-end/technologically advanced products that are currently being imported from the EU and the US. Chinese exports to Venezuela represents an exception to this rule. In this sense, it is possible to infer from the findings in the latter half of Chapter 3 that Chinese business processes – while real and present in these Latin American economies – should not be viewed as posing a threat to traditional foreign investment 'majors' (i.e. the US and EU economies) that have been investing and controlling of economic activities in the Latin American economies for multiple decades.

A third major emphasis of this work is that the types or varieties of capital (a la Lee 2014) that get invested by Chinese economic actors into particular sectors in Latin America matter a great deal. As Lee poignantly states: "instead of the appearance of nationality or ownership, it is the interests of capital that are of the essence, politically and sociologically" (Lee 2014, 35). So the dissolution of China MinMetals' contractual claim to buy a share in a major Chilean government owned copper mine, for instance, rather than being a result of some financial disagreement, was instead vetoed by local Chilean civil society who saw the Chinese government (not a Chinese business) as encroaching on important Chilean natural (and national) resources. After all, Chinese state capital is well known for catering to the decisions of policy makers in Beijing whereas global private capital serves "the profit-maximization interests of shareholders" (Lee 2014, 35). Of course, as has been discussed throughout this project, many small and large international-facing Chinese businesses, regardless of their public and overt connections with the Chinese state, have access to Chinese state financing. In this sense, the independence of private Chinese businesses – especially those that invest abroad – is difficult to determine and measure.

Latin American Politics and Chinese State Capitalism

Over the last two decades, the political tides in Latin America have continued to turn and shift. While Latin America is still home to an "awkward squad of autocratic leftist regimes", South American countries have begun returning back towards the center - though not uniformly (Reid 2014a, 58). This temporal variation in the political ideologies of distinct economies makes Chinese economic actors' task of investing in and adjusting to the changeability of Latin American countries' policy positions very challenging. Chinese economic actors' attempts to engage with multiple, key economies in the region is somewhat like trying to hop from one moving train to another – it can be done but it takes planning, coordination and excellent timing. While economic growth is expected to be less than 3% in 2015, Mexico – always the outlier in any examination of the political economy of the Latin American region – will likely outperform the region and post a growth rate of closer to 4% (Reid 2014a, 57).

Paradoxically, the much-hyped distinct nature of Chinese capitalism, a variety of capitalism that privileges hybrid amalgamations of state-run/state-owned business ventures with those from the private sector has, for certain Latin American economies, represented a welcome change of pace from dealing with US & European neoliberal conceptions of free trade, based on open markets and competitive corporate activities.

Although Chinese in name, Chinese state capitalism has its intellectual roots in Europe.

As Cassidy (2010) emphasizes:

> "China, Korea, and other rising economies are often reproached for using government money and influence to bolster home industries to the disadvantage of foreign competitors, a practice that is known as "industrial policy," and is frowned on by international trade law. Such discriminatory policies are also referred to as dirigisme—a clue that the concept didn't originate in the Far East. After the Second World War, the

> government of France's Fifth Republic created "national champions" in strategic areas of the French economy, such as transportation, energy, and aerospace. The policy gave rise to big companies like Air France, the French railway operator S.N.C.F., the utility company E.D.F., and the aeronautics contractor EADS, all of which are partly or wholly owned by the French government" (Cassidy 2010).

While the French roots of Chinese state capitalism may help to place Chinese economic expansion into perspective, it is clear that the scale (in terms of number of companies) and the speed of growth of Chinese firms (from the year 2000 to the present) has, in fact, forced a reconsideration of Chinese economic practices as something other than just 'the next economic hegemon', or 'the next superpower'. A new level of geographical scope and speed endows many Chinese economic actors with novelty. That such expansion must necessarily occur in a hyper-competitive, always-connected economy, lends even more importance to the role of the Chinese state as an enabler of its actors' international business ambitions.

Neoliberal doctrines such as the 'Washington Consensus', have more often than not led to the deterioration of economies in the region. There is a Latin American 'regimes legacy' of state-directed economies and programs that has often positioned the state or country leadership as the de facto economic guide and guardian. In this sense, Chinese capitalism in Latin America, resembles a 'throw-back' to an earlier, more familiar, era of Latin American economic policy – albeit one that operates at a much larger scale and engages with new economic partners at a temporally more rapid rate than previous economically expansive powers. In this work, I argue that the *dirigiste* nature of certain Latin American economies, allows for a more comfortable reception of Chinese capitalism in the region – especially when compared with the Western variety of capitalism that has dominated and continues to be the majority form (in terms of trade

and investment) in greater Latin America. At the same time, however, while this 'comfort/familiarity' or possible compatibility of political economic ideology has helped jump-start Chinese trade, investment and economic aid inflows into the region, cumulative Chinese economic activity in Latin America – seen over the long dureé is still comparatively much smaller than that of major foreign economic players originating in the EU and the US.

Most importantly, there is also a *geography* of Latin American states' economic engagement with China and this geography shapes the agency with which Chinese economic actors participate in the economies in the region. In general, Pacific facing economies such as Colombia[42], Chile and Peru tend to have already developed international trade and investment mechanisms (i.e. Free Trade Agreements) for facilitating imports and exports from China. Although changing rapidly, the Atlantic facing economies examined in this project such as Venezuela, Argentina and Brazil operate using a much more populist *raison d'etre*. Their populist policy orientations may be linked to the history of *dirigiste* governments in these countries and might be a manifestation of a backlash or pushback against such governments. As mentioned in a previous chapter, exceptions abound with Mexico reacting to increased demand for commodities differently than South American economies and with Bolivia – a recent nominally populist success story - attracting and retaining more foreign direct investment from mining and hydrocarbon MNCs than might appear 'normal' for a country whose administration publically prides itself on 'Bolivian resources for the Bolivian people'.

Chinese actors' economic initiatives have become more pronounced since the time China entered the WTO in 2001. Since this time, the rapid increase of Chinese trade, investment and aid with Latin American countries has provided more data points, more examples and more opportunities for scholars of China in the global economy to understand how the expansion of

[42] While Colombia has both Pacific and Atlantic coastal access, in this project the country is grouped with two other Pacific economies – Peru and Chile – examined in this study.

Chinese economic activity beyond its borders is, in fact, *fundamentally different* from the operational functionality of Western economic interests in the region. This rapid expansion has also fueled concern among many observers (both in the West as well as neighboring China as well).

Three important differences help to explain the attractiveness of Chinese capitalism (over Western capitalism) in Latin America. First, is the very distinct nature of Chinese capitalism in the international area – highlighted by the large number of Communist Party-connected, State-Owned Enterprises (SOEs) as being *the actors* primarily responsible for organizing the financing and operations of 'Chinese' international expansion beyond China's borders[43]. In this sense, the Chinese state-capitalist model is similar to those models where the economic power wielded by the business conglomerates in neighboring East Asian economies – e.g. the Japanese *zaibatsu* and the Korean *chaebol* – exemplify state influence in economic development (both national and international)[44]. Second, Chinese firms function in a 'competition-enhancing', economically beneficial way. Chinese SOEs and Chinese private firms' investments and operations in those Latin American economies where local SOEs operate have a major disruptive impact on the modus operandi of these economies. These Chinese investments – because they are large and are typically paid up-front and at once, tend to quickly diminish the monopolistic conditions in those Latin American economies where state-run industries dominate and control a particular industrial sector (i.e. Iron ore production in Peru). Third, the long-term time horizon many Chinese state-owned firms adopt, while seeking to gain a foothold/market share in developing economies, is markedly distinct from the 'quarterly results' model of Western capitalism. Most

[43] While it is true, that North American businesses have also benefitted from US Federal government policies meant to promote and protect business interests in relations to foreign competition (i.e. The Dallas Tarriff of 1816), such a government role is markedly distinct from China's position of having many large SOEs leading its international industrial expansionary efforts.

[44] Of course, the main difference between Chinese SOEs and Japanese & Korean business conglomerates is that the former has much closer state/Communist Party ties as opposed to ties to a controlling/influential family (See special *Economist* Report on Business in Asia).

Western, publically traded firms focus on quarterly earnings and have a corporate mindset (solidified by stockholder interests) of continued, uninterrupted financial growth. Such 'growth' is equated with business progress. The Western business model privileges the quarterly bottom-line much more than does the Chinese state capital model.

Much more so than simply highlighting the existence (or lack thereof) of natural resources[45] as *the* explanatory mechanism driving Chinese economic interest in the region, this work attempts to make a case for a target country's: leadership outlook, constitutional stipulations and trade & investment laws as being an important determining factor guiding the actual economic engagement between Chinese economic actors and those in Latin America.[46] The neoliberal-dirigiste continuum, the key concept introduced and expanded upon in this work, seeks to elaborate and explain Latin America's political geography with respect to its openness to Chinese products, collaboration and investment. With regards to reception of Chinese *investment* into Latin America, the countries towards the dirigiste side of the continuum, over the last two decades, have shown a much stronger proclivity to attract and receive Chinese investment than have countries that lie on the opposite, neoliberal end of the spectrum. However, with regards to *trade*, two factors appear to contribute to Chinese participation/economic engagement with any particular Latin American economy (regardless of geography): 1) practical availability (not merely the existence) of energy, food or mineral resources and 2) the openness and willingness of such economies to sign free trade agreements (FTAs) and engage in other economically liberalizing arrangements with respect to bilateral

[45] An explanation that is commonplace as it is overused in the Latin American economic development literature. The misuse and misappropriation of Latin American natural resources has fostered a historical legacy and discourse of foreign exploitation and which has translated to centuries of comparative under-development.

[46] To be fair and accurate, however, some scholars McCord and Sachs (2013) have pointed out that in terms of economic progress of developing world regions, having natural resources – or having the right type of geo-physical characteristics – tends to be of longer-term benefit than not having such resources at all.

trade. With regard to *economic aid* from the Chinese government to individual Latin American countries, low GDP and small market size, appear to be contributing factors.

While some writers, such as the prominent and popular contemporary political economist, Ian Bremmer, state that until recently "private wealth, private investment, and private enterprise appeared to have carried the day. But as the sun sets on the first decade of the twenty-first century, that story has already become ancient history. The power of the state is back" and that the reemergence of state strength "threatens free markets and the future of the global economy" (Bremmer 2014), evidence from this study's examination of nine Latin American economies suggests otherwise. Recent events suggest that contemporary state capitalism in Latin America, while heralded in countries such as Brazil during the 2003-2010 commodity boom years, while a very real draw for in-bound Chinese direct investment in Latin American economies (where state run firms are numerous), is undergoing large structural problems, particularly with regards to SOEs financial legitimacy. For example, Brazil's state oil company – Petrobras – once the symbol of the economic power of the state is now engulfed in a major corruption scandal (*Economist* 2014a).

Comparisons of China's economic relationship with Latin America versus China's economic relationship with Africa

In both academic scholarship and in mainstream media, one of the most discussed and debated relationships involving Chinese expansion beyond its borders, has to do with Chinese economic actors' inroads into Africa[47]. While claims of neocolonialism and economic domination are often discussed with regards to Chinese economic interests in Africa (as with

[47] In fact, as this author carried out the fieldwork portion of this study on Chinese economic relations in Latin America, he was regularly asked about the growing and somewhat contentious economic relationship between China and Africa.

Latin America) in reality, Chinese interests have been able to go *much further* (in terms of investments made and ownership control) than have such interests in Latin America. By examining Chinese-Latin American economic relations in the preceding six chapters of this project, the ideas and concepts analyzed here serve as a conceptual backdrop and introduction to examining Chinese engagement in Africa.

Similarities between Chinese economic influence in Africa and Latin America *do* exist - such as a) the idea that post World-War II political independence in countries in both regions led to an economic dependence on the developed world, which in turn led to the rise in the political power of a 'flawed ruling class', "whose interests converged with, rather than challenged, those of foreign capital" (Burawoy 1972) and b) Chinese economic actors have had to adapt to realities on the ground and not simply impose China's 'going out' policy on local economies. Today, however, there is more of a tendency for Latin American civil society to be organized at many levels (from the community level to educational and environmental NGOS). These Latin American groups have shown a penchant for protesting and realizing gains for labor rights in a way that African civil society has not yet realized. Part of the reason behind this discrepancy stems from the more developed and connected nature of Latin American economies with the rest of the world. African countries, in part because of their lingering legacy of colonial exploitation, have not had the same combination of economic linkages with the potential trading, investing and aid-granting countries as has Latin America. This is the case even though modern Africa is home to numerous transnational economic communities some of which are free trade in nature and others of which are customs unions (Ogunleye 2012).

Examined at a very broad-level, then, Chinese economic engagement is more pronounced and obvious in Africa than it is in Latin America. Another reason for this is that the varieties of Chinese capital are better able to *control economic activities and processes* in Africa than in

Latin America. Chinese state-financed investment, for example, is responsible for Chinese-administered Special Economic Zones in Zambia (Lee 2014, 31). No such parallel exists in any Latin American country. Another reason that Chinese economic actors have been more successful in obtaining a controlling economic interest in Africa has to do with the relatively poor state of physical and institutional infrastructure in many African states – compared with those in Latin America. Latin America has deep connections with European construction companies building roads, bridges, ports and other transportation facilitators in the region. Politically, Mexico and Chile, for example, have passed (and actively enforce) legislation that limits foreign ownership in certain sectors that are considered critical for each of these countries' economic protection and national development. Institutional and physical infrastructure is much less developed across African states. Because the 'leading edge' of China's international business expansion was (and to a large extent continues to be) driven by construction, transportation and logistics SOEs, it is only natural that Chinese economic actors found a 'fit/match' across and within the underdeveloped and under-connected local and national African economies.

A third reason that Chinese economic deal making is more successful in Africa is that key Chinese dealmakers, often with connections to the Chinese state, are able to influence elites in fragile states into accepting deals that can quickly see the transfer of millions of yuan worth of financing into the African leaders hands. A fourth reason for the existence of a more pronounced Chinese economic advance in Africa as opposed to Latin America stems from a more vocal and organized civil society/resistance movement against Chinese investments that are perceived as threatening. A fifth reason for greater Chinese economic extension or deepening in Africa than in Latin America has to do with the existence of more opportunities to engage with landlocked, least developed countries (LLDCs). While Latin America is a region in need of infrastructure,

aside from Bolivia and Paraguay, all other countries in the region (and in the Western Hemisphere for that matter) have coastal/ocean access. Access to the sea has been shown to facilitate economic activities such as trade and investment, by reducing transaction costs. A sixth, and perhaps the most well-known, reason for Chinese economic actors' apparent high degree of ease in advancing their economic interests in Africa has to do with a phenomenon that in the western media is referred to as 'doing business with rogue states'. Chinese economic actors' willingness to make deals and negotiate with the regimes governing Zimbabwe and the Democratic Republic of the Congo, for instance, is seen by some as representing 'a race to the bottom'.

A common concern among observers of Chinese economic interactions in Africa has to do with implicit support of regimes that have been accused of ongoing human rights violations. Allard (2012) states that "a concern Western countries have voiced as China's presence has advanced on the African continent is that the Asian giant could be fueling a 'race to the bottom' by lending tacit support to poor governance, corruption, and even human rights violations across the region" (Allard 2012, 280). However, evidence gathered and analyzed by Lee (2014) in the Zambian Copperbelt, suggests that Chinese firms are just as likely to act like other firms in their rates of: employer-worker tensions, job related accidents and disputes over pay/wages. As Lee's work on the contentious relations between *all* mine operators and mining workers in Zambia emphasizes, Chinese firms actually promote a type of type of stability to workers, that Western firms do not provide. When world copper prices fall, for example, Chinese firms operating in the region do not lay off workers whereas Western firms do. The drawback that comes with such job security is represented by the comparatively low wages paid by Chinese-owned firms. No salary cuts, no production cuts and no layoffs are part of the Chinese business strategy in the Zambian copperbelt, referred to as 'encompassing accumulation' (Lee 2014, 38), which

differentiates Chinese economic engagement with local actors in the developing world. The Chinese government has sought to publicize these strategies as a way of highlighting the stabilizing impact of Chinese investment and economic engagement in Zambia (Lee 2014, 38).

It is important to note that the generic term 'Chinese investment' also masks a hierarchy of capitals of varying status, resourcefulness and connection to the Beijing government. This hierarchy is depicted here in Table 1. By considering the type of

Table 1. Hierarchy (and varieties) of Chinese capital
I. Central State-owned Enterprises (i.e. State Grid, China Mobile, Chine MinMetals) and Policy Banks (i.e. China Eximbank & China Development Bank)
II. Provincial Level State-owned Enterprises
III. Private Companies
IV. Entrepreneurial or Family Firms
Source: Lee 2014, 34-35.

capital being used, a more appropriate assessment of how nominally 'Chinese' investment into a region can be made.

Given Chinese economic actors' success and relative ease of trading with, investing in and granting aid to African states, it may come as a surprise that *Latin America*, is the regional recipient of the most Chinese Outward Foreign Direct Investment (OFDI) after Asia (e.g. See Shambaugh 2013, 118). While this statement is true, an important disclaimer is in order. Most Chinese OFDI entering Latin America is captured by and resides in the taxen-haven countries of the British Virgin Islands (BVI) and the Cayman Islands. Such Chinese finances, for all practical intents and purposes, do not visibly enter the economies of Latin American countries in any meaningful or noticeable way (See Shaxson 2012). Placing these tax haven investments aside, Africa becomes the recipient of the second most Chinese OFDI, after Asia.

Chinese-Latin American economic relations in the Post-Commodity Boom Era – (Predictions for the future)

The conceptual focus of this work seeks to analyze and understand the unique processes that frame and constitute contemporary Chinese economic relations with Latin America. The work stresses that the political economic leanings of the nine examined Latin American economies - at any particular time - cannot be underestimated and are essential in order to 'factor in' attempts to project Chinese economic actors' future engagement with the region. Since 2010, Latin American economies have seen a decline in value of some of their chief exports – energy, food and mineral commodities. While it is well-known that commodity values are cyclical and that basing an economy's value-output on such products is not a successful strategy for long-term economic growth and development (since commodities tend to decline in value over time), many South American economies in particular, are well-endowed with natural resources, and boom years for commodity prices routinely translate into billions of dollars added to government coffers and sovereign wealth funds.

Currently, according to Augusto de la Torre, the World Bank's chief economist for Latin America, "Latin America is decelerating faster than much of the rest of the emerging world" (Reid 2014b). The biggest factor contributing to this anemic growth "is the end of the commodity boom. As China's growth slackens, commodity prices have slumped back to their lowest levels since the 2009 world recession" (Reid 2014b). Combined with the fact that prices of oil are dropping, "thanks mainly to increased output in the United States" it is easy to see how and why commodity-producing and commodity-reliant South American economies have been negatively affected.

Moving forward it appears that the highly populist regimes are the worst off during this post-commodity boom era. Venezuela and Argentina, are both dealing with a continued and prolonged stagnation and inflation that appears to have no end in sight. The one exception (and surprise) to the notion that Latin American populist regimes are suffering due to the commodities down turn is Bolivia. The Bolivian economy is currently one of the fastest growing economies in the region (with a growth rate of approximately 5% per annum). The Morales administration has channeled commodity windfalls into social programs, poverty reduction and infrastructural projects that seem to work.

Ecuador, most likely will continue to use Chinese economic actors' interest in a transcontinental highway as a catalyst for furthering economic relations. Nonetheless, the Ecuadorian economy, like most Latin American economies, will continue to be reliant on EU and US trade for most of its export-earnings. Moving forward, one of the reasons that Brazil has gloomy economic prospects is supported by the fact that Petrobras, for many years viewed as a model SOE success story, has actually faired remarkable poorly (See: *The Economist* 2014). Bad investment decisions and corruption are partly responsible for the demise of this well-known Brazilian SOE. However, although Brazil is well endowed with a host of valuable energy, food and mineral commodities, all of which have been effected in this post-boom era, the country has knowledge intensive sectors (in avionics and satellite design) that could attract potential future Chinese investment cooperation in these sectors. Mexico, as always, will most likely take a very different trajectory and experience an economic boom in the next two to three years. Discussions to open Mexico's hydrocarbon sector to outside investors could attract Chinese economic actors to the Mexican economy. More generally, because wage increases in China are occurring more rapidly than wage increases in Mexico, the latter could experience a revived hiring spree relating to light manufacturing.

In considering the future of the more neoliberal economies examined in this study, Peru will most likely experienced more strained relations with China considering the majority its Chinese inbound investments and outbound trade is natural resource related. Such resources are going through a prolonged devaluation in global markets. Chile, and specifically Chile's sovereign wealth fund, will take a hit from losses associated with the devaluation of copper. Prospects for the future of Chilean lithium production could be one bright area of the ongoing Chilean-Chinese economic relationship. Finally, Colombia, the most neoliberal country examined here, will most likely enjoy positive and successful economic relations with China in the near term. Reasons for this include Chinese economic actors' ability to develop the transportation and logistical infrastructure on Colombia's Pacific Coast. Chinese SOEs specializing in such work would also be eager to gain a deeper economic foothold into an important and complex, Pacific facing economy.

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