Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?

Enrique Dussel Peters
Subject: Policy, Administration, and Bureaucracy
Online Publication Date: Oct 2019
DOI: 10.1093/acrefore/9780190228637.013.1663

Summary and Keywords

The socioeconomic and political relationship between Latin America and the Caribbean (LAC) with China has become increasingly significant for both since the beginning of the 21st century. This article analyzes proposals by the United States and China in their bilateral relationship and the political effects of their increasing tensions on LAC. Consistent with the proposed framework of analysis of the socioeconomic LAC–China relationship—at least in terms of trade, financing, overseas foreign direct investments, and infrastructure projects—the article examines in detail these conditions, as well as providing an in-depth example of trade. The final part of the article discusses the important potential and challenges of China for LAC’s development and concludes that so far, and based on the in-depth analysis of the trade relationship, the LAC–China relation is closer to a core-periphery than to a South–South or win–win strategy.

The document proposes to understand that the political economy within the United States, particularly of its private sector, have shifted substantially against China. In addition, the structure for analysis of the LAC-China relationship in the 21st century with a concrete structure of analysis in terms of trade, financing, Chinese overseas foreign direct investments (OFDI) and infrastructure projects. In light of current discussions, the analysis suggests for the inclusion of a group of new concepts—such as the “the new triangular relationships” and the “globalization process with Chinese characteristics” with a group of effects in LAC. The impact of the increasing China-United States tensions, from this perspective, generates massive challenges in LAC, independently of their diplomatic relationships to China.

Keywords: Latin America, China, new triangular relationships, trade, financing, OFDI, infrastructure, development, Latin American politics

The socioeconomic and political relationship between Latin America and the Caribbean (LAC) with China has increased substantially since the 21st century and goes far beyond economics; that is, this has occurred in terms of culture, bilateral, and regional political relations, as well as in areas such as education and language, among others. This qualitatively new relationship has generated important opportunities and massive challenges for the region in terms of development. From this perspective, this article highlights that this
new relationship requires a structure of analysis as well as detailed examination, at least in terms of trade, financing, overseas foreign direct investments, and infrastructure projects, in order to understand the specificities of the LAC-China relationship and also in order to reach conclusions vis-à-vis the topic of development.

With these goals in mind, the article is divided into three sections. The first, “LAC-CHINA: GLOBAL POLITICAL CONDITIONS, STRUCTURE OF ANALYSIS, AND GLOBALIZATION WITH CHINESE CHARACTERISTICS,” analyzes China’s emergence as a global power explicitly in terms of its increasing competition with the United States, including the challenges for LAC in this “new triangular relationship.” Based on the proposed structure of analysis of the LAC-China relationship. The second section, “LAC-China Trade Relations (1990–2017)” examines the main characteristics of the LAC-China relationship, focusing, as an example, on trade: its increasing bilateral presence, the technological level of respective exports and imports, and concentration and disaggregated characteristics in the LAC-China trade. The third and final section presents the main “CONCLUSIONS” of this analysis, specifically regarding the political, socioeconomic, and development potential of LAC in light of its relationship with China.

**LAC-China: Global Political Conditions, Structure of Analysis, and Globalization With Chinese Characteristics**

This section focuses on three issues that are relevant for reaching conclusions on the LAC-China relationship in terms of development: current global political conditions between the United States and China and its implications for LAC, a proposal for discussing the current LAC-China relationship, and the specific proposals by the Chinese public sector vis-à-vis LAC.

**LAC at a Political Crossroads in the “New Triangular Relationship”**

In recent years there has been a wide and general discussion on the new hegemon and options for bipolar and/or multilateral scenarios (see Rose, 2019). However, there has been less analysis on domestic policy shifts in the United States vis-à-vis China, that is, on an historical equilibrium between its public and private sectors, the first being more critical of China in the 21st century and the second more interested in doing business, from trade to investments, with and in China. Thus, the escalation between the Trump administration and China since 2018, particularly analyzed under the “trade war,” goes far beyond trade. China is quickly catching up in technology (from 5G to high-speed trains, to semiconductors, artificial intelligence [AI], and [electric] automobiles, among many other segments of global value chains), as well as in the credit and financial sectors.

This has resulted in the “shift” in the U.S. private sector toward being more critical of China and in an overall hardening of U.S. public policy vis-à-vis China.¹ Vice President Mike Pence’s remarks at the end of 2018 (Pence, 2018) acknowledge this “great power
Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?

“competition” and “a new approach to China,” as hope for political change in China in the last decades “has gone unfulfilled.” In addition, China’s economy has continued to grow “at the expense of its competitors—especially America,” resulting in a big trade surplus with the United States and an approach to control “90% of the world’s most advanced industries, including robotics, biotechnology, and artificial intelligence . . . Worst of all, Chinese security agencies have masterminded the wholesale theft of American technology—including cutting-edge military blueprints.” China’s military presence, particularly in Asia, is also considered a threat: “America had hoped that economic liberalization would bring China into greater partnership with us and with the world. Instead, China has chosen economic aggression, which has in turn emboldened its growing military.”

As a result, the United States will respond to this increasing competition in all these fields, including trade, financing, international cooperation, and the military. It has done so through the creation of new institutions such as the U.S. International Development Finance Corporation (USIDFC) in 2018; more restrictive rules for Chinese investments in the United States through the Foreign Investment Risk Review Modernization Act by the Committee on Foreign Investment in the United States (CFIUS), particularly since 2018; and with new export controls that not only ban foreign scientists and researchers in specific sectors but also sales of U.S. technology firms and can also ban sales of other countries in which U.S. technology accounts for at least 25% of the product value (Wang, 2019A, 2019B). Thus, these and future measures to limit Chinese potential theft in particular sectors can not only affect Chinese nationals and firms but will also massively affect transactions in other countries, such as in LAC, where U.S. technology accounts for more than 25% of the product value.²

From a LAC perspective, although it is true that the United States is still by far the most important “qualitative” actor in the region, with long historical ties to the respective elites, military, and academics, both in terms of culture and as an overall point of reference, it is also true that China’s presence in LAC cannot be denied by any country of the region, with or without diplomatic ties.³ This presence of China is not only quantitative but also qualitative; just less than a decade ago, Chinese scholars claimed that China would respect the “backyard” of the United States (Wu, 2010). Since then, however, not only has China’s presence increased in socioeconomic terms, as outlined in this article, but China has also become an additional actor to the European Union and, more particularly, to the United States, most notably as an additional point of reference in terms of economy, culture, education, and even in military terms in cases such as Venezuela (Koleski & Blivas, 2018).

Acknowledging these trends, the concept of “new triangular relationships” (Dussel Peters, Hearn, & Shaiken, 2013) is functional for LAC today: the region and each of its countries, without exception, has to understand, deal, and negotiate within this “new triangle.” In some cases the presence of the United States is probably still very strong—in countries such as the Caribbean, Mexico, and Central America, for example—and in others, for example, Cuba and Venezuela, the presence of China is substantial. Nevertheless, in all cases LAC countries have to prepare and allow for an increasingly difficult balance
Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?

given the increasing tensions between China and the United States. Probably without exception in LAC, none of the countries can exclude either the United States or China as an important strategic partner, although new governments (e.g., recently in Argentina and Brazil) have attempted to distance themselves from China, with little success. Venezuela, on the other hand, still has substantial economic linkages with the United States.

From this perspective, many countries in LAC are at a crossroads, caught in the middle of the U.S.–China competition. Vice President Pence (2018) highlights that “a new consensus is rising across America,” putting enormous pressure on countries worldwide and in LAC. In 2017 and 2018, three LAC countries—the Dominican Republic, El Salvador, and Panama—established diplomatic relationships with China. In response, in September 2018, the United States recalled its top diplomats, threatening these and the additional 17 countries that still have diplomatic ties with Taiwan—mainly in Central America, the Caribbean, and the Pacific. The United States proposed new legislation in the Senate to “downgrade U.S. relations with any government that shifts away from Taiwan, and to suspend or alter U.S. assistance” (“U.S. Recalls Diplomats,” 2018).

The political and strategic situation is particularly stressful for countries in LAC that are geographically close to the United States—such as Mexico and Central America—and that have long historical, political, and economic ties with the United States, but for whom China has an increasing presence. In the case of Mexico, for example, the renegotiation of the North American Free Trade Agreement in 2018—which still has to be ratified by the Congress of the respective countries—including an “anti-China chapter” (chapter 32.10) that practically prohibits free trade agreements with China (as a “non-market economy”) (Dussel Peters, 2018). On the other hand, the Dominican Republic, El Salvador, and Panama have witnessed fulminant reactions from the Trump administration, as discussed above in the analysis of Vice President Pence’s remarks, in their attempt to achieve diplomatic recognition with the People’s Republic of China, as the United States did in 1979.

From this perspective, and acknowledging the potential risks and exclusiveness of their relationship with either China or the United States, LAC countries might find themselves in the future under strong pressures to choose sides, which makes little sense from a LAC perspective given the presence of both the United States and China in all countries of the region.4

Proposed Structure of Analysis for the LAC-China Relationship

Dussel Peters, Armony, and Cui (2018) have highlighted the importance of examining the LAC–China relationship and allowing for a concrete learning process amid the increasing amount of research on this subject.5 Such an attempt is an effort to systematize the increasing Chinese presence in LAC. From a current perspective, there are a group of phases—opposed to “primitive stages”—that have generated a variety of results and challenges and reflect the qualitative historical differences between the relationship that has evolved since the early 21st century and prior encounters between LAC and China since...
the 16th century. This new and increasing complexity in the relationship can be defined in four stages and topics: (a) Since the 1990s, in a rapid intensification of their trade relationship, China has become LAC’s second biggest trading partner; (b) since 2007–2008, and parallel to the global financial crisis, China has become a major regional financial source for LAC; (c) in the same period (2007–2008), China has become a very important source for foreign direct investments (or Chinese outbound foreign direct investments [OFDI]). (d) since 2013, China has been massively building infrastructure projects in the region, also as part of a group of Chinese global initiatives (see “GLOBALIZATION PROCESS WITH CHINESE CHARACTERISTICS”). This systematization of analysis could and should be widened in the future.

At least two issues result from such an approach. One the one hand, it is functional and can be of relevance for academic analysis, but also for policymakers and the private sectors. As opposed to holistic analysis of the relevant topics in the current “complex” relationship, this proposal requires detailed and concrete knowledge on each of the issues mentioned—from history to infrastructure projects and many others—to allow for a detailed learning process and policy suggestions. Although there is an increasingly large group of academic institutions in LAC and China working on the LAC–China relationship, it is surprising how little depth and extension exist on any of these particular topics; even in the apparently “easier” and more common topic of trade, for example, the systematic analysis of disaggregated trade by country, group of countries in LAC, and respective commodity chains is practically non-existent. Few public, private, or academic institutions have allowed for such systematic, periodic, and detailed research, even of such widespread and relevant segments of global commodity chains as soya, electronics, yarn or textile garments, auto parts and automobiles, and telecommunications, among others.

Second, the growing qualitative and quantitative presence of China, its increasing complexity and need of specific analysis is also of critical relevance from a strictly political and policy perspective. Thus, the increasing bilateral and diplomatic relations of LAC with China since the 1970s, and the specificities of the “new triangular relationships,” are relevant to understand the concrete relationship for countries such as Argentina, Brazil, Mexico, and Venezuela—that is, their specific political relationship in addition to ideological and strategic characteristics. Thus, the proposed structure of analysis has implications in understanding the political relationship.

**Globalization Process With Chinese Characteristics**

China’s increasing global presence—in the context of profound domestic social, economic, and political reforms since the 1970s—has also been reflected in the increase of activities and responsibilities by China in the Security Council of the United Nations, in the acknowledgement of China’s relevance in the international financial system through its membership in 2016 with the Renminbi as part of the special drawing rights (SDR), and in its increasing leadership at the G20. From this international perspective, launching the One Belt, One Road (OBOR; more recently known as the Belt and Road Initiative [BRI]) initiative at the end of 2013—formally under the leadership of the vice premier and mem-
Latin America's Socioeconomic Relationship With China: Is Development Still Possible?

Since January of 2018, BRI is the key international cooperation strategy of China with countries in Asia, Africa, and Europe, formally recognizing Latin America at the CELAC-China Forum, specifically through five links: policies, roads and highways, trade, currency, and people to people (Long, 2015). The New Development Bank of the BRICS countries (Brazil, Russian Federation, India, China, and South Africa), as well as the Asian Investment and Infrastructure Bank (AIIB) are some of the powerful instruments of this global strategy.

In addition, the conclusions of the XIX National Congress of the CPC at the end of 2017 and the two sessions in 2018 are relevant to stress the initiatives discussed above (Aquiano Roch, 2018): they not only emphasize a long-term socialist development of China for 2035 and 2050, and elevate Xi Jinping’s thought as part of the CPC, but also emphasize the importance of BRI as part of this domestic and global strategy of China.

As part of these strategies, China has participated in a growing group of trade agreements and accounts for 10 free trade agreements—including those signed with Chile, Costa Rica, and Peru—in addition to the agreements with the Special Administrative Region of Hong Kong and Macao, as well as negotiations with Pakistan and Israel. From a regional perspective, China has also been leading efforts within APEC (Asia-Pacific Economic Cooperation) and ASEAN (Association of Southeast Asian Nations). However, China prioritized in the last years the RCEP (Regional Comprehensive Economic Partnership) with 16 member countries, including the Philippines, Japan, Korea, Australia, India, and Vietnam. So far, there are no LAC country participants.

China has proposed a group of specific initiatives toward LAC. On the one hand, two “White Books” for LAC in 2008 and 2016 (Government of the People’s Republic of China (PRC, 2011, 2017), respectively). They integrate a group of issues relevant for this analysis, including 13 priorities on economic and trade topics (GPRC, 2017, pp. 7–11) including the promotion of trade in “high value-added products and with high technological content” (GPRC, 2017, p. 7), “cooperation in industrial investment and productive capacity” (GPRC, 2017, p. 7), “cooperation in infrastructure” (GPRC, 2017, p. 8) and in “manufacturing” (GPRC, 2017, p. 9) and “cooperation between chambers and institutions to promote trade and investment” (GPRC, 2017, p. 9). Interestingly, this last White Book states that Chinese firms should “promote linking the productive capacity with quality and advantaged equipment from China to the necessities of the countries of LAC to help them in improving their development capacity with sovereignty” (GPRC, 2017, p. 7) and to enhance infrastructure projects and public-private partnerships “in transports, trade logistics, storing installations, information and communication technologies, energy and electricity, hydraulic works, urbanism and housing, etc.” (GPRC, 2017, p. 8). Regarding cooperation in the manufacturing industry, China concentrates specifically on...
“establish[ing] lines of production and sites for the maintenance of construction material, of non-ferrous metals, machinery, vehicles, communications and electricity equipment, etc.” (GPRC, 2017, p. 9).

Most relevant in this context is Xi Jinping’s cooperation scheme “1+3+6,” that is, one Plan (CELAC’s Cooperation Plan for 2015–2019), three propulsive forces—trade, investment, and financial cooperation; and six key fields of cooperation including in energy and resources, infrastructure projects, manufacturing, and scientific-technical innovation. In the CELAC–China Forum, its Cooperation Plan for 2015–2019 has a wide group of concrete instruments for cooperation in politics, culture, education, and economic issues, among others. It also includes enhancing micro, small, and medium firms; financial institutions; infrastructure and transportation; industry; and science and technology, as well as specific sectors such as aeronautics, information, and communication industries, among others. It also explicitly makes reference to the “joint construction of industrial parks, science and technology, special economic zones and high-tech parks between China and state members of CELAC, with the goal to improve industrial investments and the generation of industrial value chains” (CELAC, 2015, p. 4), accompanied in parallel by several forums and funding options: the Forum on Development and Industrial Cooperation China–LAC, the Fund for China–LAC Cooperation, the Special Credit for China–LAC Cooperation, and other options according to the cooperation priorities. Most of these instruments—as well as new ones—were renewed in the Working Program of the China–CELAC Forum (CELAC, 2018).

**LAC-China Trade Relations (1990–2017)**

**Background**

On each of the four phases discussed in the analytical framework—trade, OFDI, financing, and infrastructure projects—a widespread literature exists on LAC and China. As an example, the topic of trade is discussed in detail in this article.

On the second issue, China’s OFDI, since the 1990s, China has become since the second major recipient of foreign direct investment (FDI). From a development perspective, FDI was critical for China as part of a long-term strategy to allow integration with and learning from transnational corporations (TNCs), particularly in cases such as yarn or textile garments, electronics, and auto parts and automobiles, among many others (World Bank and Development Research Center [WB/DRC], 2012; Wu, 2005). A group of recent studies on Chinese OFDI in LAC highlight regional and national characteristics, in some cases including analysis of particular segments of global value chains and firms (Dussel Peters, 2014; Jiang, 2017), in addition to methodological and statistical differences between international, Chinese, and Latin American sources (Ortiz Velásquez, 2016). Keeping in mind these relatively detailed discussions in LAC and China, the Monitor of China’s OFDI in LAC 2018 (Dussel Peters, 2019) provides a group of tendencies for 2001–2018, including the following: (a) The People’s Republic of China has launched a group of methodolog-
Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?

...ical regulations with the purpose of, particularly, recording the final destination of OFDI (MOFCOM, NBS, & SAFE, 2015). Such regulations, however, have not yet resulted in the official statistics to record Chinese OFDI. (b) Total Chinese OFDI fell in 2018 for the second time in a row, as well as to LAC (by –26.93% in 2017 and –31.8% in 2018), mainly because of a group of regulations of the Chinese public sector to limit and control capital outflows (Chen, 2017), as well as macroeconomic uncertainty in specific countries such as Argentina, Brazil, and Venezuela, and low rates of return for Chinese OFDI in LAC. (c.) Chinese firms invested from 2000 to 2018 in 402 transactions for $US122 billion, generating 324,096 jobs, particularly during 2010–2018. (d) Recent detailed analyses of China’s OFDI highlights its increasing diversity in most cases: the increasing share of mergers and acquisitions over total OFDI (62.35% during 2000–2018); the increasing share of China’s OFDI in services and manufacturing and beyond raw materials (in 2010–2018, e.g., raw material’s share over total OFDI in LAC accounted for 53.4% of total OFDI); and the increasing share of private OFDI over total OFDI, although public OFDI is still most significant (see Table 1). By country, China’s OFDI also reflects interesting recent changes, including the increasing share of Mexico versus the fall of share in countries such as Argentina, Brazil, and Peru, in light of respective socioeconomic limitations.
Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?

Table 1. LAC: China’s FDI by Type of Property (2000–2018)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transactions</strong></td>
<td>16</td>
<td>58</td>
<td>328</td>
<td>402</td>
<td>35</td>
<td>38</td>
<td>59</td>
<td>44</td>
</tr>
<tr>
<td><strong>Amount ($US millions)</strong></td>
<td>4,444</td>
<td>15.825</td>
<td>101,429</td>
<td>121,698</td>
<td>10,182</td>
<td>15.879</td>
<td>12.018</td>
<td>8,103</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>13.905</td>
<td>33.023</td>
<td>275,168</td>
<td>322,096</td>
<td>29.554</td>
<td>48.523</td>
<td>71.984</td>
<td>21,240</td>
</tr>
<tr>
<td><strong>Amount/transaction ($U.S. millions)</strong></td>
<td>278</td>
<td>273</td>
<td>309</td>
<td>303</td>
<td>291</td>
<td>418</td>
<td>204</td>
<td>184</td>
</tr>
<tr>
<td></td>
<td>Amount/employment ($U.S. millions)</td>
<td>Employment/transaction</td>
<td>PUBLIC FIRMS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td>-----------------------------------</td>
<td>------------------------</td>
<td>--------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
</tr>
<tr>
<td></td>
<td>0.320</td>
<td>0.479</td>
<td>0.369</td>
<td>0.378</td>
<td>0.345</td>
<td>0.327</td>
<td>0.167</td>
<td>0.381</td>
</tr>
<tr>
<td>Employment/transaction</td>
<td>869</td>
<td>569</td>
<td>839</td>
<td>801</td>
<td>844</td>
<td>1,277</td>
<td>1,220</td>
<td>483</td>
</tr>
<tr>
<td>PUBLIC FIRMS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions</td>
<td>8</td>
<td>30</td>
<td>121</td>
<td>159</td>
<td>9</td>
<td>19</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Amount ($U.S. millions)</td>
<td>3,869</td>
<td>11,190</td>
<td>70,401</td>
<td>85,460</td>
<td>4,974</td>
<td>13,378</td>
<td>6,892</td>
<td>507</td>
</tr>
<tr>
<td>Employment</td>
<td>7,839</td>
<td>16,418</td>
<td>133,751</td>
<td>158,008</td>
<td>7,239</td>
<td>35,832</td>
<td>25,851</td>
<td>2,862</td>
</tr>
<tr>
<td></td>
<td>Amount/transaction (U.S. millions)</td>
<td>Amount/employment (U.S. millions)</td>
<td>Employment/transaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------------------------</td>
<td>-----------------------------------</td>
<td>------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>484</td>
<td>0.494</td>
<td>980</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>373</td>
<td>0.682</td>
<td>547</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>582</td>
<td>0.526</td>
<td>1,105</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>537</td>
<td>0.541</td>
<td>994</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>553</td>
<td>0.687</td>
<td>804</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>704</td>
<td>0.373</td>
<td>1,886</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>492</td>
<td>0.267</td>
<td>1.847</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>51</td>
<td>0.177</td>
<td>286</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| PRIVATE FIRMS             |                                   |                                   |                        |
| Transactions              | 8                                 | 28                                | 207                    |
|                           | 243                               | 26                                | 19                     |
|                           | 19                                | 45                                | 35                     |

<p>| Amount ($U.S. millions)   | 575                               | 4.635                             | 31,027                 |
|                           | 36.238                            | 5,208                             | 2,501                  |
|                           | 5,126                             | 7,596                             |                        |
|-----------------------------|-------|--------|---------|---------|--------|--------|--------|--------|
| Amount/transaction ($U.S. millions) | 72    | 166    | 150     | 149     | 200    | 132    | 114    | 217    |
| Amount/employment ($U.S. millions) | 0.095 | 0.279  | 0.219   | 0.221   | 0.233  | 0.197  | 0.111  | 0.413  |
| Employment/transaction      | 758   | 593    | 683     | 675     | 858    | 668    | 1025   | 525    |
| PUBLIC FIRMS                | PERCENTAGE (TOTAL = 100) | | | | | | | |
| Transactions                | 50.00 | 51.72  | 36.89   | 39.55   | 25.71  | 50.00  | 23.73  | 22.73  |</p>
<table>
<thead>
<tr>
<th>Amount ($U.S. millions)</th>
<th>87.06</th>
<th>70.71</th>
<th>69.41</th>
<th>70.22</th>
<th>48.85</th>
<th>84.25</th>
<th>57.35</th>
<th>6.26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>56.38</td>
<td>49.72</td>
<td>48.61</td>
<td>49.06</td>
<td>24.49</td>
<td>73.85</td>
<td>35.91</td>
<td>13.47</td>
</tr>
<tr>
<td>Amount/transaction</td>
<td>174.12</td>
<td>136.71</td>
<td>188.15</td>
<td>177.55</td>
<td>189.98</td>
<td>168.50</td>
<td>241.69</td>
<td>27.53</td>
</tr>
<tr>
<td>(compared to private</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>firms, percentage)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount/employment</td>
<td>154.43</td>
<td>142.23</td>
<td>142.80</td>
<td>143.15</td>
<td>199.45</td>
<td>114.09</td>
<td>159.69</td>
<td>46.43</td>
</tr>
<tr>
<td>(compared to private</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>firms, percentage)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?
| Employment/transaction (compared to private firms, percentage) | 112.75 | 96.12 | 131.76 | 124.03 | 95.26 | 147.69 | 151.34 | 59.29 |

*Source:* Author’s elaboration based on monitoring of Chinese OFDI in LAC 2019.
Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?

On the third topic, since 2007–2008—China as a major source of financing for LAC—a group of authors and institutions, particularly Kevin Gallagher at Global Economic Governance Initiative (GEGI), have contributed substantially through transaction and country-level analysis, with comparisons on the conditionality of financing as well as national and sectorial distribution of financing (Gallagher, Irwin, & Koleski, 2013; Gallagher, Jin, & Ma, 2018; Myers & Gallagher, 2019; Stanley, 2013). In general, China’s financing to LAC during 2005–2018 has been highly concentrated: China Development Bank and Eximbank have provided most of the $US140 billion financing; resources have been channeled particularly to Venezuela and in 2018 focused significantly on infrastructure projects. In addition, and similar to OFDI trends, Chinese financing of LAC has fallen substantially in 2017 and 2018.

Finally, and fourth, the work of Red ALC-China (Dussel Peters et al., 2018) has allowed for a detailed analysis and discussion of Chinese infrastructure projects in LAC. The presentation of firm-level statistics and analysis of case studies in several countries results in a vast richness of experiences and policy suggestions at the firm level, but also for specific sectors within infrastructure and respective countries. Until 2017, China had pursued 69 infrastructure projects in LAC, accounting for more than $US56 billion and generating more than 214,000 jobs in the region. Argentina, Venezuela, Ecuador, and Brazil have been the most important countries with Chinese infrastructure projects in the region, whereas other countries in Central America and Mexico have, so far, played a secondary role. The more qualitative case-study work of Dussel Peters, Armony, and Cui (2018) reflects the pragmatism of Chinese firms through infrastructure projects in the region and the ability to generate very different labor conditions, subcontracting networks and relations with clients depending on the respective countries; in several cases, the same Chinese firm—all of them being public firms—generates very different conditions among different countries in the region. In some cases, Chinese firms are able to subcontract all major civil engineering segments of the projects to local and national firms, and receive supplies for major segments of the respective infrastructure projects; workers and working conditions are thus generated by local and domestic firms, and in several cases the respective workers do not know that they are working for a Chinese infrastructure project. In other cases, the totality of the project is run by Chinese firms, including the design of the project, financing, subcontracting, workers, engineering activities, construction and post-construction services. Although Chinese firms have the ability to offer these “turnkey projects,” in most cases it depends on the specific conditions of the host country, that is, the existence of these firms, workers, and specialized activities, and particularly on the contract defined and accepted by the respective host country, which, in some cases, might even specifically allow for learning processes and the transfer of technology. Development, from this perspective, is highly dependent on the host country and government that proposes and signs these contracts. A rather small group of Chinese public firms are the core of these infrastructure projects in the region (see Table 2).
### Table 2. LAC: Chinese Infrastructure Projects (2000–2017)

<table>
<thead>
<tr>
<th>Number of Projects</th>
<th>Amount</th>
<th>Employment Construction</th>
<th>Employment Indirect</th>
<th>Employment Definitive</th>
<th>Employment Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CITTC</td>
<td>3</td>
<td>1,965</td>
<td>62,100</td>
<td>3,030</td>
<td>250</td>
</tr>
<tr>
<td>CAMCE-Sinomach</td>
<td>6</td>
<td>3,531</td>
<td>1,900</td>
<td>1,800</td>
<td>0</td>
</tr>
<tr>
<td>China Communications Construction</td>
<td>8</td>
<td>2,864</td>
<td>12,994</td>
<td>500</td>
<td>1,200</td>
</tr>
<tr>
<td>Power Construction Corp./Sino-hydro</td>
<td>13</td>
<td>6,105</td>
<td>24,170</td>
<td>20,300</td>
<td>35</td>
</tr>
<tr>
<td>State grid</td>
<td>5</td>
<td>5,145</td>
<td>60,376</td>
<td>12,000</td>
<td>0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>32</td>
<td>17,645</td>
<td>99,440</td>
<td>34,600</td>
<td>1,235</td>
</tr>
<tr>
<td>Rest</td>
<td>37</td>
<td>38,529</td>
<td>115,364</td>
<td>88,329</td>
<td>6,595</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>56,174</td>
<td>214,804</td>
<td>122,929</td>
<td>7,830</td>
</tr>
</tbody>
</table>
**Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?**

*Source:* Author’s elaboration based on Dussel Peters, Anthony, and Cui (2018) and Red ALC-China.
Main Trade Trends Between LAC and China (2000–2017)

In the last decade, Red ALC-China has been analyzing in detail the LAC-China trade relationship by type of trade (i.e., capital, intermediate, or consumption goods), chapter and value chain, country, and group of countries, among others (see, e.g., Dussel Peters, 2016, and the publications at Red ALC-China). Based on this ongoing research, the LAC-China relationship could be characterized by a group of issues.11

First, China has become LAC’s second trading partner since 2013 and has displaced the European Union since then (see Figure 1): China’s share in LAC’s trade increased from less than 1% in the 1990s to 14.08% in 2017. A topic that has been less analyzed in detail is that since 2012, LAC has also become China’s second trading partner, ranking only after the United States, and LAC’s share has increased from less than 4% in the 1990s to 9.52% in 2017, ahead of that of Japan and South Korea.

Second, China’s increasing presence in LAC is a result of tendencies in both imports and exports. In terms of LAC’s exports to China, during 2000–2017, with an average annual growth rate (AAGR) of 4.1%, compared to the AAGR of total exports of 4.9% and considering that exports to China fell in absolute terms since 2011, China has substantially increased its importance as LAC’s export destination, from levels under 2% until 2002 to 9.9% in 2017. However, the most relevant change in terms of LAC’s trade with China is in its imports: the share of LAC’s imports coming from China has increased almost 10 times since the end of the 1990s and accounts for 18.5% in 2017; whereas the share of the European Union has been relatively constant (at around 14% of LAC’s imports), the United States’ share has dropped drastically, from levels close to 50% in 1999 to 33.3% in 2017. This process—the increasing disintegration of different regions within LAC and of LAC vis-à-vis China’s increasing presence, with the United States being the main loser—has already been examined in detail earlier for a group of LAC countries (Dussel Peters, 2016).

Third, LAC as a region has substantially increased its trade deficit with China: since 2012, annually more than −$US80 billion. These aggregated tendencies are a result of disaggregated results at the two-digit level of the Harmonized Tariff System (HTS). As presented in Figure 2, the main three chapters (of the Harmonized Tariff System) of LAC imported from China—automobiles, oil, and auto parts—have significantly increased their share over total imports, from 23.93% in 1990 to 31.88% in 2000, to 40.11% in 2017.
Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?

With the exception of 2017, oil—and particularly different types of gasoline—has, surprisingly, always been the most important good imported from China, while automobiles and auto parts have maintained their relatively constant share. LAC’s exports to China account for substantial differences: they are significantly more concentrated: the main three export chapters—soya, minerals, and copper—account for at least 65% of total exports since 2007 (see Figure 3).

![Figure 2. LAC: Imports from China (top five chapters of 2017) (1990–2017) (share over total).](image1)

*Source:* Author’s elaboration with data of UN-COMTRADE (2018).

![Figure 3. LAC: Exports to China by top five chapters (of 2017) (share over total) (1990–2017).](image2)

*Source:* Author’s elaboration with data of UN-COMTRADE (2018).

Fourth, and as a result of several of the former tendencies, the content of LAC-China trade is critical. As reflected in Figure 4, the content of LAC imports and exports to China by its technological content differs dramatically: whereas LAC’s share of medium and high technological exports to China account for less than 5% of total exports to China in the last decade, imports from China accounted for more than 60%. Trade with the United States also manifests that LAC’s trade has not only closed its gap in terms of medium- and high-technology goods but that it has achieved substantial results, exporting more medium- and high-tech goods than imports.
Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?

Conclusions

The first section of this analysis, “LAC–CHINA: GLOBAL POLITICAL CONDITIONS, STRUCTURE OF ANALYSIS, AND GLOBALIZATION WITH CHINESE CHARACTERISTICS,” highlights massive challenges for LAC in coping with the increasing tensions between China and the United States, as a result of different strategies and initiatives. The United States—as a result of a shift of its private sector vis-à-vis China—presents a more hostile strategy regarding China, with important effects on Third World countries such as those in LAC, as has been explicitly the case for the countries that have more recently initiated diplomatic relations with China. Additional initiatives—such as on export controls in which U.S. technology accounts for at least 25% of the product value—could also substantially affect important segments of value-added chains such as auto parts, automobiles, and electronics, among many others, which have become critical for LAC’s trade and FDI in the last two decades. China, on the other hand, offers a group of global initiatives and mechanisms, mostly under the heading of BRI and specifically LAC, through respective white papers in 2006 and 2016, but also institutionally embedded in the CELAC–China Forum: from trade, financing, OFDI, and infrastructure projects to more specific mechanisms in technology transfer, industrial parks and special economic zones, education, and science and technology, among many others. LAC countries, from this perspective, will have to deal and negotiate politically and strategically constantly and with high levels of difficulty in this “new triangular relationship,” considering that for all countries—and acknowledging differences among LAC-countries—the overall strategic relationship with China and with the United States is critical. An exclusive relationship with China or with the United States, from this perspective, makes little sense for LAC countries, independently of tensions between China and the United States.

“LAC–CHINA: GLOBAL POLITICAL CONDITIONS, STRUCTURE OF ANALYSIS, AND GLOBALIZATION WITH CHINESE CHARACTERISTICS” also highlights the importance of a framework of analysis for understanding the details and complexity of the new political and socioeconomic relationship between LAC and China; that is, it is no more possible to evaluate it only in terms of trade or OFDI or financing or infrastructure projects; they all play “cumulative” and parallel roles, and it is foreseeable that this economic relationship
will further evolve. Such an approach also allows for a more specific and constructive dialogue with the public and private sectors, among other implications.

The second section, “LAC–CHINA TRADE RELATIONS (1990–2017),” reviews some of the main characteristics of the LAC–China relationship in terms of financing; OFDI; infrastructure projects; and, as an example, trade in more depth. Although Chinese financing has been extremely concentrated in a few countries and Chinese financial institutions, OFDI has not only deepened in the region but has changed substantially in the last decade; that is, the share of private firms and of manufacturing oriented toward the respective domestic markets, as opposed to toward raw materials, has increased significantly. Particularly relevant are infrastructure projects, as they reflect the most sophisticated processes proposed by China in the last decade under the BRI.

The more in-depth analysis of trade, as an example of the conditions, complexity, and challenges of LAC–China relations, also offers a group of relevant results. In addition to the increasing size and share of their relationship, as well as a substantial trade deficit of LAC, most significant is probably the huge gap of LAC’s trade with China in terms of its content of medium- and high-technology trade: LAC’s exports to China account for little technology and value added, in contrast to LAC’s imports from China; the contrast of LAC’s total trade with that of the United States is notable.

What are the development implications for LAC in this relationship with China? On the one hand, China has allowed for new export opportunities for LAC, particularly in products related to soya, oil, gas, meat, minerals, and copper, with an export-boom of these activities in the last 15 years, and with substantial labor, social, and environmental impacts in the region (Trápaga Delfín, 2017). On the other hand, LAC has also drastically increased manufacturing imports from China, also substituting imports from the United States, LAC, and from domestic sources. Strictly in terms of trade, as examined in “LAC–CHINA TRADE RELATIONS (1990–2017),” the gap between imports and exports from medium- and high-technology products represents a massive development challenge for LAC. This challenge widens and deepens when it is taken into considerations that China offers turnkey infrastructure projects to LAC with practically no local, regional, or national input; the final version of these contracts depends highly on the capacity of negotiation of the respective LAC governments. From this perspective, China offers interesting new opportunities to LAC in terms of development—exports and a group of initiatives and mechanisms for development under the heading of BRI—that have, so far, only been implemented partially; that is, the LAC–China relationship resembles more a periphery-core relationship then a win–win or South–South relationship. LAC in general, and specifically its member countries’ respective elites and governments, have the option to use the wide range of initiatives and instruments provided by China in the last decade (see “GLOBALIZATION PROCESS WITH CHINESE CHARACTERISTICS”); in general, the instruments offered in the respective white papers and the CELAC–China Forum have not been implemented in LAC.
Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?

LAC’s governments and elites, from this perspective, will have to solve a group of challenges simultaneously in the future. On the one hand, they must negotiate politically—both domestically and internationally—within this “new triangular relationship” in a context of increasing tensions between China and the United States. At the same time, they will have to dedicate many more resources—particularly in terms of public, private, and academic institutions—to understand China’s proposals to LAC in the last decade in detail and to implement them according to their own development strategy. So far, this has not happened in LAC.

References


Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?


Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?


GPRC (2017). Documento sobre la política de China hacia América Latina y el Caribe. Mexico City, Mexico: CECHIMEX.


Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?


**Red ALC-China (Red Académica de América Latina y el Caribe).** (2018).


UN-COMTRADE. (2018). *UN Comtrade Database*.


Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?


Notes:

(1.) The argument was particularly clear and strong by Susan Shirk at the China Development Forum organized by the Development Research Center of the State Council in March of 2019, with similar arguments by former treasury secretaries such as Larry Summers and Robert Rubin. The AmCham (2019) also reflects this shift: although it recognizes accomplishments by China, it highlights that “unfortunately, previous bilateral dialogues and other mechanisms have not generated the results that are needed . . .” (AmCham 2019, p. 5), and is particularly preoccupied by “an economy that now differs, sometimes significantly, from other economies in any respects, even though China presents itself as a model for other developing countries to follow” (AmCham 2019, p. 11), as state-owned enterprises still play a substantial role, as does the Communist Party.

(2.) In his analysis, Pence makes a specific reference to LAC: “Beijing has extended a life-line to the corrupt and incompetent Maduro regime in Venezuela . . . And since last year, the Chinese Communist party has convinced three Latin American nations to severe ties with Taipei and recognize Beijing.”

(3.) In the case of Central America, for example, even before the diplomatic recognition of El Salvador and Panama, China’s presence in terms of trade and investments was relevant (Dussel Peters, 2018).

(4.) The cancelled Annual Meeting of the Boards of Governors of the Inter-American Development Bank at the end of March of 2019 in Chengdu, China, is probably a good example in understanding the high level of tensions and difficulties in negotiations between the United States and China on a LAC matter; that is, the United States and other LAC countries insisting on inviting delegates of Venezuela and on representation of Juan Guaidó, and China rejecting this diplomatic status.

(5.) In the case of LAC, for example, the Center for Chinese-Mexican Studies of the School of Economics at the National Autonomous University of Mexico (UNAM) and the Academic Network of Latin America and the Caribbean on China (Red ALC-China) have allowed for a detailed and public learning process, together with Chinese counterparts, in topics such as trade, foreign direct investments, international relations, raw materials, and mining, as well as history, culture, and learning Chinese, among others.

(6.) The topic is relevant for the region as a whole and for countries both with and without diplomatic ties with the People’s Republic of China: even in regions and countries such as Central America, with strong diplomatic ties with Taiwan, China is already the second or third major trading partner; this is true of each of the countries in Central America and the Caribbean (Arce Alvarado, 2016; Díaz, 2016). This “pragmatism” is high-
Latin America’s Socioeconomic Relationship With China: Is Development Still Possible?

ly dependent on the “normality” of the Taiwan–China relationship, which of course could change in the future in light of bilateral changes and/or China’s with the United States.

(7.) For the case of the China–Venezuela–U.S. relationship and the importance of energy and oil, see for example, Chinese and Latin American analyses from authors such as Piña (2018) and Sun (2013).

(8.) For an analysis from a recent perspective of the reforms process in China, see DRC and BM (2012), OECD (2002, 2017), and Wu (2005).

(9.) On May 14–15, 2017, China organized the One Belt, One Road Forum in Beijing, probably the most international strategic event in 2017 oriented toward developing countries. President Xi Jinping guaranteed financing for more than $US120 billion through Chinese banks, and emphasized the importance of BRI through infrastructure projects. Representatives of more than 130 countries participated.

(10.) For a description of current Chinese trade agreements, see: MOFCOM (2013).

(11.) There are substantial statistical differences between LAC and China, depending on the respective source, that is, using Chinese and LAC official sources, respectively; even when using the same data source (UN-COMTRADE), the results differ significantly (for an analysis on trade statistics for a group of LAC countries with China, see Dussel Peters [2016]).

Enrique Dussel Peters
School of Economics, Universidad Nacional Autónoma de México (UNAM)