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Ben McKay, Alberto Alonso-Fradejas, Zoe Brent, Yunan Xu, Sergio Sauer

Abstract

China's growth has provoked changes in global geopolitics, deeply influencing the global economy and trade relations. China has increased its demand for primary (agro)commodities and developed new investment partnerships abroad to secure its access to resources such as minerals, hydrocarbons and industrial flex crops. This paper analyzes the increasing economic and political relations between China and Latin America and raises questions concerning new trajectories of agrarian change and resource access, asking whether, how and to what extent a new consensus has emerged in reaction to the 'Washington Consensus' which ushered in neoliberal policies to the region from the 1970s onward.

1 Introduction

As progressive-left governments swept through Latin America (LA) over the past fifteen years, a commodities boom fueled their economies and social welfare programmes through what has come to be described as a neo-extractivist development model¹. Chinese demand for raw materials was a key factor in the international commodity price boom and more than just ‘waiting’ for direct imports from the resource-rich countries of LA to come, Chinese capital and diplomacy have gone directly to the source to facilitate and secure such imports through its ‘going out’ policy – investing in transport and energy infrastructure, extractive activities, and providing credit without directly interfering with the receiving country’s fiscal and trade policies (let alone those regarding social welfare, labor conditions, or environmental protection). China alone accounts for 64 per cent of the world’s soybean imports, nearly 60 per cent of which are produced in Latin America². While the vast majority of their soybeans originate in Brazil and Argentina, China’s influence over the market has important implications for soybean producers worldwide. The protein-rich soybean is an important component of China’s multi-billion dollar (USD) grain-feed-meat complex, as China is now the largest producer and consumer of pork and second largest poultry producer in the world³. For Latin America – which collectively produces more soybeans than any other region – China represents an important market and enables export diversification away from petroleum and minerals which have historically characterized their trade relations with China.

Chinese direct investment and finance in LAC has also increased substantially over the past decade, particularly in construction and the oil and gas sector. Chinese public finance, through the China Development Bank (CBD) and China Export-Import Bank (Ex-Im Bank), has also been the creditor of choice in LAC, providing some USD\$ 125 billion to the region from 2005 to 2015 in infrastructure (29.5%), transportation (16.5%), hydropower (12.4%), and mining (11.5%)⁴. Regarding finance, the story differs from that of North-Atlantic countries and their development finance international institutions. Instead of imposing fiscal or trade conditions on loans, China finances strategic infrastructure and raw material extraction projects accepting payments in commodities and often requiring recipients to contract Chinese construction firms and equipment – dubbed as a form of ‘south-south’ cooperation⁵.

This should be understood in relation to China’s need to not only secure market access for raw materials, but also control distribution channels and ensure transportation infrastructure is adequate and dependable. For the Chinese, a supply shortage or disruption of their access to soybeans could trigger a price increase for domestic meat producers which would have reverberating effects for billions of Chinese consumers. For Latin America, Chinese demand for raw materials (minerals, petroleum, soybeans) facilitates their diversification away from US-market dependence and to continue to expand their extractivist development models. As agriculture becomes increasingly industrialized and crops become increasingly flexible in their end use as food, feed, fuel, and industrial material, various economic sectors become integrated in the dynamics of agrarian change. We therefore focus on the increasing trade, investment and finance relations between LAC and China –

¹ Following Acosta, we use the term extractivism throughout to refer to ‘those activities which remove large quantities of natural resources that are not processed (or processed only to a limited degree), especially for export. Extractivism is not limited to minerals or oil. Extractivism is also present in farming, forestry and even fishing’ see Acosta, ‘Extractivism and neoextractivism’, 62; Gudynas, ‘Extracciones, extractivismos y extrahecciones’; Svampa, ‘Resource extractivism’.

² FAOSTAT, ‘Trade Data’; OEC, ‘Atlas Media Visualization’

³ Sharma, ‘The Need for Feed’

⁴ Gallagher and Myers, ‘China-Latin America Finance Database’.

⁵ Myers et al., ‘Chinese Finance to LAC’.

whether in infrastructure, transportation, energy, or other land-based natural resources – in relation to its implications for agrarian change.

Over the past two decades, agro-industrial flex crop production such as soybeans and oil palm have increased dramatically as favourable prices and growing demand from China and India has created a secure market for such agricultural expansion. Just four primary products (iron, copper, soybeans, and crude petroleum) make up almost 70% of LAC's total exports to China; while China's exports to LAC are much more diversified, consisting of manufactured goods such as telecommunications equipment, data processing equipment, ships and boats, optical instruments and refined petroleum products⁶. These terms of trade render (once again) LAC extremely dependent on a few primary commodities highly subject to international market volatility. Nonetheless some of Latin America's progressive-left governments seeking to decrease their dependence on the traditional international financial institutions⁷ (IFIs), are looking to China⁸ for new political and economic strategic alliances. This raises questions about this new 'Beijing Consensus'⁹ and whether, how, and to what extent it differs from the 'Washington Consensus' which ushered in neoliberal policies to the region from the 1970s on.

The focus of this preliminary analysis is to explore the implications of these new economic and political relations for agrarian change in LA. While important research on China's growing influence and relations on agrarian-food issues in Africa is being carried out¹⁰, we seek to expand and deepen this research agenda in Latin America¹¹. In this paper, we point to the need to contribute to these efforts by analyzing China's 'going out' policy and some of the geopolitical motivations and dynamics between LAC and China, from the perspective of their implications for broad trajectories of agrarian change in LAC. In grounding the latter analysis, we examine cases of Argentina, Bolivia, Brazil, and Central America, focusing on whether, how and the extent to which new trade, investment, and financial relations with China are shaping trajectories of agrarian change. These case studies provide us with a range of both large and small economies with different degrees of natural resource dependence, political administrations ranging from progressive to conservative, and diverse geographies from landlocked to coastal to the Caribbean, among other key social and cultural differences. Together, they provide insights – both in their differences and similarities, or divergences and convergences – into the new political and economic dynamics of natural resource access and control among LAC and China. In the final section we discuss the implications of these new political-economic relations on the broad trajectories of agrarian change in Latin America and the need to continue to pursue critical research on these emerging relations.

2 China's 'going out' policy: Emerging dynamics in Latin America

In the year 2000, the 'going out' (*zou chuqu*) strategy was formally introduced in the *Tenth Five Year Plan of China* to encourage outbound investments¹². Under the 'going out' strategy, Chinese companies are encouraged to invest and operate overseas to get access to international markets,

⁶ Ray and Gallagher, 'China-Latin America Economic Bulletin'.

⁷ Such as the World Bank, International Monetary Fund, Inter-American Development Bank, among others.

⁸ Throughout this paper we use 'China' to refer to mainland China (People's Republic of China).

⁹ Slipak, 'América Latina ante China'; Ramo, 'Beijing Consensus'.

¹⁰ Scoones et al., 'A new politics of development cooperations?'; Gu et al., 'Chinese State Capitalism?'; Bräutigam and Zhang, 'Green dreams'; Buckley, 'Chinese Agriculture Development'; Scoones et al., 'New development encounters'.

¹¹ But see Wilkinson et al., (this issue), Oliveira, 'Chinese and Other Foreign Investments'; and Slipak, 'America Latina ante China'.

¹² Cheng and Xu, 'Review of domestic institutions'; Yao and Li, 'Overview of the trends'.

foreign resources and advanced technologies,¹³ with a range of supports from the Chinese state: administratively, the state simplifies the examination and approval procedures for foreign investments¹⁴, and generally softens the control of foreign exchange¹⁵; economically, the state offers subsidies, opportunities¹⁶, tax reductions and low-interest loans to domestic investors, especially to the state-owned companies¹⁷; politically, the Chinese state tries to maintain a stable investment environment for Chinese outbound investments through Bilateral Investment Treaties (BIT) and Free Trade Agreements (FTA)¹⁸.

The 'going out' policy is the result of multiple factors embedded in both the Chinese and global context, at both macro and micro levels. At the macro level, with rapid economic growth, the Chinese state is restructuring its economy to make it more 'outward' oriented considering the following: (i) the 1997 Asian financial crisis, (ii) China's sufficient foreign exchange reserves and (iii) high demand for primary goods/raw materials.

Firstly, since the introduction of 'Reform and Opening-Up Policy' (*gaige kaifang*) in 1978, China kept promoting the 'bringing-in' (*yin jinlai*) strategy, under which inbound foreign investments were highly encouraged and outbound foreign investments were strictly controlled. The 1997 Asian financial crisis rendered export-led growth much more vulnerable, prompting the Chinese government to lessen the country's dependence on exports and start 'going out' to the broader global market¹⁹.

Secondly, at the start of the twenty first century, China had reserved a large amount of domestic savings and foreign exchanges under the 'bringing-in' strategy. The surplus of savings and foreign exchange not only provided a solid financial base to realize overseas investments, but also posed a lot of pressures (e.g. ever-increasing trade frictions, criticism from foreign countries, pressures to revalue the Chinese Yuan Renminbi, overheating speculation in the domestic market and overcapacity of manufacturing sector), forcing the Chinese state to support more outward-oriented investments²⁰.

Thirdly, the increasing demand for raw materials in China is another main driving force for its 'going out' policy. As shown in Figure 1, both the import and export value of the primary goods in China

¹³ There are slight changes in the Chinese national plans in terms of the aims of 'going out'. In the Tenth Five Year Plan, the three main aims of 'going out' were clearly described as to increase export, obtain resources and improve technology. While in the Eleventh Five Year Plan, 'to increase export' was replaced by the 'to vary the products', and 'to improve the technological development' was removed from the aims. In the Twelfth Five Year Plan, there was no explanation about the aims of the 'going out'. See Yao and Li, 'Overview of the trends', 132-133.

¹⁴ To be specific, before 1980s, all foreign investments should be examined and approved by the State Council, and the involved investors were few specific state-owned companies (mainly in construction sector). In the middle of 1980s, overseas investors were extended to all the legal entities, although the administrative procedures were still very complicated at that time. In the end of 1990s, only the foreign investments over 1million US dollars were required to get the permissions from both the National Development and Reform Commission (NDRC) and Ministry of Commerce of the People's Republic of China (MOFCOM). In the 2004, the new investment policy was issued with more specific explanations on the examination and approval procedures. And then in the 2009, the procedures were further simplified, those involved with less than 10 million US dollars just need to fill the application forms on the website of MOFCOM.

¹⁵ Cheng, and Xu, 'Review of domestic institutions', 151.

¹⁶ In the Official Development Assistance (ODA) programme, the Chinese state required agreements to hire Chinese companies as contractors or material suppliers.

¹⁷ Cheng, and Xu, 'Review of domestic institutions', 151-152.

¹⁸ Ibid., 152

¹⁹ Yelery, 'China's 'Going Out' Policy'

²⁰ Nash, 'China's 'Going out policy'; Cheng, and Xu, 'Review of domestic institutions'; Murphy, 'China's going out'.

increased from 1998 onward. The value of primary good imports grew much faster than that of exports, indicating the soaring domestic demand for primary goods in China. Such high demand for primary goods has stimulated Chinese enterprises to invest overseas for easier access to natural resources.

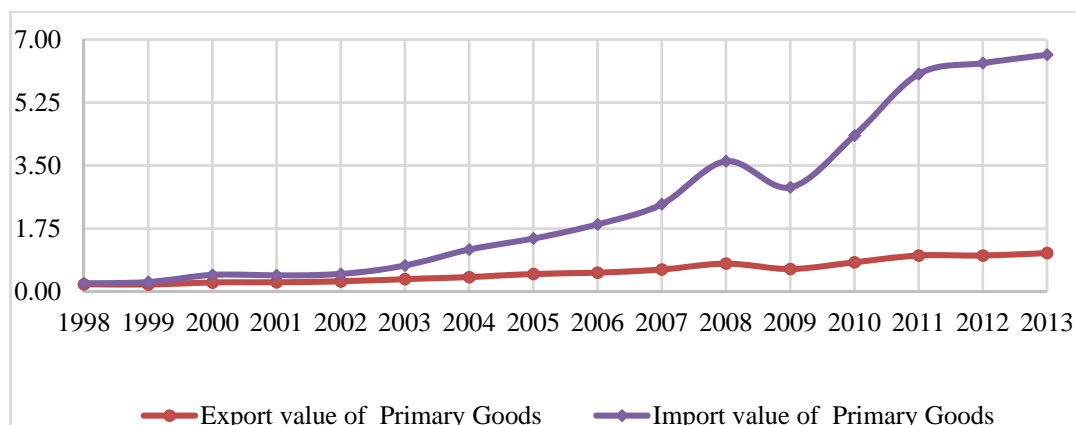


Figure 1 The export and import values of primary goods in China (billion US dollars)²¹

At the micro level, Chinese companies are increasingly investing abroad driven by the need to improve the international recognition of their brands, gain access to advanced technologies, and secure control over natural resources with flexible labour and environmental regulations. These first two points are easier to understand, since Chinese overseas investment can help expand business to foreign markets, increase brand recognition internationally and secure access to advanced technologies. As to the third point, Chinese companies are faced with the ever-growing costs of land and labour domestically, while environmental regulations are increasing due to the country's exorbitant pollution levels. Average annual salary in urban areas in China (including the wages of peasants who temporarily work in urban areas) increased more than 4 times from 2001 to 2013. Land is also becoming increasingly scarce: for urban land, the price has skyrocketed with rapid urbanization; for rural land, except for the dramatic increase on the rent price²², the institutional settings (including the land fragmentation caused by the Household Responsibility System reform²³, the ambiguity of land property rights²⁴, and the restrictions on land-use changes²⁵) have made large-scale land transfers for commercial use difficult. Moreover, environmental regulations have also increased with stricter environmental assessments, approval procedures and increased fines. In this sense, for Chinese enterprises with intensive demand for labour, a high dependence on natural resources (especially land-

²¹ 'China Statistics Yearbook'; Primary goods include food and animals used mainly for food; beverages and tobacco; non-edible raw materials; mineral fuels, lubricants and related materials; animal and vegetable oils, fats and waxes.

²² The annual rent of the rural dryland increased from around 300 Yuan/Mu in 2012 to 1000 Yuan/ Mu in 2016, from field note of Yunan Xu in Guangxi, China on 10th Mar 2016.

²³ Within the HRS, the land was contracted to the villagers according to the 'size of each household' (See Unger, Jonathan. *The transformation of rural China*. ME Sharpe, 2002.p107). For the sake of fairness, the lands with different qualities and in varied locations were distributed equally to each household in the unit of the production team (*Shengshendui*). So the lands awarded to the villagers are usually tiny (with average 2.34 mu of farmland and 0.48 mu of forestland per person by the end of 2012, according to the 'China Statistics Yearbook')

²⁴ The user right of the land is distributed to rural households under the in the 1980s, while property right is still owned by the collective. While the 'collective' is a vague term that impedes the rural land transfer and further privatization.

²⁵ According to the *Rural land contract law of the people's Republic of China*, the rural land transfer should maintain its main usage for agricultural production.

based resources), and excessive environmental impacts, it has become more economical to relocate their production to countries with excess (of cheaper) labour and more flexible social and environmental regulations.

Since the introduction of the 'going out' policy, China is becoming an important player in the global market. Foreign direct investment (FDI) from China to other countries has increased rapidly, expanding roughly 20 times in 10 years, from 2004-2013²⁶. China's international trade (import and export) has increased substantially in the global market, from USD \$474.29 billion in 2000 to USD \$4.16 trillion in 2013²⁷. Although other Asian countries are still China's main trading partners, the importance of LAC is rising – with the share of total international trade increasing from 2.66 % (USD \$12,60 billion) in 2000 to 6.28% (USD \$261,39 billion) in 2013²⁸.

However, these Chinese foreign investments are not homogeneous. On one hand, there are various types of Chinese investors, as shown in Figure 2, rather than a singular one entitled as 'China' by most literatures on Chinese outbound investment. Although the most active investors (in the non-financial sector) are still state-owned companies (53.6%), the share of non-state enterprises among all Chinese outward overseas transactions is rising, from 19% in 2006 to 46% in 2014²⁹. On the other hand, Chinese outbound transactions have shown certain patterns in terms of their geographic distribution, as noticed by Chen Xiaohong, the director of the Enterprise Research Institute at the State Council's Development Research Center:

“Chinese enterprises choose investment regions based on the industries to which they belong: resource-dependent industries choose to invest in developing countries in Africa and Latin America; technology-seeking industries prefer developed countries especially the U.S. and Western Europe; market-seeking commodity industries choose to invest in Eastern Europe, Africa and also Latin America”.³⁰

²⁶ 'China Statistics Yearbook'

²⁷ 'China Statistics Yearbook'

²⁸ 'China Statistics Yearbook'

²⁹ MOFCOM, 'Statistical Bulletin'

³⁰ Murphy, 'China's going out', 7

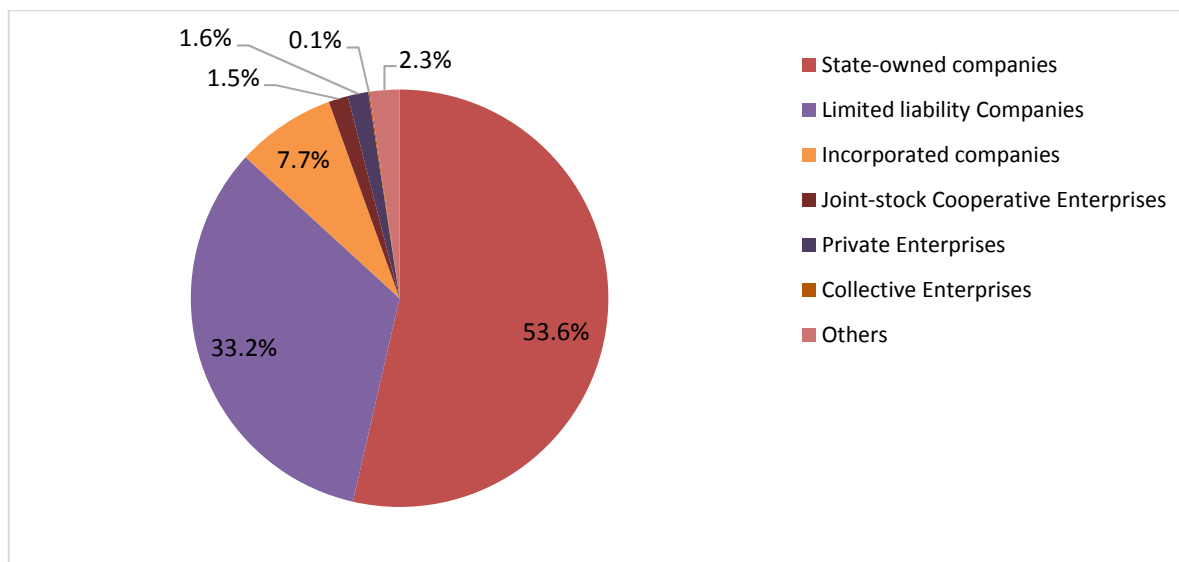


Figure 2 Structure of China's Non-financial Outward FDI Stock, by Domestic Investor Registration Types (2014)³¹

As a region rich in natural resources with huge potential demands on consumer goods, China has certainly targeted LAC for its market expansion, and more importantly, for its raw material needs. Seventy-three per cent of China's FDI to LAC is in extraction and food/crop production sectors, with the majority in the form of mergers and acquisitions (M&A) rather than greenfield investments³². Such new dynamics are embedded in the restructuring of the world food and commodity system from north dominated towards a multi-polar regime, with emerging powers of BRICS (Brazil, Russia, India, China, South Africa) and MICs (Middle income countries) and new dynamics of crop flexing³³.

China's 'going out' strategy has certainly increased its investment and trade presence in LAC. But rather than direct investments in land and/or other natural resources, China's principal strategy to secure access to natural resources and markets is through M&As, trade, construction contracts, and loans with particular 'Chinese conditionalities' such as oil shipments to China as loan repayment, loans packaged with requirements to purchase Chinese facilities/machines or cooperate with Chinese construction companies.

3 China-LAC relations: the political economy of natural resource access

As much as they have been praised in recent years, current political relations between China and LAC have not always been comradely. Almost half of the countries recognizing Taiwan (ROC) in the world are in LAC. And the 'communist menace' that the People's Republic of China embodied from 1949 onward still ignites social imaginaries across the Americas today. It is precisely this ideological dimension that is one of the main reasons for the strengthening of the economic ties between China and the new wave of progressive governments in several Latin American countries since the beginning of the 21st Century. Economic relations with Bolivia, Brazil, Argentina and Nicaragua reached unforeseen heights since China emerged as a global economic powerhouse facilitated by its 'going out' policy. And even when such economic relations mean an end to the industrial remnants of the

³¹ MOFCOM, 'Statistical Bulletin'

³² Ray et al, 'China in Latin America' ; Sauer et al., 'Ambivalent and shaky stance of Brazil'

³³ McMichael 2012, Borrás et al 2016

import substitution times in countries like Argentina or Brazil, they seem to be outweighed by the benefits of partnering with China. Indeed, China became a consistent demander of agricultural-, livestock-, and natural resource-based raw materials and primary commodities of the kind these Latin American countries specialize in producing and exporting. China has even arranged to give loans for oil, which from 2008-2011 reached USD \$50 billion – including five loans worth USD \$36 billion to Venezuela; one loan worth USD \$10 billion to Brazil; and three loans worth USD \$4 billion to Ecuador.³⁴ China has also turned out to be a reliable, generous and, especially, flexible creditor. In other words, increasing relations with China presented a unique opportunity for these countries to take advantage of the commodity-price boom of the 2000s without the usual economic and political conditionalities of the ‘Washington Consensus’.

The traditionally overtly anti-communist and currently conservative governments spreading in Central America, have also strengthened relations with China since the turn of the century, in spite of important ideological differences (in theory). The same could be argued for countries like Peru or Colombia, and maybe even most controversially, for national (agri)business elites who seem to set ideology aside in the face of the lucrative economic opportunities with China. In Argentina, Bolivia, Brazil and Central America, conservative and progressive governments alike, as well as business elites, seem to believe today more than ever in Deng Xiaoping’s famous maxim; ‘it doesn’t matter whether the cat is black or white, as long as it catches mice’.

Argentina

In Argentina the recent commodities boom, bolstered by Chinese capital, has fueled the expansion of numerous primary good sectors including mining and hydrocarbons, industrial forestry, and most notably soy production. Transgenic soy was legalized in 1996 but after the economic crisis in 2001, the Nestor Kirchner government leaned heavily on soy exports to reinvigorate the ailing economy. Since 2001 soy fields have rapidly expanded, now covering over half of the cultivable land in the country³⁵. At times this expansion has been made possible by violent evictions, and even murder of peasants standing in the way of soy development³⁶. This is largely because increasingly mechanized soy production needs their lands more than their labour and is facilitating land concentration³⁷. Waterways are contaminated, local communities health is threatened and soils depleted³⁸. Nestor Kirchner came to power and was then succeeded by his wife Christina Fernandez Kirchner, on a leftist, pro-poor platform. Despite these negative environmental, social and political impacts, the rise of the BRICS³⁹, namely Brazil and China have in a sense provided an alternative political and economic consensus sustained by a commodities boom, referred to by Argentine scholar, Maristella Svampa, as the ‘Commodities Consensus’⁴⁰. However, this political legacy has recently been replaced by the new pro-business Macri administration. New debates arise about the development path his administration will lead the country in, given the lack of ideological alignment yet economic interest in a strategic alliance with China. The rise of BRICS as a political and economic project to which MICs like Argentina have been drawn, raises important questions about the continuity and change in development models these new relations have brought about especially in the agrarian sector.

The commodities boom has deepened particular patterns of agrarian production that the country’s neoliberal reforms made possible, extracting social, environmental and economic wealth from

³⁴ Gallagher et al, ‘New Banks in Town’.

³⁵ Aranda, ‘Si hace BOOM’

³⁶ Aranda, ‘Patria Grande y Sojera’; Brent, ‘Territorial restructuring’.

³⁷ Murmis and Murmis, ‘Land concentration in Argentina’.

³⁸ Warren and Psiarenko, ‘Argentina’

³⁹ Brazil, Russia, India, China, South Africa

⁴⁰ Svampa, ‘‘Consenso de los Commodities’.

Argentina's rural areas⁴¹. Veltmeyer and Petras claim that Brazil, Chile and Argentina have instituted 'successful post-neoliberal regulatory regime[s]'⁴². Rather than changing the productive model, a more favorable deal has been struck with global capital. Since some 95 percent of soy products are exported, the hallmark of the Kirchner government was based on a high and differentiated tax system, which can be seen as an attempt to curb the extractive nature of the sector (at least on the 'national wealth/revenues' front) and keep the revenues from value addition to fund increased social assistance programs. This effort essentially works to maintain social legitimacy, while also expanding a sector that is associated with negative social and environmental impacts. This seemingly contradictory political position has rested on framing extractive industries as key to combatting poverty⁴³, as taxes on soy products contribute some 12.5% of the federal budget⁴⁴. However, a closer look reveals that, while select national elites have benefited, the share of those key economic revenues captured by the state has gradually decreased over the past 15 years.

Since only 6 percent of the world's soy gets consumed as whole beans⁴⁵, economic leverage comes from controlling the processing (crushing and oil refining) facilities. This stage of production is where we see China vying for control. This has geopolitical implications beyond Latin America since US-based companies still have a strong foothold on processing and trade in places like Argentina. About 85 percent of the processing capacity in Argentina is dominated by six companies, only three of which are Argentine — Aceitera General Deheza (AGD), Molinos Rio de la Plata and Vicentín — and three are multinational — Bunge, Cargill (US) and Dreyfus⁴⁶.

Triggered by internal restructuring of the soy sector and growing industrial pork production in China, since the 1990s Chinese imports of soy have exploded. This push to keep processing on Chinese soil, has also reshaped the nature of Argentina's export sector. In 1996 exports to China made up 1.96% of Argentina's total trade value. Still, in 1999 China did not import any Argentine soybeans. However, soybean oil made up 65% and soybean meal 15% of trade with China. Then just one year later, in a dramatic reversal, 62% of what China bought from Argentina were unprocessed soybeans, and by 2012 the Chinese share of all soybean exports had risen to 84.42%⁴⁷. Despite Argentina's differential export tax (DET)⁴⁸, the growth in China's demand in the soy sector has increasingly favored unprocessed soybeans at the expense of soybean oil and meal, thus creating a 'relative loss of value added within the export basket of the complex'⁴⁹.

As China and Latin America vie for control over the processing sector, northern-based multinational companies have increasingly tried to maintain control by simply moving their plants from the US to China and Latin America. ADM, for example, set up new facilities in South America and China, reducing its share in North America to less than 50%. Similarly, Bunge and Cargill have closed processing sites in the US, while expanding their capacity in South America and China⁵⁰. It is true that the political context in which these economic trends have taken place has been one of ideological alignment between leftist governments in Latin America and China. However, the decreasing revenues

⁴¹ Brent, 'Territorial restructuring'.

⁴² Veltmeyer and Petras, 'Introduction', 40.

⁴³ Gudynas, 'Estado compensador', 134.

⁴⁴ Tomei and Upham, 'Argentina clustering', 50.

⁴⁵ Oliveira and Schneider, 'Politics of flexing soybeans', 168.

⁴⁶ Tomei and Upham, 'Argentina clustering', 51.

⁴⁷ Hausmann et al., 'Atlas of economic complexity'.

⁴⁸ Argentina's DET for soybeans is 23.%; for soybean oil, 19.3% and for soybean meal, 20% (Deese and Reeder 2007, 10)

⁴⁹ Lopez et al., 'A study of the impact of China's global expansion', 18

⁵⁰ Ibid., 22

that Argentina has been able to capture demonstrates that China may be a more cooperative than the US politically, but perhaps no less competitive when it comes to controlling export markets.

One of the main strategies China has used to fuel demand for its soy processing sector and create opportunities for Chinese companies abroad is by lending money for investment in production and infrastructure at below market rates, in exchange for guaranteed contracts for construction by Chinese companies and/or a commitment to sell the goods produced to China at a set price. In 2010 China loaned Argentina \$10 billion under such arrangements⁵¹. And, right in the midst of Kirchner's protracted dispute with the truckers' union, the Chinese Development Bank has proposed a \$2.6 billion 10-year loan to revive the railway network connecting much of the soy heartland to Buenos Aires, the country's major port⁵².

While providing alternative rail infrastructure for shipping of goods, which could potentially diffuse the power of other transport unions, Di Paola argues that such political maneuvers came at an economic price⁵³. In the case of two massive dam projects, proposed to increase the country's energy capacity by 5% and hydroelectric capacity by 15%, approximately 150 engineering and managerial positions will go to Chinese workers, and the rest of the 5,000 total jobs projected will go to local workers⁵⁴. Importantly, the terms outlined in the Framework Agreement, state that works will be 'directly awarded' (Art. 5) to Chinese contractors, provided that 'they are subject to concessional financing from the Chinese side and the award is under advantageous quality and price conditions.' As Di Paola points out, this agreement 'wholly set[s] aside [...] the bidding process as a procedure for the procurement of public works'⁵⁵. Kirchner's policies were permissive of agreements that did not always contribute to Argentina's competitive advantage *vis a vis* China, in what appears to be an exchange for strategic political alliances, or repositioning both regionally and domestically. However, over time her ability to capture tax revenues and maintain control over value added processing facilities has waned. Now under the new leadership of President Macri, famous for his neoliberal leanings and friendliness with the US, huge questions emerge about what his government will do with the agreements Kirchner made with China, given his divergent political tendencies.

According to China-Argentina economic relations analyst, Ariel Slipak, 'Macri will remove the ideological element of the relationship with China, turning it into one of pure pragmatism [...] With Cristina Kirchner, the alliance was counter-hegemonic and anti-imperialist, but for Macri anything that has ideological content is bad. China will accommodate this new type of connection'⁵⁶. While under the new Macri presidency the political alliance with China and away from the US is no longer the driving force, a desire to continue the export led development model based on large-scale agriculture and mining may justify honoring the economic agreements Kirchner made with China.

Bolivia

Since the election of President Evo Morales and the Movement Towards Socialism (*Movimiento Al Socialismo, MAS*) in 2006, Bolivia-China economic and political relations have increased significantly. Just weeks after Morales was elected President, he travelled to Beijing to meet with the head of China's international department, its Trade Minister and then-President Hu Jintao, declaring himself a great admirer of Mao Zedong and the 'proletarian revolution'⁵⁷. Developing closer relations with

⁵¹ Casas Manzano, 'Los préstamos de China'.

⁵² Kotschwar et al., 'Chinese investment', 3.

⁵³ Di Paola, 'A Chinese agreement'.

⁵⁴ Koop, 'Kirchner and Cepernic'.

⁵⁵ Di Paola, 'A Chinese agreement', 3.

⁵⁶ Koop, 'New Argentina president'

⁵⁷ Merco Press, Bolivian elected president woos China.

China has certainly been part of the Morales administration's broader foreign policy aims in order to distance itself from US interests and the Washington Consensus. Morales ran on a political platform based on regaining the country's resource sovereignty and redistributing its wealth for the marginalized working classes and indigenous peoples. After twenty years of neoliberal policies, Morales promised change and the new political and economic relations with China have been part of that political agenda. In 2008, for example, the US ambassador to Bolivia was expelled from the country for 'conspiring against democracy and seeking the division of Bolivia'. Yet, while the Morales regime is known for its harsh anti-imperialist discourses, it pursues business-as-usual strategies, particularly regarding extractive industries such as mining, hydrocarbon, and soybean production⁵⁸. Questions therefore arise as to how its relations with China differ from the 'old hubs' of capital such as the US and Europe and whether the new politico-economic arrangements are more beneficial for the Bolivian economy and society or whether the same exploitative mechanisms of resource extraction continue to persist.

The Bolivian economy remains heavily dependent on this three-pronged extractivist development model with favourable commodities prices fueled by Chinese demand. In 2013, 96 per cent of Bolivia's exports were primary products, with natural gas, soybeans, silver and zinc at the top of the list⁵⁹. Over the past ten years, China has become a key trade, investment and finance partner for Bolivia's extractivist-based development strategy. In 2015, Chinese companies were awarded more public works contracts from the Bolivian state than companies from any other country, accounting for 22% of the total⁶⁰. The Bolivian government and China's Import-Export Bank agreed to a USD \$7.5 billion credit line to finance 11 strategic development projects in 2015, including three 'mega-highways' extending to Bolivia's northern Amazon region – part of the Economic and Social Development Plan 2016-2020⁶¹. One of the stipulations of the loan is that all 11 projects are carried out by Chinese companies to generate 'development, commerce, integration, employment, and improve the lives of Bolivians...contrary to what the neoliberal governments and dictators did which was to steal all the money' says Vice President Alvaro Garcia Linera⁶². This loan will be the largest in Bolivia's history and will more than double the country's external debt, increasing the debt to GDP ratio to 35%⁶³. Recently, China's Sinosteel company was awarded the contract to build a processing plant for El Mutún mine – one of the largest iron ore reserves in Bolivia with a cost of roughly USD \$4 billion⁶⁴.

Apart from FDI and finance, China's bilateral trade value has increased 11-fold since 2005 – signaling significant economic ties between the two countries since Morales came to power⁶⁵. In 2014, China surpassed Brazil and the United States to become Bolivia's primary source for imports, leading to a trade deficit of USD \$1.28 billion in 2015 (see Figure 4).

⁵⁸ Villegas, 'Lo que tiene que pasar, pasa'; McKay and Colque, 'Bolivia's soy complex'

⁵⁹ INE, 'Comercio Exterior'.

⁶⁰ Ellis, 'Bolivia outsourcing China'

⁶¹ Vasquez, 'Cada prestamo tendra dos tipos de tasas de interes'.

⁶² Villegas, 'Lo que tiene que pasar, pasa!', 53, authors' translation.

⁶³ Reuters, 'Bolivia says China to lend'.

⁶⁴ Molina, 'Chinese companies increase power'

⁶⁵ INE, 'Comercio Exterior'.

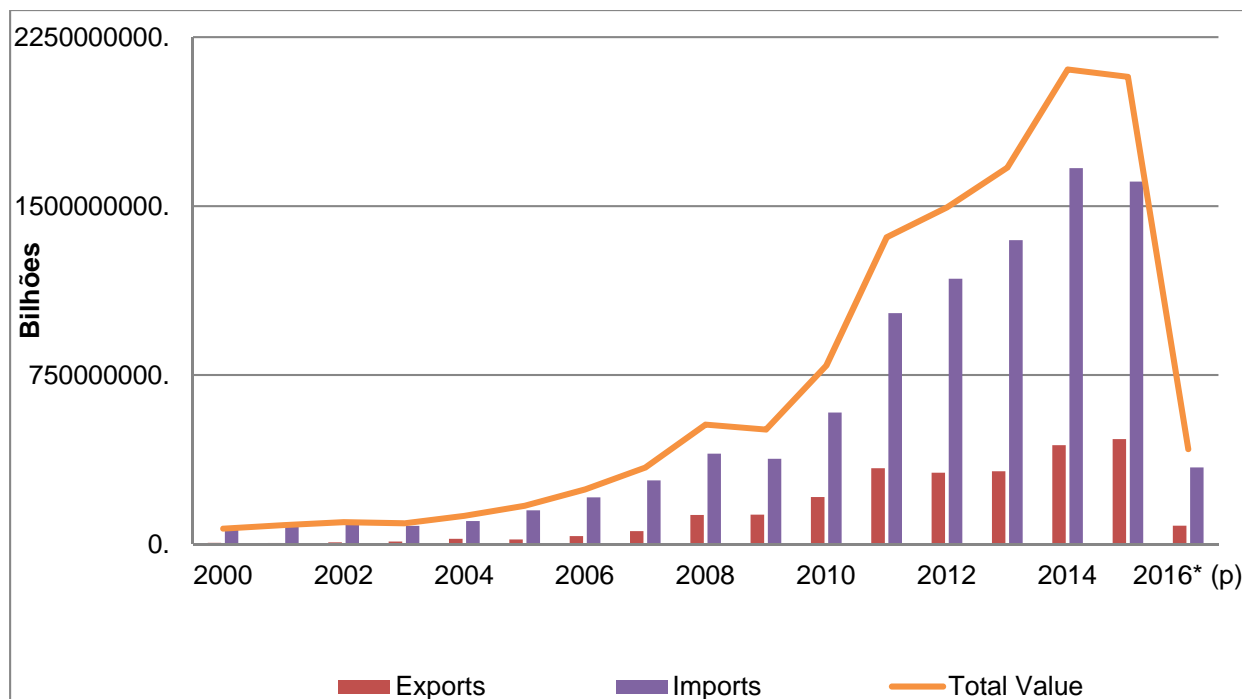


Figure 3: Bolivia-China Bilateral Trade, total value \$USD⁶⁶

The terms of trade heavily favour China, as their top exports to Bolivia include value-added manufactured goods such as helicopters, motorcycles, heavy machinery for industrial use, mobile telephones, buses and cars, computers, and herbicides⁶⁷. For Bolivia, its principal exports destined for China include zinc, silver, tin, copper, lead, and gold⁶⁸. Bolivia's soy sector is also heavily reliant on Chinese demand in order to maintain favourable soybean prices on international markets. China's soy imports account for roughly two-thirds of the global soy trade and as its demand fluctuates so does the international soybean market on which many Bolivian farmers depend. Chinese agro-chemical companies have also come to dominate Bolivia's agro-chemical imports, accounting for nearly 50 per cent of the total⁶⁹. China is strategically positioned along commodity value chains where it can appropriate most of the value added – as a producer of value-added agro-chemicals (finished goods) and as a consumer of raw or semi-processed soybeans, further processed for animal feed to fuel its growing grain-feed-meat complex⁷⁰.

Increased China-Bolivia relations have several implications for the Bolivian economy and society. First, China's rapid economic growth and growing middle class require an increasing amount of natural resources – for industry, energy security, and its growing meat-complex. But many Chinese companies are not developing forward and backward linkages for Bolivia's industrial development. They are interested in gaining and maintaining access to natural resources that serve their economic and energy security interests. Second, China is 'going out' to fix a potential capital over-accumulation crisis. Surplus capital, less profitable investments, and surplus labour can lead to crises and thus must be put into production, if not at home, then abroad. In 2014, for example, 6000 Chinese workers were brought to the Andean country to work in a natural gas separation plant in Gran Chaco; while Chinese company Shenzhen Vicstar brought 150 Chinese engineers to complete its construction project in

⁶⁶ Ibid.

⁶⁷ IBCE, 'Intercambio Comercial Bolivia-China'.

⁶⁸ Ibid.

⁶⁹ McKay, 'BRICS and MICs'.

⁷⁰ Ibid.

Cochabamba⁷¹. As seems to be the trend elsewhere in Latin America, this is often part of the contract – Bolivia receives the capital investment, but Chinese companies and their labourers actually do the work and therefore benefit from the value-added during the production process. Third, loans from Chinese financial institutions are much less stringent concerning labour and environmental regulations than the conventional international financial institutions such as the World Bank. In March 2015, for example, Bolivian construction workers working on the Ivirgarzama-Ichilo highway project⁷² denounced China's state-owned hydropower and construction company, Synohydro, for unfair job dismissals, long working hours without extra pay, lack of health and life insurance, among other things⁷³. The exclusion of local Bolivian workers from getting jobs for public works contracts which have been awarded to Chinese companies has also led to protests and road blocks and, in some cases, has led to anti-Chinese sentiment among the excluded labour classes⁷⁴.

The Morales administration has been criticized for awarding the China CAMC Engineering Company five contracts worth roughly USD \$5 billion – a sum that far surpasses public contracts it has ever awarded to a single company⁷⁵. Even more controversial, however, is that President Morales previously had an affair with one of the managers of CAMC, Bolivian Gabriela Zapata, with whom he allegedly has a child and is thus being accused of nepotism. Yet for Morales, 'the Bolivian right is attacking Chinese companies on instruction from the North American empire. The North American empire does not want the presence of China or Russia here'⁷⁶. Beyond the populist rhetoric, however, a key feature of Bolivia's increased political and economic ties with China is the absence of monetary and fiscal conditionalities. China is also less likely to interfere in Bolivian politics in the name of 'freedom and democracy'. However, as this preliminary analysis into the political economy of China-Bolivia relations has shown, it appears as though control over land-based natural resources and the associated socio-economic and environmental implications remain unchanged. In fact, the requirements for Chinese capital and labour and the less regulated social and environmental regulations are likely reproducing the similar conditions of exploitation that have characterized Bolivia's extractive-based economy for decades. Instead of developing the productive forces through value-added industrialization, and creating new and sustainable employment opportunities, China's presence in Bolivia is better understood as a capital 'fix' – whereby Chinese capital relocates its production to less saturated and more profitable sites for capital accumulation.

Brazil

Brazilian economic growth has been fueled in recent decades by commodity and mining exports, and China has and continues to play a crucial role in this export surplus⁷⁷. Recently, an alliance between agro-industrial capital – particularly the agro-industrial chains closely linked to the foreign investments or multinational companies – the public system of credit to agriculture and to agro-industry and the large landholdings promoted an increase of production and export of agricultural and non-agricultural commodities.⁷⁸ Favoured also by the global commodities boom and strongly supported by public policies and investments, such an alliance has been the main responsible for the surplus of the Brazilian trade balance. However, it has also lead to a process of reprimarization or

⁷¹ Dorado Nava, 'Más de \$us 2.000 millones'.

⁷² A main highway and principal transport route between the major cities of Santa Cruz and Cochabamba.

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ Molina, 'Chinese companies increase power'.

⁷⁶ Pagina Siete, 'EEUU quiere desprestigiar a China y Rusia'.

⁷⁷ Sauer et al., 'The ambivalent and shaky stance of Brazil'

⁷⁸ Delgado, G. 2013. Economia do agronegócio (anos 2000) como pacto do poder com os donos da terra. *Revista Reforma Agrária*. Brasília, ABRA, special edition, July, p. 62, 63.

deindustrialization of the Brazilian economy, since the industrial sector is gradually losing ground in the share of Brazilian GDP⁷⁹.

Trade between Brazil and China reached US \$ 77.9 billion in 2014, with a Brazilian surplus of USD \$3.3 billion⁸⁰. In 2009, China surpassed the United States as Brazil's most important export partner with soybeans (41%), iron ore (30%) and crude petroleum (8.6%) representing nearly 80% of Brazil's total export value (USD\$40.6 billion) to China in 2014⁸¹. Totaling USD\$ 37.3 billion, Brazil's imports from China consist of value-added goods such as machinery (48%), textiles (10%), chemical products (10%), metals (8.8%), transportation (5.6%), plastics and rubbers (4.4%) among others⁸². While Brazil has maintained a trade surplus with China since 2009, it remains dependent on raw material exports and thus volatile commodities markets while China benefits from exporting a more diversified bundle of value-added industrialized and manufactured goods. With the commodities 'bust', Brazil will likely enter into a trade deficit as they did in 2008 and 2009 with China (see Figure 5).

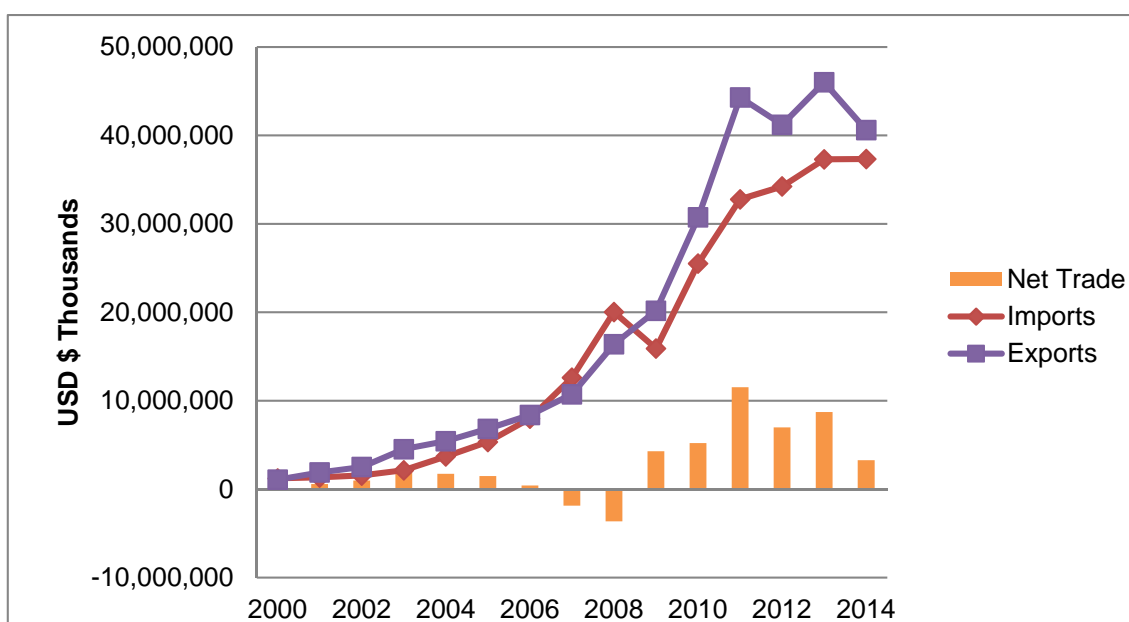


Figure 4 Brazil-China bilateral trade⁸³

As with most countries in the region, Brazilian manufacturing industries are losing ground in the share of GDP, driving a reprimarization of the economy⁸⁴. Brazil's manufacturing (value added) as a percentage of GDP averaged roughly 30% from the 1970s to 1990s, but has since fallen to just 11.67% in 2014, while China's manufacturing share of GDP has been consistently above 30% since the 1970s⁸⁵. There has also been a substantial decrease in manufacturing products as a share of overall Brazilian exports between 1994 and 2012, from 63.6 percent to 39 percent⁸⁶. With the loss of manufacturing capacity in major Brazil, unfavorable terms of exchange with China arise. For example, 83.6 percent of Chinese purchases of Brazilian products were primary products, while only 4.7 percent

⁷⁹ Jenkins, 'Chinese competition causing deindustrialization', 72.

⁸⁰ Itamaraty, 'Official visit of the Prime Minister', 4.

⁸¹ WITS, 'Country Profile'; OEC, 'Atlas media visualizations'.

⁸² OEC, 'Atlas media visualizations'.

⁸³ Ibid.

⁸⁴ Disagreeing with the 'deindustrialization' thesis, Jenkins and Barbosa state that 'even though Brazil is not deindustrializing, its manufacturing industry needs to adapt its structure to a new context of more dynamic internal growth and increasing Chinese competition'. Jenkins and Barbosa, 'Fear of manufacturing?', 68.

⁸⁵ World Bank, 'Data Bank: Manufacturing'.

⁸⁶ Jenkins, 'Chinese competition causing deindustrialization', 72.

were ‘manufactured products’, revealing the existence of an association between China’s rise and the reprimarization of the countries on its export list⁸⁷.

However, even before China’s ‘going out’ policy and the increased of its presence in global commodity markets, raw material exports in agriculture and mining were a central feature of Brazil’s economic strategy, especially after the Kandir Law of 1996 exempted raw material exports from the Tax on Distribution of Goods and Services (ICMS)⁸⁸. Just two years after the Kandir Law was passed, soybeans increased from just 5 per cent of total exports to 30 per cent, deepening the reprimarization of the economy⁸⁹. In addition to the demand for commodities on the international market – including an “increasing demand from China for the oilseed *in natura*”[unprocessed soy]⁹⁰ – such a tax system favors the export of primary products and raw materials at the expense of industrialized goods⁹¹.

With agricultural exports accounting for an average of around 40 per cent of total exports from 1999 to 2012, Brazil’s international trade balance remains heavily dependent on intensive and extensive agricultural production⁹². Further, Brazil’s agribusiness sector represents roughly 20 per cent of GDP, largely fueled by Chinese demand, with soybeans representing ‘the most economically important and strategically significant agroindustrial commodity produced and exported’⁹³ in the country. But trade is not the only factor leading to agrarian change, particularly a recent acceleration of the expansion of the agricultural frontiers into the Amazon and Cerrado biomes, forcing huge changes in land use and resulting in the expulsion of local rural communities.

While economic relations between the two countries have strengthened, Chinese FDI, particularly in mergers and acquisitions has also increased. In 2014, China’s state-owned national Cereals, Oils and Foodstuffs Co. (COFCO) purchased majority stakes in the Dutch-based seed and trading company Nidera as well Hong Kong-based agribusiness company Noble Group for an estimated USD\$ 2.8 billion⁹⁴. These acquisitions have made COFCO a new global agribusiness giant, challenging the hegemony of the ABCD quartet which controls the world’s grain trade: ADM, Bunge, Cargill, and Louis Dreyfus. While COFCO already dominates China’s food processing and trade markets, the state-owned company ‘now represents the largest and most significant presence of Chinese agribusiness capital not only in the Brazilian soybean complex, but also in its agribusiness sector as a whole’⁹⁵.

More than just trade and investment, China has also scaled up its financial lending to Brazil, particularly for the energy sector and industrial line infrastructure for soybean processing amounting to nearly USD\$ 20 billion since 2009⁹⁶. Now a global leader in processing and trade, China has strategically positioned itself and increased its control over desired natural resources in order to supply its growing domestic industrial and consumer needs. Soybeans, for example, are a central component

⁸⁷ Curado (2015), Jenkins (2015). However, even acknowledging ‘a growing deficit in manufactured goods’, which has been compensated by commodity exports, Jenkins and Barbosa (2012, p. 71) see as positive since it shows the ‘...ability to supply more primary products, adding crude oil to the basket of Brazilian exports to China’, generating trade surplus to Brazil.

⁸⁸ Wesz, ‘Strategies and hybrid dynamics’, 292

⁸⁹ Ibid, 292.

⁹⁰ Wesz, ‘Strategies and hybrid dynamics’, 8.

⁹¹ Jenkins, ‘Chinese competition causing deindustrialization’; BNDES, ‘Perspectivas do investimento’

⁹² Ibid.

⁹³ Oliveira, ‘Geopolitics of Brazilian soybeans’, 348.

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Gallagher and Myers, ‘China-Latin America’.

in China's multi-billion dollar livestock feed industry, as the country is now the world's largest industrial pork and poultry producer and among the largest industrial beef and dairy producers⁹⁷.

China-Brazil relations are characterized by industrial, value-added goods flowing into Brazil and primary goods (agricultural and non-agricultural commodities) flowing into China. The current trade relations, aside from the long-term economic implications of these unequal terms of trade, are fueling the land prices and the expansion of Brazil's agricultural frontiers. This expansion is based on monocrops (mainly soybeans but also sugarcane), changing the use of land, particularly in the Amazon and Cerrado biomes. As result of an increase demand for land, the expansion has severe social and environmental consequences, since it provokes increasing prices and disputes over land, generating conflicts and weakening government's program on land reform, since the expropriation of land must be fully compensated at market prices⁹⁸.

Despite massive public outcry over the recent political turmoil unfolding in Brazil, interim-President Michel Temer has appointed the country's - and perhaps the world's - largest soybean producer, Blairo Maggi, as the new minister of agriculture. Not surprisingly, Maggi's first official mission abroad was to China to discuss bilateral trade issues⁹⁹, particularly aiming to increase the export of meat, soy and minerals. He also stated that he and the interim-President are working to eliminate any (formal) barrier for foreign investments in land deals¹⁰⁰. Despite an approval rating of less than 12 per cent¹⁰¹, Temer continues to issue executive orders, which has resulted in the dissolution of Brazil's Ministry of Agrarian Development (MDA), responsible for land reform and supporting small-scale family farmers. While a lack of political legitimacy continues by the time of writing, the interim government has made it clear that the growth of agribusiness and relations with China will continue to expand the agricultural frontier.

Central America

Land and natural resource-based accumulation projects have regained momentum across the Central American isthmus¹⁰² within the context of convergent financial, energy, environmental and food crises since the mid-2000s. While these projects are largely developed by domestic classes of capital their feasibility (from access to financial capital to access to markets) is strongly linked to contemporary developments in world political economy¹⁰³.

In this context, the influence and presence of China in Central America is both motivated and constrained by the fact that Central America is one of Taiwan's only remaining diplomatic partners¹⁰⁴. In fact, Taiwan is one of the officially recognized extra-regional observers of the Central American

⁹⁷ Oliveira and Schneider, 'Politics of flexing soybeans', 177.

⁹⁸ Wesz, 'Strategies and hybrid dynamics'; Sauer et al., 'Ambivalent and shaky'.

⁹⁹ MAPA, 'Ministro Blairo Maggi viaja a China'

¹⁰⁰ Valor Econômico. 'Novo Ministro define suas prioridades', May 25, 2016; O Globo. 'Temer quer liberar venda de lotes de terra a estrangeiros', May 26, 2016.

¹⁰¹ WSJ, 'Interim Brazilian Government'

¹⁰² We include here all SICA members but especially the founding ones in 1991 that is Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama. Belize became a member in the year 2000 and the Dominican Republic in 2013. (http://www.sica.int/sica/sica_breve_en.aspx accessed on 12/04/2016).

¹⁰³ Kerksen, 'Grabbing Power', Edelman and Leon 'Cycles of Land Grabbing in Central America', and Alonso-Fradejas 'Anything but a story foretold'.

¹⁰⁴ El Salvador, Guatemala, Honduras, Nicaragua, Belize and Panama are six of the twenty-one nations that currently recognize Taiwan (Shortell and Welch, 'Chinese Presence Challenges Taiwan's Influence').

Integration System (SICA)¹⁰⁵. This is not surprising if we consider Central America's history as a 'buffer zone' to socialism spread in the Americas.

China's current demand for natural resources and its will to finance large and often controversial (infrastructural) development projects, speak louder than 20th Century anti-communist ideologies to the current generation of Central American business elites. The breaking of diplomatic relations between Costa Rica and Taiwan in 2007 may be the clearest example of this trend. But also increasing, and increasingly strategic relations in the realms of trade, development finance, and to a lesser extent offshore investments, have incrementally strengthened economic ties between Central American countries and mainland China following China's 'going out' policy rational discussed above. As shown in figure 5, it is along this Chinese policy timeline that Central American trade relations with mainland China have highly outweighed those with Taiwan, regardless of the free trade agreements signed between the latter and most Central American countries between 2004 and 2008.

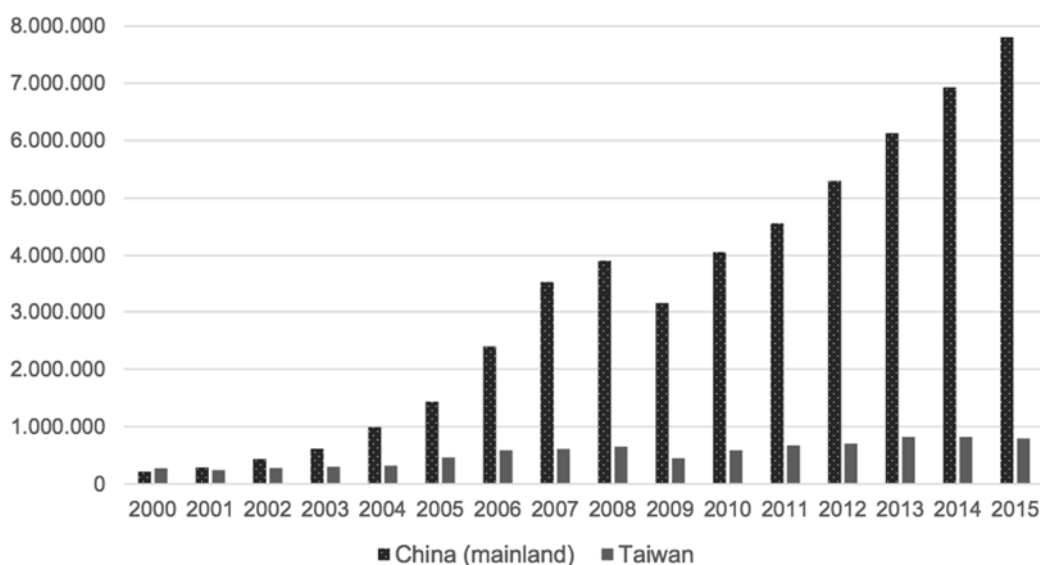


Figure 5: Total trade flows (imports and exports) between Central America and mainland China, and Taiwan, 2000-2015 (in thousands of US dollars)

Source: Authors' elaboration with data series from the Secretariat for central American Economic Integration (SIECA)

As in the previous cases of Argentina, Bolivia and Brazil, the balance of trade with Central America favours China by and large. Exports from Central America to mainland China and also to Taiwan have increased significantly (though unevenly) since 2001, as depicted in figure 6 below.

¹⁰⁵ http://www.sica.int/sica/sica_breve_en.aspx Accessed on April 12, 2016.

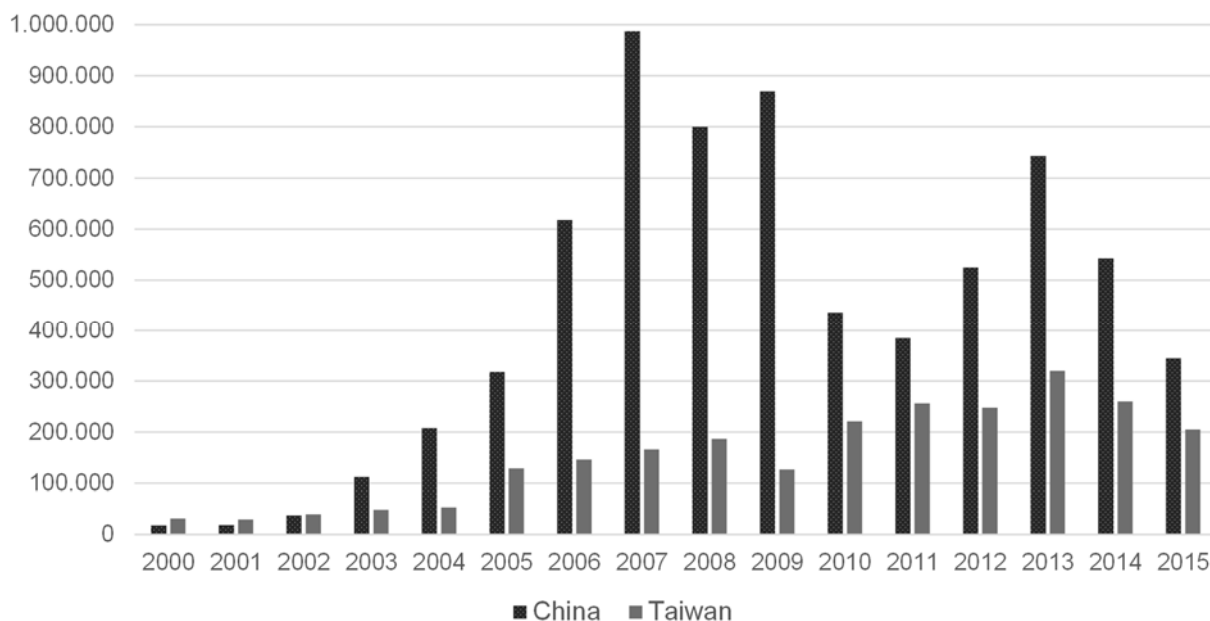


Figure 6: Exports from Central America to mainland China and Taiwan, 2000-2015 (in thousands of US dollars)

Source: Authors' elaboration with data series from the Secretariat for Central American Economic Integration (SIECA)

With the exception of Costa Rican exports of electronic parts, the bulk of Central American exports to China consists of agricultural-, livestock-, and natural resource-based commodities, most distinctively sugar, beef, wood, copper, and other metallic minerals¹⁰⁶. In spite of the enhanced market access for Central American sugar to the US market through the US, Central America and Dominican Republic free trade agreement (DR-CAFTA), China overtook the US as the main export destination of Central American sugar in 2013¹⁰⁷.

Both of the trends discussed with regards to trade relations apply also to development finance cooperation. On the one hand, mainland China and Taiwan use development finance as an important means of diplomatic leverage in the politics of Taiwan's recognition by other states. Table 1 shows how Taiwan's International Cooperation and Development Fund (ICDF) focuses on institutional capacity building and social development issues while China's development banks' loans are oriented towards transport, energy, recipient country's macro-economic stability, and (large) infrastructure development projects. The amount loaned by China (mainland) by far outweighs that of Taiwan. The amount of the standing Chinese loans to Central America between 2005 and 2013 was almost seventeen times that of those from Taiwan between 2005 and 2016.

¹⁰⁶ SIECA database, accessed on May 20 2016:
<http://estadisticas.sieca.int/Estadisticas/PrincipalesProductosP.asp>

¹⁰⁷ USDA, Guatemala Sugar Annual.

Table 1: Chinese (2005 to 2013) and Taiwanese (2005 to 2016) loans to Central America (in thousands of US dollars)

Donor country	Recipient country/ institution	Date	Purpose	Lender	Amount
China (mainland)	Costa Rica	Jan-08	Government bonds	China State Administration of Foreign Exchange (SAFE)	300.000
		Jun-13	New public transportation vehicles	China Export-Import Bank	101.000
	Honduras	Sep-13	Patuca III hydroelectric project	Industrial and Commercial Bank of China (ICBC)	298.000
Total amount lent by China (mainland)					699.000
Taiwan	Belize	Feb-16	Capacity building project for the prevention and control of chronic renal failure	Taiwan's International Cooperation and Development Fund (ICDF)	2.153
	El Salvador	Jan-15	Capability enhancement in using geographic information systems	Taiwan's ICDF	326
	Honduras	Feb-15	Capability enhancement in using geographic information systems	Taiwan's ICDF	1.000
	Nicaragua	Jan-14	Capability enhancement in using geographic information systems	Taiwan's ICDF	1.320
	Central America/ The International Regional Organisation for Plant and Animal Health (OIRSA)	Dec-12	Strengthening control of huanglongbing (HLB) and the implementation of integrated pest management in citrus project	Taiwan's ICDF	6.561
	Honduras and Nicaragua	Mar-07	CABEI Special Fund for the Social Transformation of Central America—Social Infrastructure Project—FETS II	Taiwan's ICDF	10.000
	Central America/ Central American Bank for Economic Integration (CABEI)	Dec-09	CABEI-ICDF Fund for Consulting Service	Taiwan's ICDF	1.000
	El Salvador and Nicaragua/ Interamerican Development Bank (IDB)	Mar-06	IDB/MIF—Specialized Financial Intermediary Development Fund	Taiwan's ICDF	15.000
	Honduras, El Salvador, Nicaragua/ IDB	May-12	Specialized Financial Intermediary Development Fund— Próspero Microfinanzas Fund	Taiwan's ICDF	2.500
	Honduras, El Salvador, Nicaragua, Guatemala/ CABEI	Dec-08	Taiwan Technical Assistance Fund (education)	Taiwan's ICDF	200
	Honduras, El Salvador, Nicaragua, Guatemala/ CABEI	Dec-08	Taiwan-CABEI Technological and Vocational Education and Training Student Loan Fund	Taiwan's ICDF	2.000
Total amount lent by Taiwan					42.060

Source: Authors' elaboration based on Gallagher et al. 'The New Banks in Town', and Taiwan's International Cooperation and Development Fund (ICDF)¹⁰⁸.

Regarding foreign direct investment (FDI), Taiwan has a longer history of offshore investments in the region, particularly in the textile industry and finance intermediation, dating back to the late 1980s and 1990s. Mainland Chinese FDI in the region gained some momentum from the mid-2000s onward with offshore investments mostly in Costa Rica, Honduras, and Panama. At face value, then, Figure 7 depicts how Taiwan's FDI in Central America largely outweighed that of China (mainland) during the first decade of the 21st century.

¹⁰⁸ Accessed on May 17 2016

<http://www.icdf.org.tw/lp.asp?ctNode=30083&CtUnit=172&BaseDSD=100&mp=2>

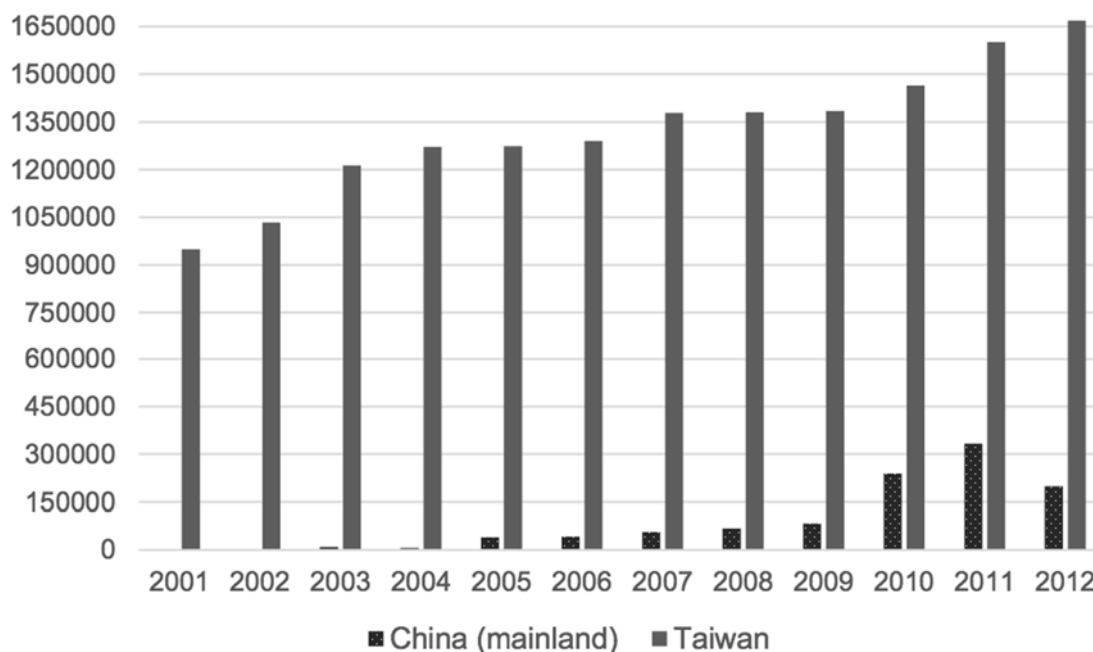


Figure 7: Stocks of foreign direct investment from China (mainland) and Taiwan in Central America, 2001-2012 (in thousands of US\$)

Source: Authors' elaboration with data from UNCTAD FDI/TNC database. Accessed on April 5, 2016.

Notwithstanding there are two aspects worth discussing about China's natural resource-related investments in Central America. On the one hand, there are a few cases of failed macro-investment projects from Chinese corporate actors (public and private). Two meaningful examples of these failed macro-investments in the natural resource realm include the halting in 2013 of a US \$1.5 billion petrochemical refinery modernization project in Costa Rica due to a violation of governmental conflict of interest guidelines¹⁰⁹. The project was to be financed with US \$900 million credit from the China Development Bank, and the remaining \$600 million would be put up by the China National Petroleum Corporation and Costa Rica's National Refinery¹¹⁰. A second example is the closing in 2011 of an iron sand mining project by the Guatemalan Government due to non-compliance of environmental requirements by Tikal Minerals, a subsidiary of the Chinese-Australian Maya iron Corporation¹¹¹.

On the other hand, data on bilateral direct investment from the UNCTAD FDI/TNC database is only available up to the year 2012. Although very controversial and not yet realized, an exceptionally large investment of US \$60 billion was announced in 2013 to build a trans-oceanic canal by a private Chinese firm in Nicaragua rivalling that of Panama¹¹². In the meantime, the same company "is working to establish the groundwork for telephone and internet services, bringing \$100 million USD worth of equipment to Nicaragua in 2014"¹¹³. Further, the China Machine New Energy Corporation has undertaken the construction of electricity generation facilities in Guatemala and Honduras, while China's Sinohydro Corporation has neared completion of a new hydroelectric dam on Honduras'

¹⁰⁹ Denjean et al., G20 subsidies to oil, gas and coal.

¹¹⁰ Ibid.

¹¹¹ CentralAmericaData 'Guatemala Revokes License for Iron Prospecting'
http://www.centralamericadata.com/en/article/home/Guatemala_Revokes_Licenses_for_Iron_Prospecting
accessed on April 9 2016.

¹¹² Shortell and Welch, 'Chinese Presence Challenges Taiwan's Influence'.

¹¹³ Ibid.

Patuca River [as recorded in Table 1 above]. China Harbour Engineering Company expressed interest in Honduras' Palmerola Airport bidding process in 2013, though ultimately chose not to participate. The firm also reportedly gained government approval to conduct a feasibility study on a cross-country railroad in 2013¹¹⁴.

After this quick review of China's relevance in and around current accumulation projects based on the exploitation of natural resources in Central America, it can be argued that regardless of most Central American countries' diplomatic recognition of Taiwan, both state and corporate actors in Central America are joining the mainland Chinese economic powerhouse bandwagon. The sort of primary commodities demanded by China, the projects funded by its development financial cooperation and, to a lesser extent, the offshore investments in which Chinese companies are involved, all provide agro-industrial, energy, and mining companies in Central America with positive (and long-term) market signals.

4 Implications for agrarian transformation: Emerging partnerships or a new imperialism?

China's economic and political influence is certainly growing across the LAC region, in countries governed by both progressive and conservative regimes. In 2015, Beijing hosted the Community of Latin American and Caribbean States Summit – a 33 country bloc that excludes the United States and Canada – where Chinese President Xi Jinping pledged to invest USD \$250 billion over the next 10 years in LAC, while two way trade is expected to rise to USD \$500 billion over the same period¹¹⁵. Diminishing economic returns in China, associated with decreased natural resource availability and increased social and environmental standards have encouraged new investment, financial, and trade relations abroad. The so-called 'workshop of the world' is in need of securing access to natural resources and new markets in order to transfer both its surpluses of capital and labour supply abroad.

But while these 'emerging partnerships' may be framed as mutually-beneficial 'south-south' cooperation, they continue to reinforce similar relations of production and resource control which have plagued development trajectories throughout LAC countries for centuries. The main difference, one could argue, is the lack of fiscal and monetary conditionalities imposed by the lender (China), seemingly allowing the borrowing countries to maintain sovereignty over their economic policies. The new conditionalities of the 'Beijing Consensus', however, come in the form of Chinese capital and labour requirements. But these 'conditionalities' are accompanied by a more relaxed regulatory framework, which, for the largest LAC lenders¹¹⁶, lack industry-specific social and environmental standards, do not require compliance with international environmental regulations, do not have grievance mechanisms, lack an independent monitoring and review process as well as ex-post environmental impact assessment¹¹⁷. Evidently, regulatory mechanisms do not guarantee effectiveness or accountability, but the lack thereof eliminates the potential to hold companies accountable – which, for Chinese lenders, implies Chinese companies.

The 'Beijing Consensus' not only fails to create virtuous cycles of industrial development for the domestic economy since foreign capital controls most of the production and resources involved, it is also potentially leading to fewer labour opportunities for local populations as many contracts with

¹¹⁴ Ibid.

¹¹⁵ Rajagopalan, 'China's Xi Woos Latin America'.

¹¹⁶ From 2005-2015, Chinese loans to China were from China Development Bank, CBD (USD \$100.6 billion) and China's Export-Import Bank (USD \$24.1 billion) (Gallagher and Myers, 2014)

¹¹⁷ Ray et al., 'China in Latin America'.

Chinese companies entail a Chinese labour force. Moreover, the terms of trade between most LAC countries and China can actually accentuate a combined process of *deindustrialization and reprimarization*, since they continue to extract non-value added raw materials for export, and import heavily industrialized value-added goods. Chinese imports discourage domestic industries in LAC from producing those goods and jeopardize the ability to diversify their economies. At the same time, a focus on primary goods has fueled the ongoing expansion of corporate-controlled, large-scale agriculture, which favors labor-saving mechanization and export-oriented production of crops like soybean and sugarcane. As a result, many LAC countries are seeing ongoing processes of agrarian transformation that undermine rural working classes' livelihoods, extract wealth from local agrarian economies, and are highly dependent on volatile commodity prices and Chinese demand. So, while the 'Beijing Consensus' may be applauded for its non-interference in the political sphere and respect for 'state sovereignty', it may also erode resource sovereignty and render the economy dependent on a 'commodities consensus'¹¹⁸ heavily influenced by Chinese demand and resource control, even if this control is ceded by LAC governments. However, it is important to recognize that Chinese investors in Latin America or elsewhere are not homogeneous. The Chinese state, quasi-state owned companies, banks, private capital and individual entrepreneurs have different characteristics and respectively might have different political and economic arrangements and thus lead to variegated trajectories of agrarian change. While this was omitted in this preliminary analysis, these different types of Chinese investments require more detailed analyses in the future.

Nonetheless, across Latin American countries, classes of capital involved (even if partially) in these accumulation projects in the realms of land and natural resources of relevance for Chinese interests are still profiting. It seems that, indeed, Deng Xiaoping's maxim about the game of 'cat and mouse' is playing out across Latin America as China continues to finance, trade with, and to a lesser extent invest in land and natural resource-intensive commodity production in countries controlled by both progressive and conservative governments across the LAC region. For resource-rich countries of Latin America, these new and increasing relations are likely to intensify existing dependence on (agro) extractive industries, including soybeans, reinforcing existing relations of access and control over resources as Chinese state and private capital collude with the established classes of capital and the state in Latin America.

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¹¹⁸ Svampa, 'Consensus de los commodities'.

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Agro-extractivism inside and outside BRICS: agrarian change and development trajectories

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About the Author(s)

Ben McKay is a PhD candidate at the International Institute of Social Studies (ISS) researching on the political economy of the soy complex in Bolivia, focusing on state-society-capital interactions and formations in the context of the rise BRICS, particularly Brazil as the major agro-industrial power in the region. He has carried out research and maintains research interests on the politics of agrarian transformation in Venezuela, Bolivia, Brazil and Colombia and has published on a diverse range of issues including food sovereignty, flex crops (sugarcane), political economy of soy in Bolivia, biofuels (forthcoming), and agrarian extractivism (forthcoming). He is also part of the BICAS secretariat and co-editor of the BICAS Working Paper Series.

Email: benedict.mckay@gmail.com

