

**FROM THE COMMODITY ILLUSION TO REGRESSIVE SPECIALIZATION:
SOUTH AMERICA, CHINA AND THE NEW STAGE OF DEPENDENCY IN
THE XXI CENTURY**

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ABSTRACT: The present work, inspired by contributions from the Dependency Theory and Structuralism, makes a critical investigation of the links between South America and China; with emphasis on the complexity of their productive regimes and strategic natural resources. In this decade, we witnessed the economic slowdown and crisis in many of the countries of the continent, responsible for the exhaustion of the political cycles of progressive governments and growth with income distribution and social inclusion. The Chinese rise, which years ago led to a supposed window of opportunities with its growing search for commodities, now leads to less idyllic and more worrying interpretations regarding the ties with the Asian power. With these concerns, we will build an analysis of the empirical data referring to the Chinese performance in the region, within the framework of the first two decades of the XXI century, so that such radiography will be able to respond if the Sino-South American cooperation has served to take advantage of the potentialities of the continent or if it would be simple rhetoric hiding a resignified pattern of dependence.

KEY WORDS: South America — China — Dependency — Structuralism — Natural Resources — Regressive Specialization.

I. Introduction: South America and China in the XXI century

In the global political economy and in the complex geopolitical landscape of international relations, South America outstands as an important strategic region for capitalist accumulation and for the different hegemonic centers, with China in particular having preponderance since the beginning of the XXI century and being currently one of the largest trade and investment partners of most of the South American countries.¹

Both foreign trade flows and direct investment of the Asian giant in the countries of the continent have grown exponentially, mainly since the country's entry into the World Trade Organization (WTO) at the end of 2001. Such entry would unleash a new nature of

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¹Excepting intraregional trade, only Venezuela and Ecuador did not have China as the main destination for their exports, within the framework of national cases analyzed here.

ties between South America and the global political economy, which is precisely the starting point of our time frame, which extends until 2016 with the promulgation by the Chinese government of the “*Policy Paper on Latin America and the Caribbean*”, once again assuming the strategic importance of the continent as a whole for the Asian power.²

The trajectory of such flows kept upward despite the very oscillations of their economies, being unscathed both in the years of boom in the first decade of the century and also during the general deceleration of growth observed some years after the financial crisis of 2008, responsible for the exhaustion of a good part of the so-called progressive governments of the “pink tide” and the arrival in power of actors of more liberal ideological profile.³The strengthening and interdependence of such relations, however, has become a factor of relative macro-structural reconfiguration: in a region traditionally and geopolitically influenced by the USA, the greater ties with China in the reorientation of the productive course materialized new economic and political paths (Pecequillo 2013).

However, the new configuration of Sino-South American relations is still under construction, raising more and more questions whether it would be able to establish cooperative South-South relations or whether it will reproduce asymmetries and old hierarchical patterns (although repainted by a diverse conjuncture), historically characteristic of North-South economic relations. Modify the international conditions affecting South American nations requires the establishment of insertion strategies committed to overcoming the profile of mere commodity exporters in terms of relations towards the dynamic poles of the global economy. In this sense, our hypothesis assumes that, despite the fact that Chinese investments and commercial relations have grown in recent years, all these processes were not related to a new configuration of “South-South” relations, but to the old model of hegemonism of “North-South” economic relations (these relationships are inserted in a typology that will be nuanced in Section 3). Thus, a study from the point of view of international political economy, based on a realistic trait and considering geopolitical aspects, is of great importance to reflect on the type of relationship that is being constructed.

In this article, we gave preference to operationalizing analytically South America instead of Latin America for two main reasons: *a*) in South America the intensification of bilateral ties with China is more pronounced and marked by primary products; and *b*) Central and North America (where Mexico evidently poses centrality) still keeps the United States as main trading partner. Even the Mexican case has both with it and with China itself ties of a different nature, as is clear from its “maquiladora” structure constituting the production process linked to the US, which in turn floods Mexico with finished products of higher value added.⁴Currently, for example, the penetration of Chinese manufactured goods in the US market (and also in the Mexican market itself)

²The full document can be consulted in Xinhua (2016).

³We point, in this sense, the election of Mauricio Macri to the presidency of Argentina in 2015; of Pedro Pablo Kuczynski in Peru in 2016; of Lenin Moreno in Ecuador in 2017 and of Sebastián Piñera in Chile in 2018. This not to mention the controversial process of impeachment that deposed President Dilma Rousseff in Brazil and brought to power his former vice-president Michel Temer (with an active participation to overthrow her). All these new leaders, to a greater or lesser extent, were responsible for a switch in economic policy towards a more orthodox and liberalizing orientation.

⁴This characteristic of the Mexican productive structure, being fruit of the globalisation process ongoing for decades, is well described by Calderón (1995) and Medeiros (1997).

made the Asian power a competitive rival regarding the Latin American country, with latent losses to its trade balance and payments' (Mendoza 2015).⁵

Considering also the recent paradigm shift of the Chinese economy towards the so-called “New Normal”, where exports and the external market lose a bit of centrality in the government’s guidelines in view of the desired expansion of consumption and domestic demand, this change directly and undeniably reflected in negative externalities for the precariously diversified South American economies (Moura 2015). In this way, despite the geopolitical reconfiguration of the region regarding another center of world power, its external vulnerability and dependence on exports of primary resources is increasingly magnified, becoming a determinant factor for the research hypothesis of the present work.

Due to issues of scope and size of this article, we selected the eight countries that constituted, in 2016, those with the greatest economic weight in the region, according to the table below:

Table 1 – Eight largest economies in South America, 2016

	GDP (constant 2010 US\$; billions)	GDP per capita (current US\$)
Brazil	2.257,907	8639,36
Argentina	447,518	12654,35
Colombia	366,457	5756,86
Chile	267,904	13960,89
Peru	193,653	6031,36
Venezuela ⁶	421,394	15692,413
Ecuador	85,057	6018,52
Uruguay	48,363	15298,35

Source: World Bank, *World Development Indicators*.

Our methodology will be qualitative, interpreting in light of the mobilized literature the empirical data abstracted from primary sources such as official agencies (governmental or not) and secondary such as specialist authors. It is also pertinent here to point out that one of our main sources consulted will be “*The Atlas of Economic Complexity*”: an extremely relevant, dynamic and interactive database with indicators related to trade, industry and technological capacity of the most different countries.⁷

Thus, the article has the following structure: first, we bring our theoretical framework used for the analysis, understanding the contributions of both Dependency Theory and also ECLAC’s Structuralism. Emerging in post-war Latin American thought to interpret the salient problems of the productive regimes of the continent and their import substitution industrial models, we argue here that both approaches remain endowed with relevance for addressing current issues in South America in its link with the global

⁵Bearing in mind that, due to the structural characteristics alluded, more than 70% of Mexican exports are destined for the North American market (Hausmann *et al.*, 2014).

⁶For Venezuela we use indicators for 2014 due to the unavailability of more recent data.

⁷The database is an extension of the mapping originally brought by Ricardo Hausmann, César Hidalgo and other talented MIT economists (Hausmann *et al.*, 2014); and can be consulted on the web(<http://atlas.cid.harvard.edu/>).

economy. Next, we present an outline of the evolution of the commercial relations between South America and China throughout the commodity cycle, explaining how it is intimately linked to the performance (both in the ascending/virtuous and in the fall trajectory observed later) of the countries of the region and also the shaping of a new structural profile for them. The fourth section, in turn, will make a radiography of the profile of Chinese investments in the region, in order to bestow support to our hypothesis of a new dependent stage and also to corroborate the extractivist profile of the Asian country's regional insertion. The last section of the article will summarize our concluding remarks.

II. The Latin American historical contributions of Dependency Theory and Structuralism

The assumption that China's presence in South America can be interpreted as a new stage of South American dependence has been a topic of debate in academic circles, mainly since the 2000s, when its insertion in the region can be verified with greater intensity. However, in order to make an evaluation of this hypothesis, it is convenient to establish the theoretical frameworks of what is understood as dependence and, thus, its historical relationship with South America, so that Chinese activity can be understood – or not – as a new stage in this process.

The dependency theory visions has sought to understand the specificity of the peripheral South American countries, visualizing them as an integral part of the world system, moving away from any egalitarian illusion in relation to capitalist development.⁸ In his works, Theotonio dos Santos has tried to understand the specificity of the periphery and the relationship that the dependence of those countries imposed on their development in the capitalist system. For him,

Dependency is a situation in which a certain group of countries have their economy conditioned by the development and expansion of another economy to which their own is subject. The relationship of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and self-boost, while other countries (the dependent ones) can only do so as a reflex of that expansion, which can act positively and/or negatively on its immediate development. In any case, the situation of dependency leads to a global situation of the dependent countries that place them behind and under the exploitation of the dominant countries (Santos 2011, p.361).⁹

⁸ In the theoretical framework of dependency there is no homogeneous thought, but several currents and interpretations. This heterogeneity of analysis on the issue of dependency arises from debates and theoretical disputes made during the 1960s and 1970s. Two great visions were established: that of Fernando Henrique Cardoso and Enzo Faletto, and that of Theotonio dos Santos, Ruy Mauro Marini, Vania Bambirra and Orlando Caputo. The first theorized the dependence to accept it as the pattern of development and domination of Latin American societies; the second has sought to overcome the dependency's condition. In our view, this second current would be the most original, of the "Marxist-revolutionary dependency" style, which generated a theoretical, historical and dialectical basis between the specific factors of the Latin American reality and the transformations of the capitalist world system in order to build a critical interpretation of the role of South America (and Latin America) within that system. Thus, it helped to think appropriate political ways of overcoming the characteristic contradictions of the peripheral and dependent condition by means of the socialist revolution.

⁹ "La dependencia es una situación en la cual un cierto grupo de países tienen su economía condicionada por el desarrollo y expansión de otra economía a la cual la propia está sometida. La relación de interdependencia entre dos o más economías, y entre estas y el comercio mundial, asume la forma de dependencia cuando algunos países (los dominantes) pueden expandirse y autoimpulsarse, en tanto que otros países (los dependientes) solo lo pueden hacer como reflejo de esa expansión, que puede actuar positiva y/o negativamente sobre su desarrollo inmediato. De cualquier

In its essence, the development of South American countries has particular patterns, which are linked to the situation of economic, social and political domination to which they are subject. Thus, these specific patterns determine a dependent development that has the fundamental characteristic of exploitation both within the scope of the national economies themselves, and in the relationship between these and the great centers of world power.

In Vania Bambirra's vision, dependent capitalism has a character and a mode of operation that are intrinsically connected to the dynamics assumed historically by capitalism in the central countries, inserting the dependent economies themselves into their strategic policies worldwide. For her, dependency would be redefined and used

as a fundamental analytical-explanatory category of the Latin American societies, and through them, we try to define a specific determining factor that the relations of dependence between the center-hegemonic and peripheral have created, conforming certain specific types of economic, political and economic structure (Bambirra 2012, p.38).¹⁰

In this way, the "backwardness" of the South American dependent countries

was a consequence of the world capitalist development and, at the same time, to the development's condition of great global capitalist powers. The developed capitalist countries and the peripheral countries form a historical unity, which turned out to be the unfolding development of some and the inexorable backwardness of others (Bambirra 2012, p.44).¹¹

Ruy Mauro Marini was another dependentist author who defined it in terms of a relationship of subordination between formally independent nations, in which the productive relations of the subordinate nations are modified or recreated ensuring the expanded reproduction of dependence (Marini 1991). In his systemic vision, Marini states that:

The participation of Latin America in the world market will contribute to the axis of the accumulation in the industrial economy moving from the production of absolute surplus value to that of relative surplus value, that is, the accumulation becomes more dependent on the increase in capacity productive of the work that simply of the exploitation of the worker. However, the development of Latin American production, which allows the region to contribute to this qualitative change in the core countries, will occur mainly based on greater exploitation of the worker (Marini 1991).¹²

Therefore, the essence of dependency rests on two theoretical elements that consist the contradictory nature of South American development: subimperialism and the super-exploitation of labor, the latter identified in three mechanisms: the intensification of work,

forma, la situación de dependencia conduce a una situación global de los países dependientes que los sitúa en retraso y bajo la explotación de los países dominantes" (Santos, 2011, p.361).

¹⁰ "Como categoria analítico-explicativa fundamental da conformação das sociedades latino-americanas e, através delas, procuramos definir o caráter condicionante concreto que as relações de dependência entre centro-hegemônico e países periféricos tiveram no sentido de conformar determinados tipos específicos de estruturas econômicas, política e sociais atrasadas e dependents." (Bambirra, 2012, p.38).

¹¹ "Foi uma consequência do desenvolvimento do capitalismo mundial e, ao mesmo tempo, a condição desse desenvolvimento nas grandes potências capitalistas mundiais. Os países capitalistas desenvolvidos e os países periféricos formam uma mesma unidade histórica, que tornou possível o desenvolvimento de alguns e inexorável o atraso de outros" (Bambirra, 2012, p.44).

¹² "La participación de América Latina en el mercado mundial contribuirá a que el eje de la acumulación en la economía industrial se desplace de la producción de plusvalía absoluta a la de plusvalía relativa, es decir, que la acumulación pase a depender más del aumento de la capacidad productiva del trabajo que simplemente de la explotación del trabajador. Sin embargo, el desarrollo de la producción latinoamericana, que permite a la región coadyuvar a este cambio cualitativo en los países centrales, se dará fundamentalmente con base en una mayor explotación del trabajador" (Marini, 1991).

the prolongation of the working day and the expropriation of part of the work necessary to the worker to replenish his work force (Marini 1991).

The authors of this branch seek to understand the formation of South American peripheral economies based on the process of capital accumulation. In this sense, they take for example the narrow consonance of the historical evolution of South America with the dynamics of global capitalism, seeking to demonstrate that the incorporation of the region in the world market was essential for the process of transferring the axis of accumulation in the central countries. Thus, Marini (2012) notes that the history of the region underdevelopment is confused in the middle of the history of the development of the world capitalist system itself; in which underdevelopment was established not as non-development, but as the development of a subordinate trajectory within the world economy (Martins 2011, p.230).

Another particular focus of the Marxist theory of dependency would be found not only in economic but also political terms. Political dependence was understood not only as the imposition of foreign interference at the national level, but, above all, as part of a dependency

“[...] which makes the decision-making process on the part of the ruling classes – according to 'national' political interests - as dependent. This kind of countries are a constituent part of the international capitalist system, their ruling classes have never enjoyed a real autonomy to direct and organize their respective societies. The situation of dependency ends up by confronting structures whose characteristics and whose dynamics are subjugated to the forms of functioning and the laws of movement by dominant structures” (Bambirra 2012, p.143-144).¹³

In this context, South America is deeply intertwined in the current scenario with the interests of accumulation of power and wealth of the great powers that are launched on the region seeking monopolistic control of its markets and energy sources, renewable and non-renewable, strategic natural resources, large water reserves, great potential for food production and rich biodiversity. These facts will be corroborated by the present work, seeking to demonstrate that the present Chinese participation in the region is visualized as ignition for a new dependent stage of South America, once the dependence of the productive structure of the South American countries has intensified since the decade of the years 2000.

As well as Dependency Theory, Structuralism was also embedded in an important post-war Latin American critical thinking tradition, seeking to break with the assumptions of neoclassical and orthodox theories that were restrictive or irrelevant to the peripheral world (Kay 1989).¹⁴ Although with pioneering character on the continent, structuralism

¹³“Que faz com que o processo de tomada de decisões por parte das classes dominantes – em função dos interesses políticos ‘nacionais’ internos – seja dependente. Como os países dependentes são parte constitutiva do sistema capitalista internacional, suas classes dominantes jamais gozaram de uma real autonomia para dirigir e organizar suas respectivas sociedades. A situação de dependência termina por confrontar estruturas cujas características e cuja dinâmica estão subjugadas às formas de funcionamento e às leis de movimento das estruturas dominantes” (Bambirra, 2012, p.143-144).

¹⁴The historical context in which ECLAC emerged was one of an acute crisis in the world economy and the collapse of multilateralism and international trade throughout most of the 1930s. During this period, too, the Modern Theory of Economic Development would have emerged, constituting a new course for the discipline that was consolidated in the 1950s thanks to the attack undertaken by the Keynesian revolution against the neoclassical orthodoxy prevalent in the discipline until then. In an environment where economic science was generally dominated either by neoclassical theories or by Keynesianism, almost all theoretical schools had a belief in the existence of a universally valid recipe book to accelerate growth. However, many of the concepts of these theories were restricted and irrelevant, owing to the profound differences between the developed and the underdeveloped (Nery, 2011, p.31-2).

had less impact on development studies vis-à-vis dependence theory, with only some of its elements absorbed by the center.

Structuralist thinking is associated with the Economic Commission for Latin America and the Caribbean (ECLAC), established by the UN in Santiago, Chile in 1947. With its initial visions focused mainly on the Southern Cone (given the very location of its office), ECLAC can be defined as the first genuine school of Third World critical thinking, whose originality lay in the understanding of development and underdevelopment as constitutive parts of a single process (Kay 1989; Nery 2011). Thus, from a holistic perspective, they argued that international trade was unequal and widened the disparities between the hegemonic center and the periphery within an integrated whole (Kay 1989, p.25-6).

The document that served as a basis for all ECLAC's thinking would be the "Latin American Manifesto" (*Manifiesto Latino-Americano*); or, in its original name, "The economic development of Latin America and some of its main problems" (*El desarrollo económico de América Latina y algunos de sus principales problemas*), written by the Argentine Raúl Prebisch in 1949. The central concepts that appear in its classic reflection would be the center-periphery dichotomy and the deterioration in terms of trade, consistent to describe the asymmetrical nature of the diffusion of technical progress and the distribution of its profits among different nations (Prebisch 2011; Nery 2011). In this final part of the section, therefore, we will reconstitute better in the next paragraphs these two axes of structuralist thought that we consider particularly relevant for the Sino-South American analysis in the present day.

The influence of liberal visions in that context tended to favor the status quo in the international division of labor (IDL); benefiting sectors linked to external capital and the primary export sector. Structuralist exponents, contributing with an emphasis on the specificities of marginalized countries in the global economic hierarchy, sought to refute such visions, which in turn proclaimed the primary specialization of the region under the false premise that international trade would eventually equalize the income of nations (Kay 1989). Such premise, almost untouched in theory, was fraught with two major problems: its generalizing character, when the empirical reality showed that the technological fruits were concentrated only in large industrial countries; and the precarious reality of world trade and external demand from the 1930s (Prebisch 2011).¹⁵

Thus, in short, there was a clear understanding that the processes of accumulation of capital and wealth would occur differently between the two sets of countries. Added to this is the fact that, at the center, the shortage of labor force led to social pressures for wage increases and homogenization of economies; while, concomitantly, on the periphery, there was a reinforcement of traditional structures of domination and marginalization (Nery 2011).¹⁶ECLAC and its exponents, with their historical-structural method, made an analysis of the specificities of underdeveloped nations, envisaging the overcoming of backwardness only through the constitution of a sophisticated industrial

¹⁵In the decades preceding the Great Depression, Latin American countries grew driven by the persistent increase in exports to the developed world. However, this exposed the region even more intensely to the cyclical exogenous oscillations of the international economy, which manifests itself in a much more deleterious way in the periphery, which in turn is not able to regulate its investments (Prebisch, 2011, p. 138).

¹⁶It was such structures of domination, coexisting in the midst of a dynamic sector exporter of primary goods and also a sector of subsistence, that gave the peripheral economies the label of "dualists" (Kay, 1989).

structure to change such a picture. Only the industry would be able to diversify the peripheral economies, allow a jump in productivity and redistribute profits for the masses not inserted in a consumption market (Prebisch 2011).

The first central pillar of structuralist thinking, the center-periphery dichotomy was initially dubbed in reference to the imbalance engendered in the IDL by the Industrial Revolution (Prebisch 2011). The diffusion of technical progress derived from it was uneven: it gradually formed an integrated and homogeneous economic ensemble in the industrialized center (internationalizing new technologies through industries of capital goods), which, in turn, relegated to the periphery a rudimentary, insignificant and in some cases nonexistent manufacturing sector (Kay 1989; Prebisch 2011). Thus, peripheral countries were simply restricted to “outward” primary exporting models, with all the high productivity derived from these sectors being transferred to the center by the deterioration in terms of trade that is described in the next paragraph.¹⁷

The explanation for the deterioration in the terms of trade, in turn, was built on the theories of international trade in vogue, based on the aforementioned theory of comparative advantages of David Ricardo.¹⁸ According to ECLAC, specialization in raw materials structurally limited growth prospects for South American countries (Kay 1989; Nery 2011; Medeiros and Serrano 2012). This was due to the fact that in the long term, despite occasional brief periods of oscillations, there was a consolidated trend of commercial devaluation of terms of primary goods in relation to manufactured goods. In this way, the periphery would have to export an increasing quantity of raw materials to compensate imports of industrial products, which, incidentally, only grew with the momentary improvements in the consumption power of the domestic market.¹⁹ The most conspicuous consequence of this phenomenon would be a frequent occurrence of structural and systematic problems in the balance of payments in South American countries, with constant currency crises (Nery 2011; Medeiros and Serrano 2012).

In light of what we have seen so far, we highlight some issues raised. Conscious that Dependency Theory and Structuralism are separated from the current world order for decades, having arisen to account for problems related to the political economies of the region and the inequities and contradictions of their industrialist models, we nevertheless consider – disregarding anachronisms – that their approaches are useful for the debate proposed in this article. South American ties to the capitalist system are here taken in an integrated way, with consideration for hegemonic centers (being China a rising power in that matter); and there are strong trends and elements observed from the beginning of the twenty-first century that seem to point to a new stage of deepening dependency.

¹⁷ This was only changed, as has been said, with the 1929 “crash” and the Great Depression, which stimulated industrializing strategies that substituted imports for the domestic market in most Latin American countries. It was the only way out of the erosion of the financial integration of the periphery with the center as a function of the generalized insolvency of the former, collapsing the prices of agricultural and mineral products (Medeiros and Serrano, 2012).

¹⁸ According to this theory, commodity producing countries would have no need to industrialize because they would produce less efficiently and lose the advantages that trade gave them in their export products that they already contained within dynamic structures (Nery, 2011: p.45).

¹⁹ The deterioration in terms of trade is fundamentally of Prebisch’s analysis, which focused both on the conditions of demand and supply of the commodities market. This would occur as a function of different income elasticities of demand for imports in the center and in the periphery, characterizing the so-called “Engel Law”. In other words, imports of primary products from the periphery by the center rise at a slower rate than the growth of national income, while imports of manufactured goods from the periphery of the center rise above income (Kay 1989, p.33).

This stage is due, among other things, to the increasingly latent subordination of the South American countries to the Chinese growth strategy, shaping the political and economic senses of them to its imperative for energy and food security. China's consolidation as the main manufacturing pole in the capitalist dynamics of today's world finds, on the other side of the coin, South America increasingly specializing in the exports of natural resources to serve it, becoming once again extremely vulnerable to oscillations in international trade (whose demand comes increasingly from the Asian power) and the prices of such products, exogenously determined. About all these aspects we will speak in the following two sections, which will finally penetrate the profile of Sino-South American relations.

III. Sino-South American relations amidst the apogee and decline of the commodity cycle: a study through the perspective of trade and complexity

After the previous section, where we elucidated our interpretative theoretical framework, in the present part of the article and in the following we will make a synthetic radiography of the relations between China and South America in the XXI Century regarding two vectors: the nature of bilateral trade relations and the investment pattern. Thus, we will trace the role of the Asian giant in the recent directions of the countries of the continent; corroborating or not our hypothesis with two analytical axes that dialogue directly with ECLAC's Structuralism and with the Marxist branch of Dependency Theory, respectively.

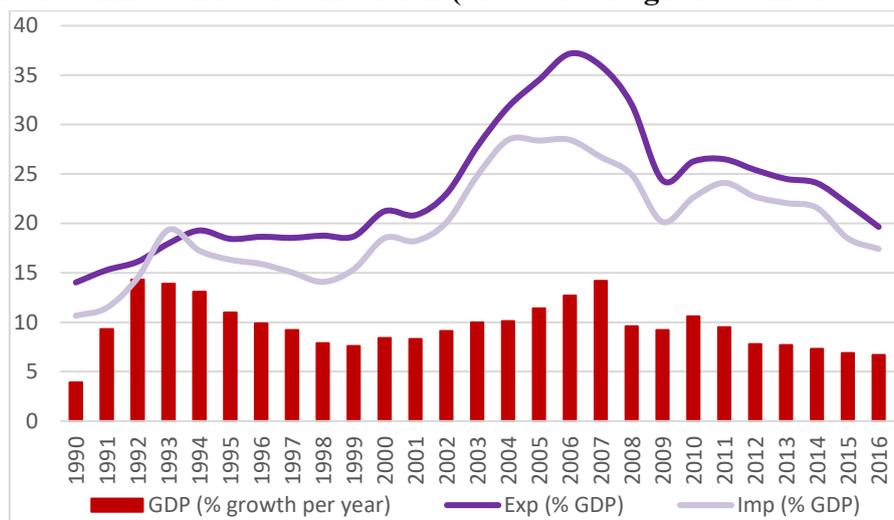
To facilitate a little bit more the analysis carried out in this section, we will also segment the commodity cycle in two phases: an ascending and a descending one; with the point of "rupture" coinciding with the financial crisis of 2008 and its unfolding, reorienting the Chinese growth pattern and at the same time generating severe consequences to the regional dynamics. In the following paragraphs, we briefly summarize some of the main characteristics of the Chinese reforms to contextualize their insertion in the WTO in 2001; so that later we can discuss its growing political and economic participation in the region.

With the opening-up process launched by Deng Xiaoping with the III Plenary Session of the 11th meeting of the Central Committee of the Communist Party of China (CPC), the country adhered to a sequence of economic reforms guided by a hybridism between a planning State and liberalizing elements, enabling the commercial and productive integration in the global chains (Amsden *et al.* 1996; McNally 2014).

After a first decade of reforms marked by structural changes and rapid urbanization of the countryside, with expansion of the so-called Township and Village Enterprises (TVEs) and industrial productivity gains, the 1990s in turn – especially after Deng's "tour" in the south of the country in 1992 – was based on the deepening of measures and policies to create a more competitive export structure to gain market share in the world economy (Medeiros 1999). These are the cases, for example, of the new enacted Special Economic Zones (SEZs) to facilitate productive integration in the Asian regional chains and to strengthen exports; as well as the restructuring of the public sector to create a policy of "national champions" consolidating competitive companies in strategic sectors (Shambaugh 2013; McNally 2014).

This trajectory of reforms, added to the rise in global value chains and increasing technological catching-up, finally allowed China to be admitted to the WTO at the end of 2001, after years of negotiations. Such event, implying in practice that countries recognizing the Asian country as a market economy lost diverse protectionist mechanisms to solve anti-dumping imbalances, caused a gigantic leap in China’s volume of foreign trade; facilitating its integration to globalization and contributing decisively to an expansive cycle in the world economy that lasted until 2008. Such extraordinary performance can be seen in the following Figure:

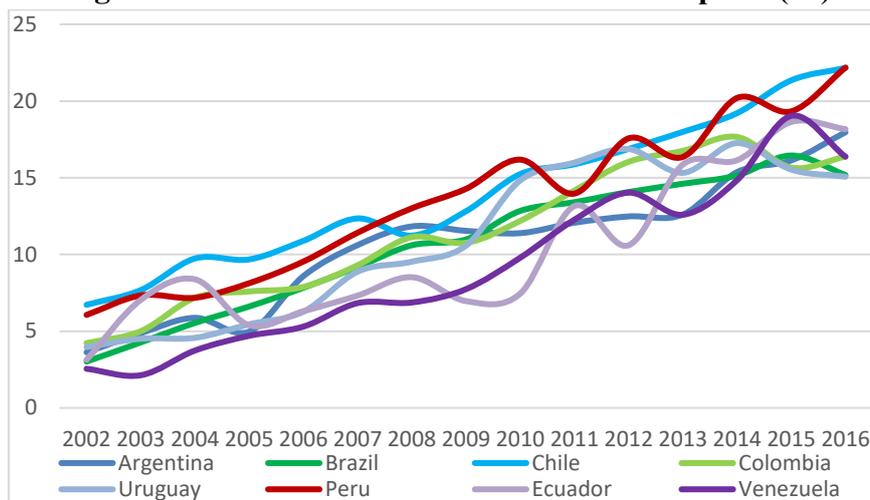
Figure 1 –China’s External Insertion (share of foreign trade in the economy)



Source: World Bank, *World Development Indicators*.

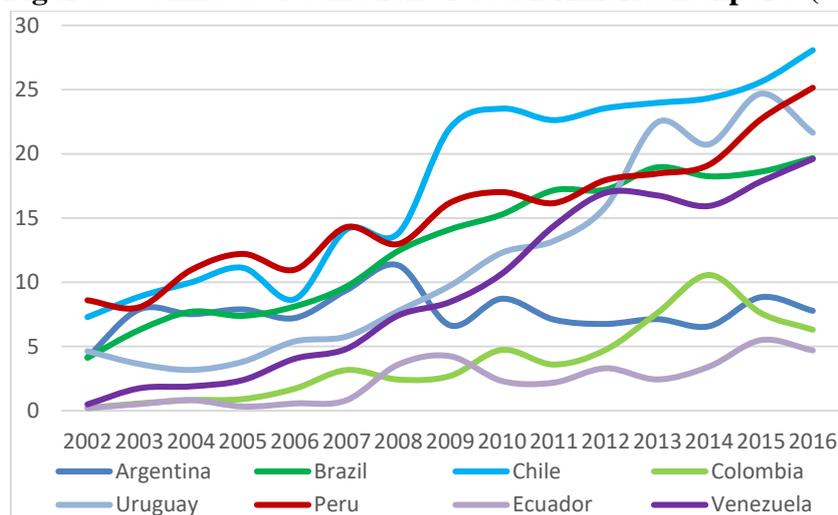
Therefore, by following the steps of regionalization and globalization, China also systematically developed deeper trade and diplomatic relations with South America, Latin America and the Caribbean. In other words, the Asian power committed itself to our continent to expand interactions and strengthen its own reforms in progress, mainly after its adhesion to the multilateral organization (Sutter 2012). From this point on, we will analyze the growing political and economic interdependence between these countries in relation to China, highlighting some changes along that frame and also future forecasts. The intensification of the Chinese presence as a trading partner of the countries of the region is glimpsed below:

Figure 2—China’s share in South American imports (%)



Source: Designed by the author, based on *The Atlas of Economic Complexity*.

Figure3 – China as destination of South American exports (%)



Source: Designed by the author, based on *The Atlas of Economic Complexity*.

Much of this marked inclination of China on the region was guided primarily by the need of commodities of agricultural and mineral nature which the Asian country depends, although its imports are made between other countries and continents; and also by the search for markets to absorb their exports, concentrated in manufactures and products with different degrees of value added (Sutter 2012).

Departing from the visit of Minister of Foreign Affairs Tang Jiaxuan in 2001 in Chile (months before China entered the multilateral trading entity), proclaiming South-South cooperation and strengthening interregional exchanges, the volume of Chinese foreign trade towards the region was turbinated (Tsai and Liu 2012). The ground was also prepared not only for South America but also for Latin America as a whole to become one of the largest recipients of Foreign Direct Investment (FDI) in China, demonstrating the strategic connotation nourished by Beijing in the region, something corroborated in

the official discourse during the two visits by President Hu Jintao to the continent in 2004 and in 2008 (Sutter 2012; Tsai and Liu 2012).

As for South America itself, the first decade of the XXI century was important for a set of social transformations that, in terms of economic density, “gave back” its relevance in the global geopolitical scenario (Pecequillo 2013). While the 1980s were marked by structural adjustment programs and inflationary upsurge, the 1990s were marked by a low profile in view of the failure of the orthodox and restrictive neoliberal prescriptions advocated by the Washington Consensus, prioritizing only fiscal austerity and neglecting the redistributive dimension in the name of monetary stability (Boschi and Gaitán 2012; Vadell 2013).

The greater assertiveness of many of these countries in search for autonomy in the region throughout the decade also coincided with the emergence of new progressive political projects pending to the left-wing in the ideological spectrum, with greater sensitivity to try to equate the very high inequalities through policies of income redistribution and social inclusion. The scenario that was drawn and presented at the beginning of the new century was thus of an unprecedented ideological turn, with a reversion to policies far from the neoliberal ideology – propelled by the USA – and the desire to renew the intervention pattern of the State in the economy (Boschi and Gaitán 2012). Such turn, in short, represented the emergence of new public agendas containing elements for a development project built collectively; with new space for policies.

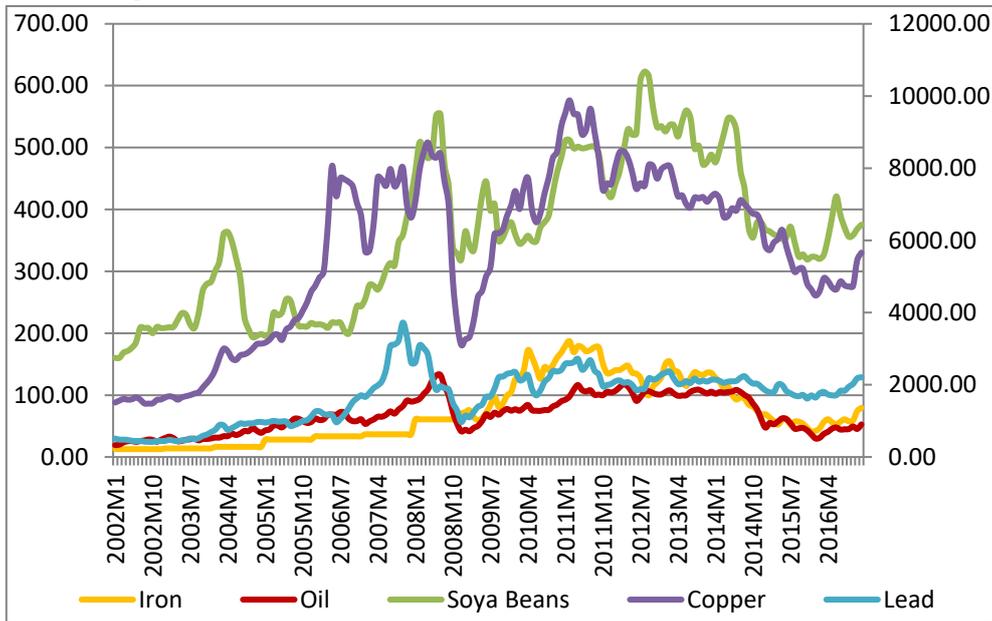
Concomitantly, therefore, changes in both domestic and international scenarios gradually contributed to a relative freedom and apparent autonomy of national projects, initiating a robust cycle of growth and strengthening of South American domestic markets. The growing Chinese integration, in that sense, provided what seemed to be a window of opportunities for the region and was an important and undeniable constituent dimension of such growth (Vadell 2013).

Exactly for the consideration of China as an industrial and political power rising in the contemporaneity, to examine the pattern of economic relations that engendered in its engagement towards less developed countries is essential to trace the particular characteristics of such productive links and their geopolitical consequences. The set of relations among certain countries, despite the liberal belief in the supposed promotion of development with ideally or necessarily solidarity, is a direct reflection of the existing hierarchies between “North” and “South”, representing movements within the international system (Milani 2012; Vadell 2013).

Would China then be creating patterns of South-South cooperation or expanding a new Center-Periphery relationship? For relations of South-South nature, we refer here to the relative and mutually beneficial convergence of political agendas of emerging or developing countries, either by alliances in bilateral or multilateral relations (in the spheres of trade, finance or security), or by spaces for regional integration or financing and technical cooperation projects. In a directly antagonistic way, North-South relations represent a label where the developed powers and the bonds that they foment reproduce great asymmetries, leading to underdevelopment or to a dependent developmental pattern on the weakest national links of the chain (Milani 2012).

Increasingly, throughout the 2000s, South American exports to China began to demonstrate a clear focus on raw materials, especially extractive. This new pattern of insertion that little by little was drawn was responsible for the reappearance, already in those years, for readings and views questioning if the region would be predestined to the “natural resource curse” and condemned to the primary-exporting vocation (Roett, 2010). China has thus been an important driver in the expansion of exports focused on agricultural and extractive goods in South America. Chinese demand also played a role of general valuation for most commodities during the period, significantly increasing the terms of trade in favor of the continent at a first moment (Ray and Gallagher 2017). This becomes clear when we look at Figures 4 and 5 below:

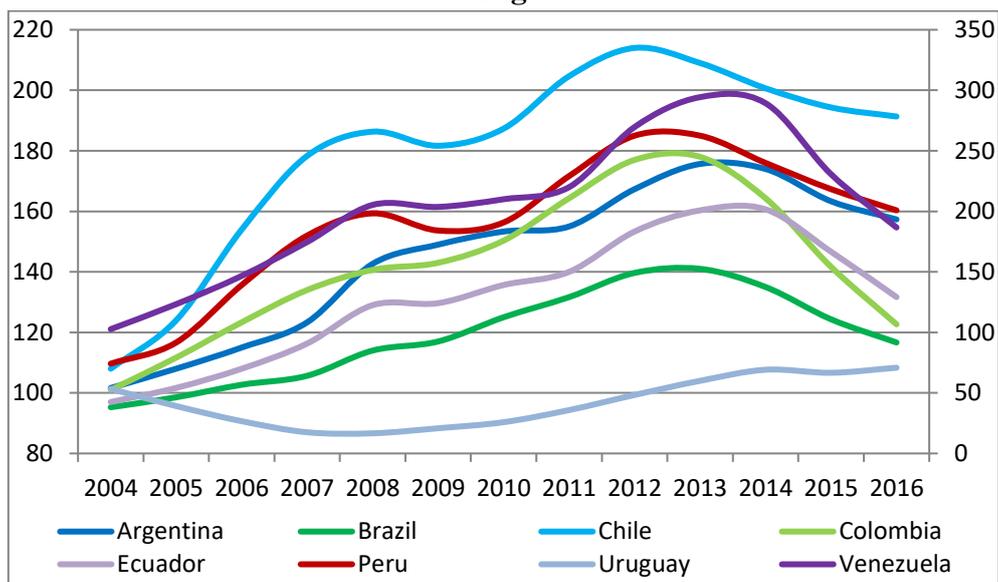
Figure 4—Prices of Selected Commodities (US\$), 2002-2016



Source: International Monetary Fund, 2018a.²¹

²¹The lines corresponding to copper and lead were placed on the secondary axis in order to not impair the visibility of the graph. Except for oil, whose value was calculated by intermediate for the barrel unit of WTI, Brent and Dubaih Fateh, the value of all other indicators is presented per metric ton.

Figure 5 - Terms of Trade of selected countries (2000 = 200), quarterly averages²²



Source: Designed by the author, based on World Bank, *World Development Indicators*.

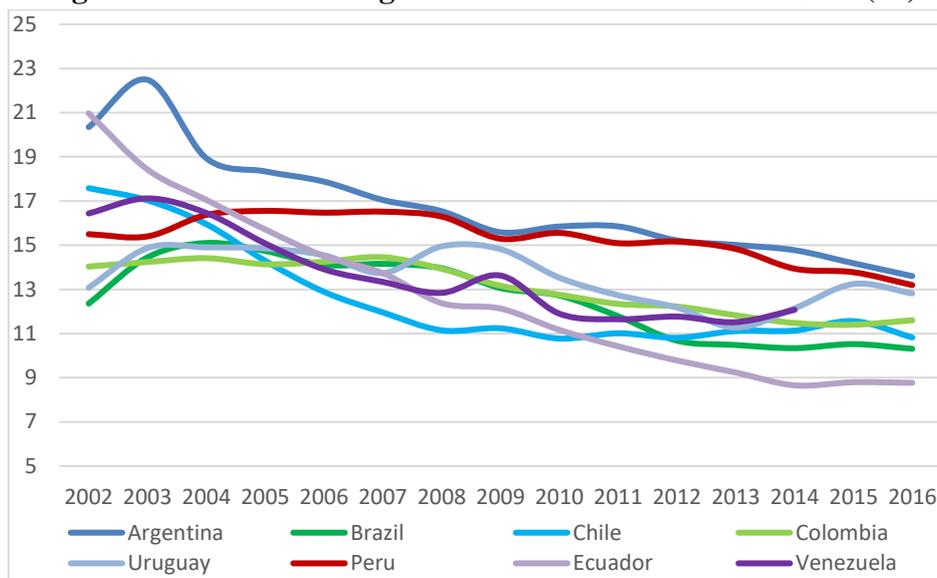
Regarding international trade, as can be seen, the Chinese presence in the region operated mainly as a purchaser of primary resources; whose prices, much due to such demand (and also the speculative volatility generated by other geopolitical events such as US interventions in the Middle East sponsored by the Bush administration), rose considerably until 2008, the year of the emergence of the global financial crisis (Vadell 2011). The only exception is Uruguay. For the rest, all the other countries witnessed an improvement of these terms until 2008, with a brief repeak in 2010/2011 in some cases and, starting in 2012, a flagrant falling trend. This evolution coincides exactly with the decline of the Chinese economy, cooling the appetite and prices for South American products; impacting them on their income and values of export goods.

The Chinese growth, in general, responded then by an important valorization of products of the global geoeconomic periphery. In addition, its ascent also altered in some extent the correlation of forces between the central and emerging regional powers, as was the case of Brazil, for example (Vadell 2011; Becard 2013; Pecequilo 2013).

Throughout the last decades, the tendency of relative loss of the industry's weight in the countries of the continent was unequivocal. Data from the World Bank – visible in Figures 6 and 7 below – point both to a lower contribution of the manufacturing sector (with an emphasis on the transformation industry) to GDP and to a lower volume of industrial goods in their export balances:

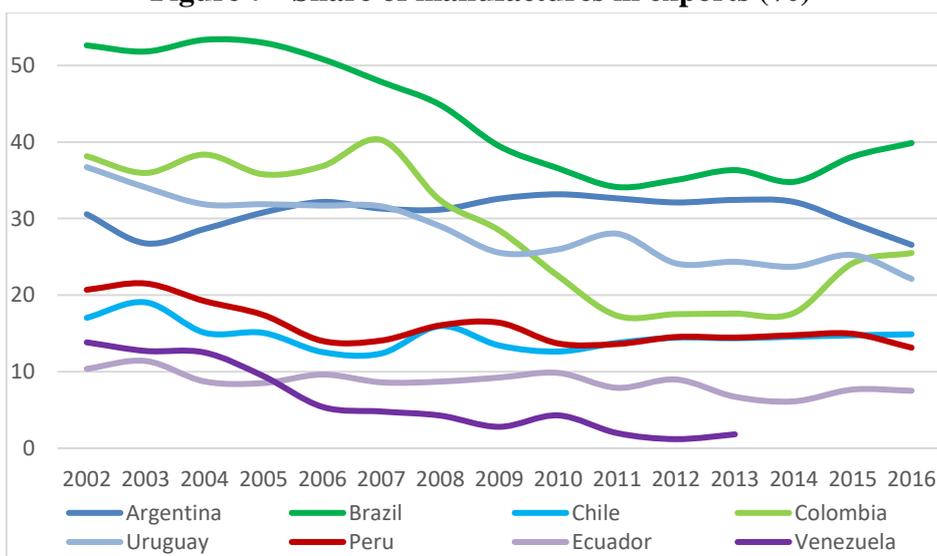
²²Venezuela was inserted in the secondary axis so as not to obstruct the visualization of the Figure.

Figure 6 - Manufacturing sector as value added of the GDP (%)



Source: World Bank, *World Development Indicators*.

Figure 7 - Share of manufactures in exports (%)



Source: World Bank, *World Development Indicators*.

Obviously, such processes of deindustrialization are wide and complex, and can be related to multiple and distinct factors and elements. Some of them, as in the case of Brazil, go back to the dismantling of developmentalist industrial planning in the 1980s, when the concern of the South American policymakers shifted from growth to structural reforms to disrupt the inflationary spiral.

Thus, the neoliberal cycle that entered the region, both by the dissolution of discretionary intervention mechanisms of the State and by the flood of imports coming in the wake of the stabilization programs, engendered continuous problems in their balance of payments that, undoubtedly, contributed to such path (Medeiros 1997; Palma 2010). This without accounting for the current paradigm of growing financial globalization that, through the greater capital mobility, gives its holders considerable veto

points on robust state policies, generating a climate hostile to industrialist impulses (Chesnais 1996; Keohane and Milner 1996; Rodrik 2012). This is true particularly for South America and the periphery in general, highlighting the ability of markets to “discipline” governments, even more in cases of political forces imbued with different preferences as was the case of the left-wing presidents of South America (Campello 2015).

However, the empirical data suggests that, *since the 2000s and with the intensification of the primary-exporting vocation of the region in the midst of the greatest amalgam with the Chinese political economy, this deindustrializing trajectory was considerably accentuated*. We can deduce, then, that such Sino-South American dynamic has launched both cooperative and deleterious logics (Becard 2013).

Regarding the Chinese insertion in the continent, the strong inflow of foreign exchange derived from such commodity boom generated at the same time a trend of appreciation of exchange rates in almost all of these countries, as shown in Table 2. In cases like that of Brazil, for example, this tendency has been interpreted in an interesting way by the New Developmentalist approach, diagnosing the causes of such problematic in the non-neutralization of the “Dutch disease”; that is, the appreciation of the exchange rate as an obstacle to the external exporter competitiveness of national industry (Oreiro and Feijó 2010; Bresser-Pereira 2014).²³ Thus, according to this view, China on one hand contributed to the displacement of domestic industries both in South American markets – whose strengthening over these years based on strong wage policies and income distribution was almost all channeled for consumption of Chinese products – and also on the world market due to its mix of low costs, dumping and unprecedented competitive production scales (Gala 2018).

At the same time, the search for natural resources has forced productive specialization in this sense, expanding the mechanisms of Dutch disease. In short, it contributed indelibly to the sharp dismantling of the national industries. Chinese exchange dumping was facilitated by the overvaluation of Brazilian currency thanks to the boom in commodity prices caused by the own Asian country (Gala, 2018). The logic of this rationale refers to Brazil, but it can be easily extended to a large part of the other South American nations.

Table 2 – Exchange Rates in Selected Countries (local currency units per dollar)

	Argentina	Brazil	Chile	Colombia	Uruguay	Peru	Venezuela	Ecuador
2002	3,06	2,92	688,93	2504,24	21,25	3,51	1,16	1
2003	2,90	3,07	691,29	2877,65	28,20	3,47	1,60	1
2004	2,92	2,92	609,52	2628,61	28,70	3,41	1,89	1
2005	2,90	2,43	559,76	2320,83	24,47	3,29	2,08	1
2006	3,05	2,17	530,27	2361,13	24,07	3,27	2,14	1
2007	3,09	1,94	522,46	2078,29	23,47	3,12	2,14	1

²³The Dutch disease could be synthesized as a situation where the Ricardian incomes derived from the sale of commodities appreciates too much the exchange rate based on the inflow of foreign currency accentuated by the export boom. Thus, it isolates the exchange rate from a competitive level to the industrial equilibrium, making it difficult for the manufacturing sector to access external and even the internal markets. It received that name because it was originally coined in reference to the conjuncture of Netherlands in the 1960s, after the discovery of gigantic natural gas reserves that revealed that what seemed a blessing was, in fact, a curse (Bresser-Pereira 2014, p.217-9).

	Argentina	Brazil	Chile	Colombia	Uruguay	Peru	Venezuela	Ecuador
2008	3,14	1,83	522,46	1967,71	20,94	2,92	2,14	1
2009	3,71	1,99	560,85	2158,25	22,56	3,01	2,14	1
2010	3,89	1,75	510,24	1898,57	20,06	2,82	2,58	1
2011	4,11	1,67	483,66	1848,139	19,31	2,75	4,28	1
2012	4,53	1,95	486,47	1796,89	20,31	2,63	4,28	1
2013	5,45	2,15	495,27	1868,78	20,48	2,70	6,04	1
2014	8,07	2,35	570,34	2001,78	23,24	n.a.	6,28	1
2015	9,23	3,32	654,12	2741,88	27,32	n.a.	6,28	1
2016	14,75	3,49	676,95	3054,12	30,16	n.a.	9,25	1

Source: World Bank, *World Development Indicators*.

Considering the data in the table, such hypothesis seems in fact strongly intuitive and appellative. However, cases such as Argentina and Venezuela, which suffered depreciation of their currencies; or Ecuador, whose monetary unit is the own dollar, show that such argument must be taken more cautiously and hardly was the only factor explaining or determining South American reality in general. Nonetheless, it remains important and valid, since the periods of most intense increase in imports of Chinese products and decline of manufactured goods as exports from the region coincide exactly with the most remarkable cycles of currency appreciation while we evaluate a good part of the specific national cases. That is, more studies and analysis are required regarding this issue, which obviously will not be prolonged by issues of scope of this paper.

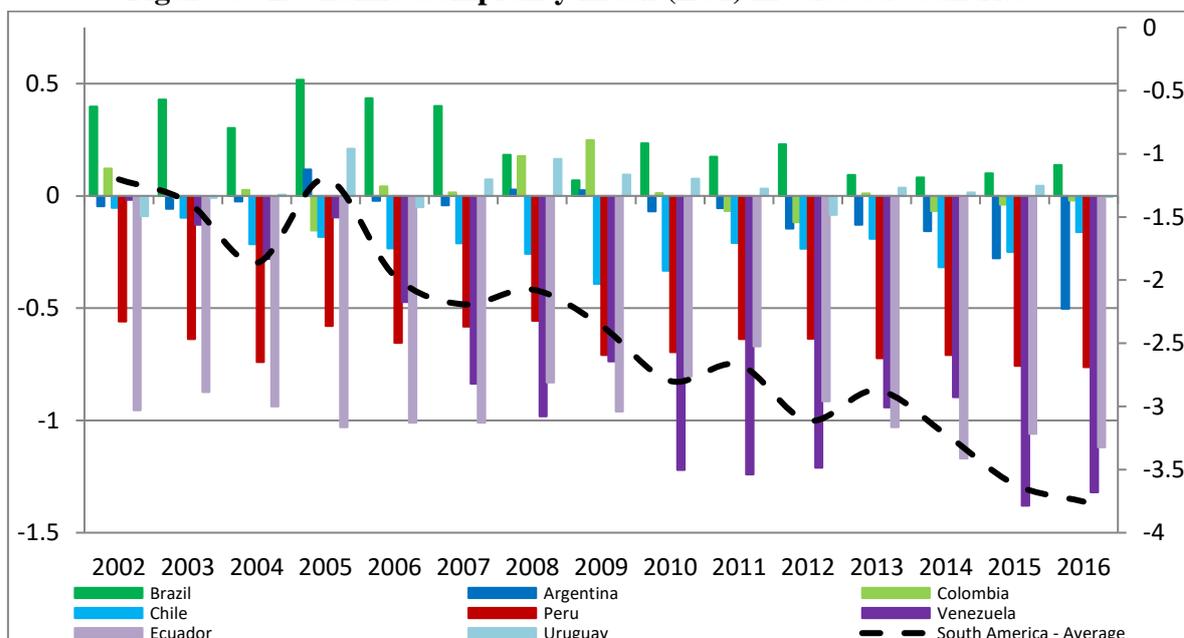
But, independently of the different magnitudes of the causal variables, it is incontestable that the paradigm drawn from this amalgam between China and South America is unquestionably of productive regression for the latter. Structuralism, as we emphasize in Section 2, underlines that the possibilities of economic development are strongly linked to the radical transformation of productive structures to overcome the bottlenecks and rigidities of underdevelopment (Gala, 2018). Without industry, it will be not possible to enhance productivity or catch-up in the long run in a sustained manner, with increasing employment, income and technological sophistication. The best way to measure such propositions, according to Gala (2018), would be through the study of market structures and products revealed by global trade data. Precisely because of this, here we analyze once again the Atlas of Hausmann and Hidalgo (whose data are widely used in this work), providing the empirical framework to support such proposal.

Through the so-called Economic Complexity Index (ECI), measuring the knowledge and productive diversification embedded in the different national productive structures, it is possible to map the routes of the countries towards catching-up (reaching or reducing the technological and productivity gap in relation to the great industrial powers) or towards the reprimarization of their economic matrices (Hausmann *et al.* 2013). Technological and productive complexity also walk side by side with connectivity (strongly positive correlation) and progress. The inverse is also true: the ability to extract and export primary products of low complexity does not allow co-exporting anything with low connectivity or low ubiquity. The extractivist sector may even have slightly higher wages and capital stocks also higher in some cases, but without spillovers for the

rest of the domestic economy. This is due to its low added value (as well as low demanded labor qualification) and intrinsic amalgam with external markets (Hausmann *et al.* 2013).

Through Figure 8 and Table 3, it is possible to see how, until 2016, South American countries went through a high deterioration in their complexity indexes, denoting exactly the hegemony assumed by the primary goods in their export patterns and productive structures.

Figure 8 - Economic Complexity Index (ECI) in selected countries



Source: Designed by the author, based on *The Atlas of Economic Complexity*.

Table 3 - Five main exported products in South America, 2016

	1st most exported product	2nd most exported product	3rd most exported product	4th most exported product	5th most exported product
Brazil	Soya beans (13,61%)	Iron ore and concentrates (10,57%)	Petroleum oils, crude (6,66%)	Sugars, beet and cane (5,83%)	Chemical wood pulp (4,32%)
Argentina	Oilcake and other residues (23,10%)	Maize, unmilled (9,47%)	Soya bean oil (9,44%)	Soya beans (7,09%)	Wheat (4,05%)
Colombia	Crude petroleum and oils obtained from bituminous materials (40,63%)	Coal, not agglomerated (19,42%)	Coffee (8,39%)	Gold (7,93%)	Banana (5,04%)
Chile	Copper and copper alloys (27,03%)	Copper ore and concentrates (22,06%)	Fruit, fresh or dried (6,10%)	Chemical wood pulp (4,54%)	Grapes (3,59%)

	1st most exported product	2nd most exported product	3rd most exported product	4th most exported product	5th most exported product
Peru	Copper ore and concentrates (28,22%)	Gold (14,21%)	Copper and copper alloys (4,49%)	Zinc ores and concentrates (4,07%)	Lead ores and concentrates(3,63%)
Venezuela	Crude petroleum and oils obtained from bituminous materials (79,89%)	Gold (7,63%)	Lubricating petroleum oils (4,55%)	Iron ore and concentrates (1,35%)	Acyclic alcohols, and their derivatives (1,19%)
Ecuador	Crude petroleum and oils obtained from bituminous materials (31,26%)	Banana (21,19%)	Crustaceans and molluscs(14,75%)	Fish (5,11%)	Cut flowers and foliage(4,19%)
Uruguay	Beef (16,77%)	Chemical woodpulp, soda or sulfate (14,90%)	Soya Beans (12,27%)	Milk and derivatives (4,62%)	Rice (4,24%)

Source: *The Atlas of Economic Complexity*.

On the other hand, in addition to such continuous deindustrialization and decomplexification, in the immediate years following the systemic financial crisis of 2008, the Chinese government was able to give a strong response in terms of a vigorous anti-cyclical fiscal policy, upholding the level of economic activity (Naughton 2015). Such policy, mainly labor-intensive (strongly incorporating workforce), maintained high growth and sustained the demand for commodities and their prices for a brief period after the abrupt fall in that same year and in 2009. However, China faced afterwards great challenges that forced a model transition. The internal (inexorable limits of its own growth model) and external (repressed world demand after the recession followed by the crisis) challenges became imperative to adapt to a new paradigm of global political economy or a “New Normal”; demanding new answers for a different conjuncture (Moura 2015; Pereira and Ribeiro 2016).

The continuity of the turbulent international scenario (even with the beginning of the drop of reserves) made the CPC and other State authorities aware of the importance of changing the country’s growth vectors for consumption and the tertiary sector, with good prospects for employability and generation of income; something that would be evidenced in the priorities listed in the 12th Five-Year Plan, under the government of the new president Xi Jinping (Jaguaribe 2011; Moura 2015; Pereira and Ribeiro 2016). This post-2008 scenario, unleashing a new stage of the long globalizing cycle beneficial to China since the 1970s, added to the country’s proximity to the status of “average income”, completes the future growth path, where innovation policies and strategies will dictate the pace of success of the Asian country (Jaguaribe 2011).

In this way, lower rates of economic expansion, coupled with policies and guidelines aimed at more “sustainable” growth, explain the lower Chinese rhythm and, to a large extent (although not totally), the drastic cooling of commodity prices (Naughton, 2015). Thus, the benign exogenous cycle to the South American terms of trade has ended (Moura 2015; Pereira and Ribeiro 2016).²⁴

In short, the future scenario for the continent, based on the indicators presented here and foreign trade profile, is highly worrying in an array of structural aspects. Regarding the pattern of relations between China and South America, the growing asymmetric interdependence, embodied in the regressive specialization and volatility in terms of trade, is undeniable. If it is true that the rise of the Asian country in the 2000s represented, along with other conjunctural geopolitical factors, an alternative to the neoclassical agenda of the Washington Consensus, South American governments (ignoring their ideological differences) showed themselves unable to formulate long-term developmental policy strategies to address those challenges, relevant mainly to the industry and logic of international reintegration.

Thus, as Slipak (2014) already pointed, maintaining constant this pattern of economic ties, we will continue to observe only the exacerbation of growing integration based only on traditional and unequal comparative advantages. It is confirmed, then, in the light of the dependentist and structuralist theses, the hypothetical argumentation raised in the Introduction. Ahead, in Section 4, we will reconstitute that link through the analysis of another sphere, which is that of the Chinese investments in the region.

IV. The Chinese investment pattern: extractivism and the centrality of natural resources

China’s rise contributed to a large-scale productive reordering, radicalizing the international division of labor with considerable transformations. As described in the previous section, by boosting a large demand for natural resources, Chinese demand was the driving force of the rise in commodity prices; and also engendered, concomitantly, the imperative of new infrastructures to guarantee the flow and circulation according to their energy needs (Vadell 2013). For that reason, it was also consolidated as the motor of expansion of the extractive industry at a global level (Moreno 2015).

This part of the article seeks, departing from the analytical construction erected in the previous section, to analyze the Chinese investments in South America based on the new productive profile acquired by the countries of the region, with intense processes of deindustrialization and reprimarization of their export patterns. The texts related to the subject and the data presented here will thus help us to understand the new political meanings at this juncture that goes deeper.

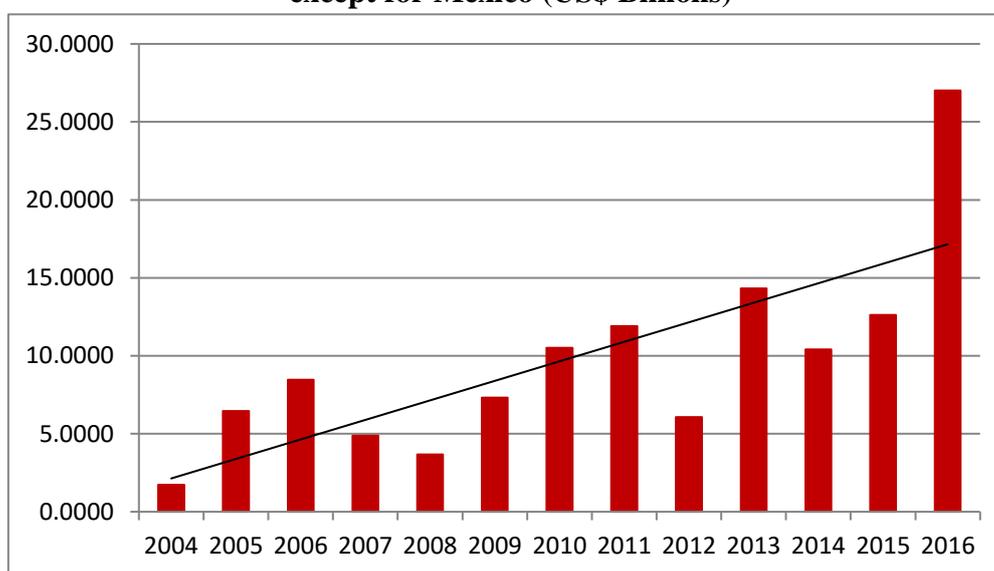
In the context of remarkable growth of bilateral trade relations throughout the first decade of the XXI century, in 2008 the Chinese government – under President Hu Jintao – published the document known as “China’s Policy Paper on Latin America and the

²⁴China’s slowdown was particularly significant for the fall in the prices of agricultural and mineral goods; although, regarding oil, other factors have been more preponderant, such as the expansion of the energy supply due to the US’ shale gas policy (Rühl 2014; Colomer 2015).

Caribbean”, denoting primordial pillars for relations towards the continent; that, at least in rhetorical terms, should be based on equity and mutually beneficial cooperation.²⁵

In summary, the document sought to clarify the objectives of Chinese policy in the region, outlining the guiding principles for future cooperation and sustaining the solid, stable and global growth of China-LAC relations. This was the first policy paper on LAC since the beginning of the XXI century, which demonstrates the intensification of political-economic exchanges, generating new opportunities within a supposedly win-win strategy of openness.²⁶ This document served to revitalize the pattern and volume of investments of the Asian power in the region and in South America in particular (which had fallen in the previous three years), as shown in Figure 9 below:

Figure 9 – Evolution of China’s Foreign Direct Investment in Latin America except for Mexico (US\$ Billions)



Source: Designed by the author, based on National Bureau of Statistics, *China Statistical Yearbook* (various years) and Mofcom, *2010 Statistical Bulletin of China’s Outward Foreign Direct Investment*.

It is interesting to note that in 2016 a new document was promulgated, ratifying the strategic importance of the region for China.²⁷ Thus, a new stage of cooperation arises from the strengthening of China’s relations with LAC in recent years and the development potential of Latin American countries (and consequently of the own Chinese investments). From 2008 to 2016, both sides witnessed frequent high-level exchanges and political dialogues, increase in trade, investment and finance, cultural exchanges and coordination in international affairs. In the context of this new relationship, five main

²⁵ The policy paper can be consulted in full on the government’s official website at: http://www.gov.cn/english/official/2008-11/05/content_1140347.htm.

²⁶ Thus, among the main objectives, we mention: 1) Promote mutual respect and trust and expand common points; 2) deepen cooperation and achieve advantageous results for both parts; 3) take advantage of the strengths of China and LAC to promote common progress and intensify exchanges; and 4) respect the principle of “One-China” policy (disregarding Taiwan).

²⁷ This policy paper can also be fully consulted on the official government website at: https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1418254.shtml.

characteristics stand out: 1) mutual trust in the political realm; 2) cooperation in the economic sphere; 3) cultural mutual learning; 4) close coordination in international affairs; and 5) mutual reinforcement between China's cooperation with the region as a whole and its bilateral relations with its countries individually.

The main destinations of these Chinese investments were, mainly, the hydrocarbon sector, followed by mining and other diverse primary activities.²⁸In proportional terms, it should be noted that, although Chinese investments destined for Latin America and South America still compose a timid value compared to the total amount, mostly concentrated in Southeast Asia itself and in its productive chains, still the continent figures as China's second strategic destination; at least in what refers specifically to Foreign Direct Investments – FDI(National Bureau of Statistics 2017).

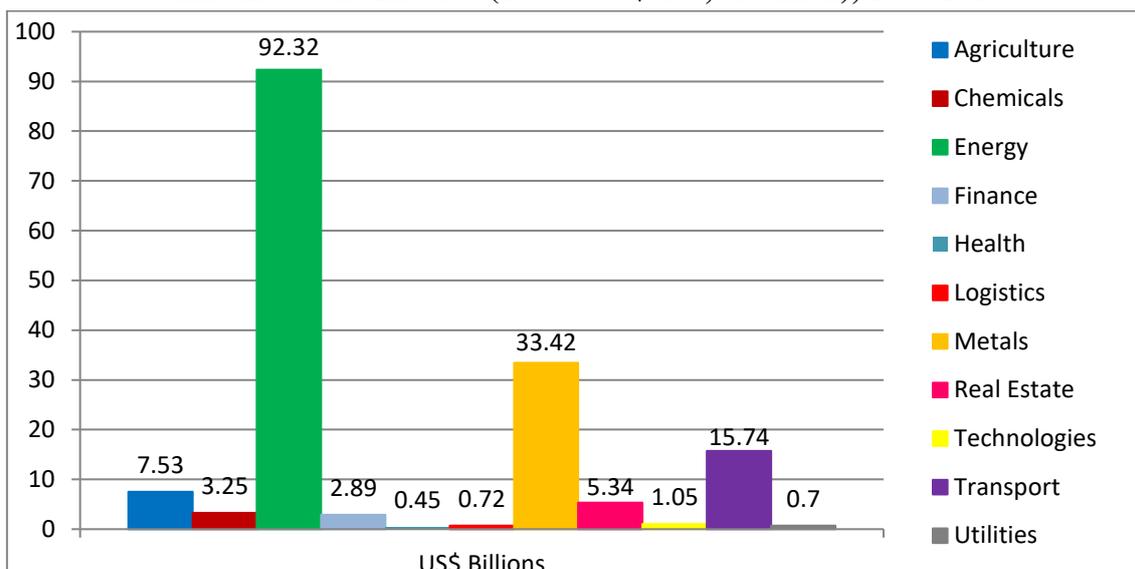
Such direct foreign investments in the region have the following nature: long-term orientation towards resource security; establishment of Chinese firms with little or absent technology transfers to countries of destination; absence of political strings attached; absence of a specific agenda promoted by the PRC; and, finally, infrastructure projects bringing with them the mandatory presence of firms from the Asian country (Slipak 2014; Svampa and Slipak 2015).

In this way, roughly speaking, these flows have been destined merely for the purchase of raw materials and formation of joint ventures for the acquisition of licenses for the exploitation of natural resources; and, in cases of infrastructure projects, for benefiting transnational companies in alliance with Chinese state companies. The countries of the continent became restricted to the role of suppliers of these resources, something very far from a desired less asymmetric relationship, with more positive productive externalities that would improve intra-industry trade (Moreno 2015).

In the same way, China has been expanding expressively direct investment since the second decade of the XXI century, having energy as main interest (more specifically oil, copper and iron). Chinese FDI in South America was concentrated mainly in this sector (56,5% of the total accumulated between 2005 and 2018), of which the largest share went to the oil segment, in agreements with Brazil, Ecuador and Venezuela. The shares of other areas of Chinese companies' activities in the continent were: 20,4% in metals; 9,6% in the transport sector (vehicles); 4,6% in agriculture and 3,3% in real estate. Figure 10 best elucidates these indicators in absolute terms:

²⁸Some of the companies that have recently invested in South America and could be cited here are: in the mining sector, Chengdu Tianqi Industry Group Co Ltd., Shandong Gold Group, Nanjinzha Mining & Metallurgy Limited .; in the energy sector, China's Three Gorges Group, China Power Investment, CNPC, CIC; in the transport sector, Didi Chuxing, China Communications Construction, China Merchants, BYD; in the agriculture sector, Shanghai Penxin, etc (AEI 2018).

Figure 10 – Distribution of Foreign Direct Investment and accumulated assets of China in South America (Total: US\$ 163,41 billion), 2005-2018



Source: AEI, *China Global Investment Tracker*.

It is empirically evidenced, in this way, the Chinese strategy of guaranteeing access to the sources of commodities in the region (Ray and Gallagher 2017). It is even possible to qualify such investments in the following typology, according to its purposes: *a)* “natural resources-oriented”; *b)* “market-oriented”; and, finally, *c)* “efficiency-oriented” (Vadell 2011). The vast majority of FDI bound for the region falls under the first type, destined to the exploitation of strategic sectors cherished by the Asian country such as copper, steel, oil and soya beans. In addition, in the matter of what has been said, the existing investment in infrastructure is linked to the construction of export corridors to facilitate the outflows of these products.

Investments from China do not tend to develop local or regional manufacturing skills, neither activities intensive in technological knowledge or productive chains (Vadell 2013). The location of Chinese companies, directing investments to commodities, tends to strengthen and deepen extractivism in detriment of other activities with higher added value, reinforcing the reprimarising and regressive character of the economies of the region. In this context, this new paradigm fits perfectly into what Svampa and Slipak (2015) define as “Commodities Consensus”.

Elucidating better, such consensus corresponds to a broad adherence to a project based solely on the export of natural resources, independent of the ideological and political profiles of the governments in question; in this way both progressive governments emergent with the “pink tide” in the region as well as others of more liberal inclination are inserted in this context (Slipak 2014).

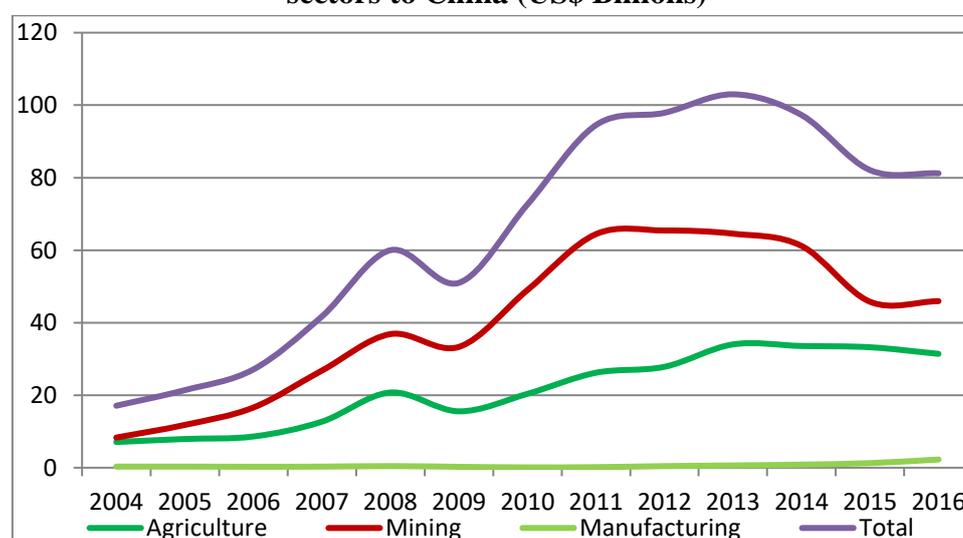
When analytically decomposing by sector the exports of selected South American countries to China, the importance obtained by the agricultural and extractive sectors become clear, as Table 4 and Figure 11 show:

Table 4 – Four main products exported to China by South America, 2016

	1st most exported product (to China)	2nd most exported product (to China)	3rd most exported product (to China)	4th most exported product (to China)	Total trade volume of exports to China
Brazil	Soya beans (36,39%)	Iron ores and concentrates (24,13%)	Petroleum oils, crude (11,99%)	Chemical woodpulp, soda or sulfate (4,78%)	US\$ 39,3 billions
Argentina	Soya beans (62,97%)	Petroleum oils, crude (8,98%)	Frozen beef (4,83%)	Crustaceans (4,32%)	US\$ 4,62 billions
Colombia	Petroleum oils, crude (87,25%)	Ferroalloys (5,17%)	Copper waste and scrap (3,23%)	Tanned hides of bovines and equines (0,74%)	US\$ 2,42 billions
Chile	Refined copper and copper alloys (34,08%)	Copper ores (32,55%)	Unrefined copper (6,76%)	Chemical woodpulp, soda or sulfate (6,49%)	US\$ 17,5 billions
Peru	Copper ores (61,99%)	Refined copper and copper alloys (8,58%)	Flours of fish, for animal feed (7,89%)	Iron ores and concentrates (5,34%)	US\$ 8,82 billions
Venezuela	Petroleum oils, crude (82,46%)	Petroleum oils, refined (10,46%)	Iron ores and concentrates (5,7%)	Acyclical alcohols (0,91%)	US\$ 5,28 billions
Ecuador	Petroleum oils, crude (33,51%)	Precious metal ores (14,9%)	Banana (12,72%)	Crustaceans (9,74%)	US\$ 893 millions
Uruguay	Soya beans (35,6%)	Frozen beef (26,84%)	Chemical woodpulp, soda or sulfate (23,25%)	Raw hides of bovines and equines (2,08%)	US\$ 1,85 billions

Source: Designed by the author, based on *The Atlas of Economic Complexity*.

Figure 11 - Financial volume moved by the main South American exporting sectors to China (US\$ Billions)



Source: Designed by the author, based on *The Atlas of Economic Complexity*.

Thinking of Latin America as a whole, China practically tripled its share in the continent's total exports in the last decade: more than tripled exports of extractive products and doubled its number of agricultural exports; where, in both cases, South America has great preponderance (Ray and Gallagher 2017).

At the present moment, ten years after the 2008 systemic financial crisis, the lower weight assigned to exports as driver of Chinese growth has contributed to the fall also in the trade volume between the Asian country and the region. Ironically, in some cases, such drop in imports in recent years – a direct consequence of the slowdowns and economic crises that many of these countries went through, with rising unemployment and cooling of consumption – has helped to reduce trade deficits or even increase the surpluses in relation to the China, as was the case of Brazil, Chile, Peru and Uruguay especially (IMF 2018b).

However, in addition to the investments categorized as “*green fields*” (where the company from the country of origin starts operations practically from scratch, with projects constructing new productive facilities, hubs or offices), China also invests through mergers and acquisition of assets in South American countries, mainly by its large state-owned groups (Ray and Gallagher 2017). These are the cases, for example, of the acquisition of the Tapajós hydroelectric plant by China's Three Gorges Corp. consortium or of the acquisition of the majority shareholding (54.6%) of CPFL Energia by State Grid; and also of the credit lines given by China Development Bank, the country's largest funding institution and of a public nature, to the oil companies Petrobras and PDVSA (Mofcom 2016; O Globo 2017; Reuters 2017; Reuters 2018). Just to mention several of many initiatives.

However, it should be noted that the sectoral pattern of trade with China was marked by an asymmetric relationship in which there were high surpluses in favor of the region in primary products or natural resources derivatives but with increasing deficits in manufactured products (both from low, medium and high technological intensity). This was intensified especially after the international crisis, when China channeled part of its exports of industrial goods from Europe and the United States to the region (Vadell 2011). In contrast, Chinese exports to South American countries are mainly composed by electronic and mechanical products of greater sophistication, as Table 5 shows.

Concomitantly, South American countries that still have considerable industrial capacities continue to be the most affected by the flood of Chinese imports and trade specialization (Vadell 2013; Slipak 2014). China does not appear at any time as a counter-hegemonic or revisionist power, but reproduces – although in part, due to the absence of political conditionalities or imposition of a liberalizing agenda – the old North-South asymmetric pattern (Vadell 2013).

Table 5 –Four main products exported to South America by China, 2016

	1st most imported product (to China)	2nd most imported product(to China)	3rd most imported product(to China)	4th most imported product(to China)	Total trade volume of imports from China
Brazil	Telephones (5,21%)	Special function vessels (2,96%)	Transmission apparatus for radio, telephone and TV (2,08%)	Transmission apparatus for radio, telephone and TV(2,05%)	US\$ 22,1 billions
Argentina	Telephones (13,87%)	Computers (3,97%)	Transmission apparatus for radio, telephone and TV(3,86%)	Railway cars (3,33%)	US\$ 9,94 billions
Colombia	Transmission apparatus for radio, telephone and TV (8,25%)	Computers (6,42%)	Telephones (2,59%)	Pneumatic tires of rubber (1,69%)	US\$ 7,35 billions
Chile	Transmission apparatus for radio, telephone and TV (6,5%)	Computers (4,01%)	Other footwear of rubber or plastics (2,07%)	Flat rolled iron, width (1,80%)	US\$ 13,1 billions
Peru	Transmission apparatus for radio, telephone and TV (11,6%)	Computers (6,67%)	Telephones (4,48%)	Monitors and projectors (1,90%)	US\$ 7,83 billions
Venezuela	Special purpose motor vehicles (4,62%)	Structures and their parts, of iron or steel (4,14%)	Other moving, excavating or boring machines (4,14%)	Buses (3,95%)	US\$ 2,52 billions
Ecuador	Telephones (4,49%)	Electric motors and generators (3,75%)	Computers(3,14%)	Transmission apparatus for radio, telephone and TV (3,03%)	US\$ 2,94 billions
Uruguay	Computers (5,05%)	Insecticides, rodenticides, fungicides, etc. (4,65%)	Transmission apparatus for radio, telephone and TV (4,31%)	Electric generating sets and rotary converters (3,61%)	US\$ 1,66 billions

Source: *The Atlas of Economic Complexity*.

Considering the multiple elements salient in this section and in the previous one, the assertion that the greater Chinese presence tends to reinforce economic and political barriers to the long-term development of South America is confirmed, since the region did not advance in terms of construction of its own national development strategies and international insertion through export of manufactures. Thus, South American countries become increasingly less complex and less productively sophisticated; more dependent on the dynamics of international trade and its price fluctuations, generating uncertainties in terms of growth and balance of payments.

This picture tends to worsen even more with the recent ideological shift in the region, with the emergence of new neoliberal political forces shaped by neoclassical thought and antipodal to vigorous interventionist and industrial policies. Added to this, as affirmed by Ray and Gallagher (2017), the current level of lower commodity prices – implying lower entry of foreign exchange to the States of the region – and the trade war between China and the US under Donald Trump only aggravate such uncertainties and make the future of South America nebulous.

V. Concluding remarks

This article has sought to discuss the specific patterns of Sino-South American relations; in which, for South America, the regressive specialization in a context of dependence can be verified through the presented data.

Thus, some conclusions can be inferred from what has been discussed: 1) the importance of China in promoting economic growth in the region from 2001-2002 was a fundamental factor in understanding the South American economic recovery after the failure of the neoliberal economic policies and, simultaneously, in the intensification of the process of deindustrialization and reprimarization of the South American economies, 2) China is highly dependent on natural resources, causing instability in the international system and in the search for markets supplying the Chinese government. For South American countries, the solution would be to make alliances with China to supply their market, carrying out along with the Chinese a process of industrialization of regional natural resources (which was not verified); 3) for South America, infrastructure's financing by China, in ports, roads, railways, are beneficial for the region to reduce costs, decrease bottlenecks and improve competitiveness. However, the dependence on the export of commodities is an obstacle due to the low value added, price vulnerability and international variations of supply and demand.

The temporary gains of the terms of trade should not replace projects of industrial diversification with greater value added, scientific and technologically speaking, or, otherwise, the South American insertion in the global economy will be the same as in the XIXth and XXth centuries. Thus, nuances are visualized that corroborate the hypothesis of a new stage of South American dependence, due to the regressive specialization of the region, reprimarization, deindustrialization and the historical dependence on natural resources. However, it should be noted that there is no ideological imposition or economic and political conditionalities, but prerogatives that are based on China's own economic-political development, based mainly on trade when regarding international relations, depending on the specificities of China's foreign policy and also its dependence on strategic resources.

In this new world order, it is crucial for South America to understand the characteristics of its links with China when defining its global insertion, since the region serves the geopolitical objectives of the new Chinese foreign policy of transforming the international system into a multicentre system. Thus, it is crucial to modify the international conditions in which it is inserted, a process that requires the establishment of international insertion strategies that exceed the profile of mere exporters of commodities in terms of relations with the dynamic poles of the global economy.

This correlation of forces can be evaluated based on criteria that visualize secondary effects, such as South America's own productive disintegration, although it's more relevant to understand the lack of strategic interest of certain policies of the South American governments regarding sovereign and autonomous projects.

Therefore, it is up to the governments of the region not to be mere figures of an itinerary created on the other side of the Pacific, acting in a less fragmented and more proactive way, converging the diverse patterns of external insertion (in a context of absence of an effective integrationist perspective) in order to effectively envision a new profile of development, with social inclusion concomitantly with a sovereign international rise. In other words, even if a process of South American disintegration engendered by China's active participation in the region is visualized, this ascent can be seen as a window of opportunity for South America to understand its potential in integrating/strategic terms and the characteristics of its links with China when defining its global insertion.

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