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Setting the Agenda: Asia and Latin America in the 21st Century

Edited by Ariel C. Armony

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UNIVERSITY OF MIAMI
CENTER for LATIN AMERICAN STUDIES

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UNIVERSITY OF MIAMI
CENTER for LATIN AMERICAN STUDIES

The Center for Latin American Studies at the University of Miami works to integrate the energies, ideas, and experiences of scholars, students, and other individuals who share a common while diverse interest in Latin America and the Caribbean—the region's peoples, societies, environments, and global connections. The Center for Latin American Studies fosters cutting-edge knowledge, dialogue, cooperation, innovative education, and civic engagement. With more than 200 faculty members from all disciplines and professional schools working on Latin America and the Caribbean, the University of Miami offers a wide array of courses, research opportunities, internships, and training at the undergraduate, graduate, and professional levels.

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FOR LATIN AMERICAN AND CARIBBEAN STUDIES

The Miami Consortium for Latin American and Caribbean Studies is a partnership between the Center for Latin American Studies at the University of Miami and the Latin American and Caribbean Center at Florida International University. The Miami Consortium spearheads research, expands and strengthens international linkages throughout the hemisphere, and supports cultural and academic exchange. It also promotes outreach, training, and networking for a broad community of scholars, K-12 educators, journalists, government officials, and the business sector. Designated as a US Department of Education National Resource Center on Latin America, the Miami Consortium is recognized as one of the nation's top institutions for the study of Latin America and the Caribbean.

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Prologue

The University of Miami's Center for Latin American Studies is working to position the Center as a principal definer of research agendas and to explore new trends that impact the role of the Americas in the world of the 21st century. In so doing, the Center is seeking to place our global city, Miami, at the forefront of academic development and intellectual exchange in the hemisphere and beyond.

The partnerships developing across the Pacific between Latin America and Asia are among the most important themes influencing the region today. The relationship between these regions challenges us to examine the developments, and the ensuing phenomena, from a multidisciplinary perspective that takes advantage of the positives and responds creatively to the negatives. Our objective is to stimulate debates that generate new knowledge across disciplinary boundaries, while simultaneously informing both the public and private sectors.

In April 2012, the Center for Latin American Studies organized and hosted a series of events under the unifying banner of "Asia and Latin America in the 21st Century" to discuss major aspects of the relationship between the two regions. "Miami's Asia Summit" gathered leaders from the academic, policy, business, and media communities to address macroeconomic trends, trade opportunities, and the sociopolitical and cultural backgrounds that frame the evolving ties between Asia and Latin America. "Asia and Latin America: Setting the Agenda," a workshop held at the University of Miami, convened scholars and policy experts from around the world to discuss the new dynamics of the relationship between Asian, Latin American, and Caribbean countries, with the goal of establishing a preliminary framework for furthering the study of the interaction between the regions in the coming decade.

The present publication is the product of the April 2012 workshop. It consists of a series of brief papers—adapted from original "think pieces"—that are organized into three broad themes: "Asia and Latin America as Subject and Object of Globalization," "Comparative Perspectives," and "Empirical Research." These writings address a broad range of issues shaping the relationship between Asia and Latin America and contribute to new avenues of research, enriching the debate on this rapidly evolving relationship. It is important to note that, in this publication, the use of "Latin America" implicitly includes Caribbean nations as well. In the Center's view, the region functions as a collective wherein events that occur in Latin America necessarily impact the Caribbean, and vice versa.

As an intellectual exercise, *Setting the Agenda: Asia and Latin America in the 21st Century* reflects the current status of an emerging field of study that is dominated by the weighty presence of China in the Americas. The growing importance of South-South interactions—encompassing trade, investment, migration, and diverse forms of cooperation—challenges us to expand and renew our analyses of the various ways in which Latin America's international insertion will be determined by its relationship with other emerging economies.

Our workshop confirmed the pressing need for innovative research to connect the multiple dimensions of interregional interactions, ranging from development finance to resource extraction, from migration to informal economies, and so on. This task demands not only expanded language skills and extensive field research but also an open-minded approach to rethinking research design, comparative analysis, and conceptual development. As this publication signals, the challenge ahead is not just scholarly in nature. The authors also advocate new approaches to policy. We should pay special attention to the creation of spaces that bring together academia, government, business, and civil society to formulate concerted strategies designed to strengthen and balance the Asia-Latin America relationship.

This publication is part of a broader project on Asia-Latin America that encompasses four areas: research, education, networking, and outreach. Our goal is to implement various components of the research agenda proposed here in collaboration with colleagues from other institutions. Responding to a strong interest in the topic, we have incorporated a course on Latin America and China as part of the International Studies curriculum and plan to expand academic offerings on the economic, political, social, and cultural interactions between Latin America and Asia. We are working with other institutions in the United States, Latin America, Europe, China, and India to create partnerships that take advantage of each other's strengths. Finally, the Center is deepening its links with the private sector in South Florida, the United States, and beyond as a way to answer the demand for high-quality knowledge that can inform business and investment decisions.

We hope that you find this collection helpful and informative. For us, *Setting the Agenda* represents a first step in a long-term initiative to address a theme that is shaping the future of the Americas in this century.

Ariel C. Armony
Director, Center for Latin American Studies
University of Miami

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Setting the Agenda: Asia and Latin America in the 21st Century is part of a broader initiative launched by the Center for Latin American Studies at the University of Miami in 2012. The program has been partially funded by a Title VI National Resource Center grant from the US Department of Education awarded to the Miami Consortium, a partnership between our Center and Florida International University's Latin American and Caribbean Center (LACC). Additional support was provided by the University of Miami's School of Law and Center for International Business Education and Research (CIBER).

Miami is ideally situated to become a knowledge powerhouse on "global Latin America." To accomplish this, it is necessary to build effective partnerships. Our colleagues at LACC, Cristina Eguizábal and Liesl Picard, were excellent partners in the launch of the Asia-Latin America initiative. Aymee Correa and Cristina Urdaneta from FIU provided terrific support. Our collaboration with the Greater Miami Chamber of Commerce confirmed to us the importance of a dynamic alliance between academia and business. We are thankful to Alejandra Collarte, Liane Ventura Guerra, Inés Calderón, and Juan Pablo González for nurturing this alliance. The friendship and support of Carlos Barrezueta, formerly of Miami Dade College, is likewise much appreciated.

The following participants in the workshop on Asia and Latin America contributed to making the discussion both insightful and informative: Cynthia Arnson, Johanna Parra, Gonzalo Paz, Maria Hermínia Tavares de Almeida, and Wu Diying.

Students and colleagues at the University of Miami helped in many ways to plan and implement the events held in April 2012 and to produce and distribute this publication. Our "dream team" of students included Amelia Hintzen, Ana Morgenstern, and Jonathan Rosen (our Center's first cohort of Distinguished Fellows); Olajide Bamishigbin; Rocío Budetta; John Melo; Charles Roberts; Nicolás G. Velásquez; and Wu Wenyuan. Ivonne de la Paz and Jonathan Wirch contributed their artistic and technical expertise. Marten Brienen offered excellent comments and Jennifer Garçon and Alisa Newman did a superb copyediting job.

We are honored to have received the support of UM President Donna Shalala and Dean Leonidas Bachas, who has made the College of Arts and Sciences a true home for us.

The Center for Latin American Studies is fortunate to have an extraordinary staff. None of the Center's many programs and activities would be possible without the wonderful work of Israel Alonso-Chávez, Jordan Adams, and Joselyn García.

To everyone mentioned above, my sincerest thanks.

Ariel C. Armony
October 2012

Introduction: Setting the Agenda

Ariel C. Armony, *University of Miami*

Reflecting after a day of stimulating conversation at the workshop on Asia-Latin America organized by the University of Miami's Center for Latin American Studies, one participant concluded, "the challenge today is to give this discussion structure." I believe that he was absolutely correct, and this introduction is intended to serve as a concrete step toward that goal.[1]

When I envisioned the workshop, I had two primary objectives in mind. The first was to invite those individuals who are doing the most stimulating work on the topic to participate in the meeting. The second was to organize the discussion in such a way that it would allow for a fluid and open exchange of ideas, purposely circumventing the imposition of a restrictive format that might artificially shape the discussion. Over the years, I have more than once seen a promising project fail because the framework guiding the discussion was too rigid and ultimately throttled the free flow of ideas, in essence becoming an intellectual straightjacket.

Our discussion identified four key factors that should take preeminence in the study of Asia-Latin America interactions:

1) These interactions are not merely a subset of Latin America's international relations. *Asia-Latin America interactions reflect a new reality: The center of gravity of the world economy is shifting toward emerging economies*. From the perspective of Latin America, the relationship with Asia is key not only to understanding larger questions about globalization, but also the shift from North-South to South-South, and possibly South-North, power dynamics.

2) It is clear from our discussion that *an agenda for the study of Asia's interactions with Latin America, particularly in the case of China, should move from quantifying to qualifying the relationship*. We need to work toward a better understanding of matters such as the quality of trade and investment, which will require a comparative analysis, while carefully exploring the density of relations at different levels (macro to micro, socioeconomic to cultural) and their multiple impacts, from the environmental to the political.

3) Scholarly and media discourse continues to be characterized by a great deal of imprecision with regard to the various actors in Asia-Latin America relations. *Studies should pay closer attention to the units of analysis. To properly understand the complexity of interactions between the two regions, we must disaggregate both actors and processes*. This demand poses a number of methodological and empirical challenges, particularly as we seek to understand global processes in

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[1] In this piece, I draw from the wealth of ideas discussed by participants at the April 18, 2012 workshop in Miami. I am grateful to those colleagues who shared their expertise in this field with us.

key areas such as resource extraction. As we increase our understanding of China's expansion into Latin America, it is imperative to unpack the idea of the Chinese state in our effort to understand China's "going out" policy.

4) *It is necessary to go beyond China and our next priority should be to study Latin America's relations with the other Asian countries, and with India in particular*. With the exception of the wave of studies of Japan's expanding role in Latin America beginning in the 1970s, there is insufficient academic work on the region's interactions with countries such as South Korea, Malaysia, Singapore, the Philippines, and India.

Crafting a Research Agenda

A growing literature from a Latin American perspective analyzes Chinese investment in Latin America and the Caribbean, as well as commercial relations, trade agreements, regional integration, competitiveness and industrial policy, energy cooperation, development finance, infrastructure, and innovation systems. In the realm of political science and international relations, studies have been published about China's foreign policy toward Latin America; geopolitical issues, such as the Taiwan-PR China dispute; and bilateral relations, with a focus on political economy. There is increasing interest in the historical, social, and cultural aspects of the relationship, some of which include language education, intercultural knowledge exchange, cultural industries, China's image in Latin America, Chinese migration, and the Chinese diaspora. New studies are beginning to address the relationship between natural resources and the environment, focusing on sustainable energy, water/land issues, and the impact of export agriculture on the environment.

The diversity of the issues involved brings with it a pivotal need to begin outlining a clear research agenda with an initial focus on China-Latin America interactions, to be expanded to include other Asian countries. Our discussion during the workshop allowed us to identify themes that offer significant potential for future research. This panorama may be organized according to three distinct perspectives.

First, we need studies that deepen our understanding of China's "landing" in Latin America and the Caribbean as part of the Asian country's broader "going out" in the developing world.[2] Key to this effort is to learn more about China's own perceptions concerning its role in Latin America and the Caribbean. It is important to understand how Chinese actors conceive of their relationship with Latin America and their impact in the region, and to pay close attention to how China deals with its new geopolitical role in the Americas, how domestic factors in China influence its relationship with Latin America, and how perceptions about Latin America are changing in China.

The study of China opens up wonderful opportunities to reflect upon Latin America. We need, in particular, analyses that examine what existing attitudes toward China reveal about the cultural and

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[2] See Ariel C. Armony and Julia C. Strauss, "From Going Out (*zou chuqu*) to Arriving In (*desembarco*): Constructing a New Field of Inquiry in China-Latin America Interactions," in J.C. Strauss and A.C. Armony (eds.), *From the Great Wall to the New World: China and Latin America in the 21st Century* (Cambridge, UK: Cambridge University Press, 2012).

political complexities of Latin American societies. Limiting ourselves to saying that China has been the engager, lender, and initiator of relations is a perspective that affords Latin America little more than a passive and reactive role. It also overlooks the important fact that studying Latin American reactions to what China is and can be is a powerful tool for gaining insight into ideas and debates that inform the region's path to development and global insertion. A promising area for research will involve reactions across Latin America to China's domestic and international record on human rights, labor, and other issues.

For those interested in re-energizing the study of US foreign policy toward Latin America, several important opportunities exist. The United States has to engage with a neighboring region that now seems to enjoy an increasing degree of geopolitical autonomy. Furthermore, the US must redefine its foreign policy to face the challenges of Asian competition; the rise of Brazil; higher levels of development in Latin America; and sustained pressures to reform the G-20, the International Monetary Fund, the World Bank, and the UN Security Council. Specifically, new studies should closely follow the evolution of a US strategy to engage Latin America via a Pacific initiative such as the Trans-Pacific Partnership (TPP). These studies should take into account the new strategic alliances that define South-South coalition building and the evolving reform agenda being actively advanced by emerging powers (e.g., the BRICS countries). In addition to economic and diplomatic aspects, China's military engagement in Latin America deserves systematic attention.

A second approach to developing a research agenda on Asia-Latin America involves opportunities for innovative comparative studies. For those working in Latin American studies, the global scenario of the 21st century opens up new prospects for comparative work. While many topics are open to comparative analysis, a few came up repeatedly at our workshop. We can organize these into three categories:

1) The expansion of FTAs and regional and cross-regional integration agreements involving Latin America and Asia offers opportunities for detailed comparative analysis to examine: (a) the factors that motivate integration within Asia and Latin America, and indeed between the two regions; (b) differences in bureaucratic processes and the role of interest groups, and their influence in domestic politics; (c) the use of integration language with regard to labor and the environment, and its implementation; (d) the political economy of regional trade agreements, with an emphasis on comparing patterns of political, economic, and social integration; (e) the relationship between integration and economic activity; and (f) the many implications of cross-regional integration for national economies and Latin America's regional agreements.

2) While the topic of FDI has been actively discussed in Latin America over the past decade, ample opportunities exist for new research on this topic. According to the Economic Commission for Latin America and the Caribbean (ECLAC), Latin America and the Caribbean's FDI share increased from 15% of global FDI flows in 1990 to about 50% in 2010. However, as discussed in the workshop, it is imperative to place these figures in the appropriate context, given the different types of FDI. More analysis will be required to help us understand how Chinese FDI differs from US and European FDI, or indeed how it differs from Indian FDI in Latin America. What are the differences between FDI coming from the public and the private sectors? We need to map the trajectory of FDI from its origin

to its destination while remaining mindful of the divergent roles of the actors involved, from national development commissions in China to civil society and local government in Latin America. Likewise, it is important to examine the different strategies adopted by countries that have opened up their economies to Chinese FDI. Along with development finance (its mechanisms, transparency, controls, competition, and issues of conditionality), this is a topic that further illustrates the need to *qualify* the nature of economic interactions between Asia and Latin America.

3) The flow of people constitutes an interesting aspect of the relationship between Asia and Latin America and offers significant potential for more systematic research. In the case of China-Latin America, traders, workers, and managers form an important component of the links between the regions. Potential avenues for comparison include analyses of Chinese workers in parts of Africa and the Caribbean; an account of the factors that influence decisions to import workers and managerial and skilled labor from China; and the relationship between local communities and Chinese nationals working on infrastructure and construction projects. Similar opportunities for comparative research exist with regard to Chinese traders in Africa, Latin America, and the Caribbean. We need to develop a more complete understanding of how transnational networks are linked to local markets, the kinds of goods that are traded, and the various ways in which these businesses transgress formal rules, compete in different markets, and are regulated by governments.

International migration is an important component of this phenomenon. Several excellent studies examine the "developmental synergies" created by the interactions between immigrant organizations in the United States and state/non-state actors in sending countries. These studies can help us frame research on Asian diasporas in Latin America and the Caribbean. Comparative studies of Asian organizations in Latin American countries can help us draw theoretical and policy lessons from our understanding of the connection between transnational networks and development at the national and subnational levels.

The growth and diversification of trade and social networks appear to be linked to a related increase in illicit activities, with clear implications for research. Illicit networks are globalized and are comprised of a diverse set of activities, ranging from the traffic in drugs, arms, humans, and human organs to money laundering. Studies can explore, comparatively, different patterns of illicit networks, types of corruption, and state responses to illicit activities at the international, regional, and national levels.

Latin America's increasing dependence on primary exports poses new challenges for governments in the region, which navigate a thin line between accruing benefits from the demand for commodities and protecting their national interests. Latin American countries are not the only ones facing this problem. Australia, for example, offers an intriguing case for comparison with Latin American countries. Cross-regional comparative studies involving resource-exporting nations can offer important insights into national strategies in such areas as land ownership, taxation systems, and the socio-environmental impact of the primary exports boom.

In addition to studies at the national level, the role of subnational actors—particularly cities, provinces, and regions—constitutes an important dimension of the interactions between Asia and Latin America. Increasing competition among Latin American cities and regions for Chinese investment in infrastructure and SME cooperation programs offers significant potential for comparative analysis.

A third avenue for research on Asia-Latin America is to trace the components of various globalized processes, including mechanisms for resource acquisition (such as commodity trading, resource-backed infrastructure loans, business agreements, and joint ventures); business engagement at the local level; and the micro-politics of investment. This is perhaps the area that poses the greatest analytical challenge and also the largest potential for the creation of new knowledge. Studying the relationship between Asia and Latin America requires tools drawn from a variety of fields, including international relations, comparative politics, geography, anthropology, law, and economics.

As noted before, our discussions during the workshop clearly suggested a need to better understand the complex dimensions of China's "going out" policy. The resource extraction sector is a promising place to start a research agenda aimed at examining the various processes and actors connecting China and Latin America. For instance, studies should look at the environmental impact of resource extraction activities as well as the ways in which these activities relate to social conflicts involving indigenous communities and domestic opposition movements.

Agricultural trade is another important theme. A focus on commodities, such as soybeans and their derivative products, can be very useful to deepen our understanding of political economy issues at the global and national levels; local power struggles; environmental problems (deforestation, biodiversity loses, water pollution, fragmentation of habitats, and harm associated with genetically-modified products); regulatory standards; land concentration and displacement; technological diffusion; sustainability issues; and food security, among other things.

As I mentioned above, the role of the Chinese diaspora is vital to a serious examination of China's pursuit of investment and business opportunities abroad. Transnational connections, domestic business links, impacts in specific localities and markets, and the complex role of informality and social relations (such as *guanxi*[3]) are crucial themes in our effort to make sense of key aspects of commercial interactions between China and Latin American and Caribbean countries.

The three-pronged research agenda on Asia-Latin America outlined above focuses on a deeper understanding of the constituting elements of China's "going out" policy. It should include Latin America's relations with other Asian countries and comparative studies on such themes as integration schemes; FDI; the flow of labor, trade, and licit/illicit goods; and the various links between migration and development. Also important is a disaggregation of the multiple actors engaged in globalized processes and their specific impacts at the micro level, particularly in the resource extraction and agricultural sectors.

The following pieces address specific topics viewed from the perspective of each contributor's area of expertise. Together, they advance a broad research agenda, which we hope will contribute not only to advance potential avenues for research, but also to configure a more integrated vision for the development of this thriving field of study.

[3] The term *guanxi* refers to personal loyalties that play a key role in social and business relationships.

Part I Asia and Latin America as Subject and Object of Globalization

1 | Latin America and the Caribbean, Asia, and the World Economy

Osvaldo Rosales
Economic Commission for Latin America and the Caribbean (ECLAC)

- This is a very interesting time for the world economy. Recovery has been very heterogeneous across regions. Emerging economies are growing almost three times as fast as industrialized ones, and Asia Pacific, led by China, is the world's most dynamic region. For its part, Latin America is emerging from the crisis in better shape than many industrialized economies. It is worth noting, however, that the recovery is expected to be more vigorous in South America than in Mexico and Central America.

- A weak and heterogeneous recovery accentuates divergences in monetary policy within the G20, adding financial and exchange rate volatility. In countries aided by the Organisation for Economic Co-operation and Development (OECD), low interest rates, coupled with higher yields in emerging economies, encourage capital inflows to the latter and result in an appreciation of their currencies. This, in turn, discourages exports (especially non-traditional ones), while it fosters borrowing in foreign currency and current account deficits. This situation could bring emerging economies closer to the well-known debt crisis scenarios. Absent the multilateral mechanisms to address these inefficiencies in the international financial system, some emerging economies will inevitably end up adopting various forms of capital controls, as is already happening in Brazil, Korea, Indonesia, and other developing countries.

- The required adjustment in the world's most indebted economy, the United States, must include a depreciation of the dollar alongside efforts to reduce absorption and increase savings. As the US current account position improves, however, it must deteriorate somewhere else. This is why it is so important that economies with high current account surpluses, in particular China, collaborate with a more balanced recovery that facilitates the gradual appreciation of their currencies and stimulates their internal market and private consumption. Growth nearing 10% and investment exceeding 40% are not sustainable and have resulted in a consumption-to-GDP ratio of just 43%. Each additional step toward a gradual adjustment of China's macroeconomic figures, inclusive of a larger role for domestic consumption, reduces the likelihood of bad news in the coming years.

- China is already in a position to continue growing at high rates even with a stronger yuan, thanks to its advancements in productivity and efficiency. The historical experience shows that as economies grow stronger, their national currencies also strengthen. Moreover, this process is fully compatible with guidelines aimed at reducing internal inequalities between city and countryside in China and reinforces social safety nets with an emphasis on health, housing, and pensions.

- Thanks to the favorable external cycle from 2003 to 2008 and improvements in economic policy, Latin America did not experience a financial or exchange rate crisis, despite the intensity of the 2007-2012 global economic crisis. On the contrary, the macroeconomic strengths the region had been building—fiscal and current account surpluses, increased international reserves, and flexible exchange rates in most countries—allowed it to face the crisis with countercyclical fiscal and monetary programs, reducing its effects and contributing to a fast recovery.

- During this favorable external cycle, Latin America grew faster than at any time in the last four decades. At the same time, however, the region was unable to reduce its productivity gap with industrialized economies or bridge the chasm between the modern and undeveloped sections of its national economies. This is why we at ECLAC speak of the need to reduce two productivity gaps: one with the industrialized economies and a second, internal one. Latin America's substantial disparities in productivity levels across sectors—much higher than those in the OECD or in Asia—are a key explanation of the high inequality that remains an unfortunate characteristic of the region. These disparities explain the region's high sub-employment and its abundance of small- and medium-size firms with low productivity levels that are unable to meet international quality standards and whose workers are poorly qualified. The success of any strategy aimed at converging with industrialized economies will necessarily be measured against indicators such as innovation, productivity, diversification of the productive and export base, a more qualified workforce, strengthened links between exports and the rest of the economy, and a less unequal income distribution.

- Latin America needs to grow at high rates but it also needs more inclusive growth, which goes hand-in-hand with more equality. This goal is more feasible than it was in the past, and it cannot be postponed. It is more viable because the region has shown unprecedented strength in facing both the crisis and its aftermath, and because the intensity of technological change has allowed the catching-up process to operate more fluidly. It is urgent because if the region does not take advantage of its current favorable economic cycle and increase its investment in infrastructure, education, innovation, and competitive support for SMEs, it is unlikely ever to do so.

- The crisis has reinforced China's, and more generally Asia's, position as the main source of growth for Latin American exports. Asia Pacific has already displaced the European Union (EU) as the second most important export market for the region. In 2009, China was the first export destination for Brazil and Chile; second for Peru, Costa Rica, and Cuba; and third for Argentina. Toward the middle of the current decade (2010-2019), China will displace the EU as Latin America's second most important trade partner, both for exports and imports. There is no doubt that, in the coming years, these links will continue to develop. Over the next decades, Latin America's growth prospects could depend more on its economic relationship with Asia than with the United States or Europe.

- Midterm perspectives look promising for China and Latin America and explain to a significant degree the world's new geography of growth. This not only reflects the larger presence of emerging economies in the main variables of the world economy but also the stronger links between emerging and developing economies through increased South-South trade and investment. Developing countries must act proactively to anticipate this new scenario and adjust their policies and strategies to take advantage of it.

- Rapid growth in both China and Latin America has stimulated complementarities, as is evident in the substantial increase in bilateral trade. However, improving the quality of the bilateral economic relationship requires addressing significant challenges:
    (1) Latin American and Caribbean (LAC) exports to Asia Pacific are concentrated in a few products that, save for Mexico and Costa Rica, are mostly commodities with little value or knowledge content.
    (2) LAC trade with China is almost exclusively inter-industrial, with LAC exporting primary products and importing manufactured goods.
    (3) FDI flows between China and LAC are very small, especially when compared with rapidly growing trade flows. This situation is unlikely to change the structure of bilateral trade, as the currently dominant inter-industrial trade leaves limited space for joint ventures and strategic alliances that promote innovation and competitiveness. It is worth recalling that no region has experienced sustained development without diversification of the production and export base and gradual incorporation of manufactures and services to strengthen links between exports and the rest of the economy.

- Latin America has an opportunity to take advantage of its increasing linkages with China and put innovation and competitiveness at the center of its national development agendas. An additional step would be the inclusion of these issues in the regional and sub-regional agendas for integration and cooperation. China and Asia Pacific offer ample opportunities for Latin America to sign export, investment, and cooperation agreements in areas such as mining, energy, agriculture, infrastructure, science, and technology. In each of these fields, the region is prepared for specialized technical dialogue.

- Taking full advantage of these opportunities on a relevant scale will only be possible through a concerted effort by regional associations to promote mutually beneficial investment and trade opportunities with convergent, transparent, and stable policies that aim to establish long-term commitments between the regions.

- Latin America has made approaches to Asia Pacific, but most have been national efforts that lack coherent midterm plans. Although valuable, these approaches have yet to respond to the demands and possibilities offered by the enormous Asian market.

- Taking full advantage of the opportunities offered by China and Asia Pacific requires that Latin American companies integrate more comprehensively into Asian value chains. Such an approach would promote a more diversified trade with greater intra-industrial components and more reciprocal investments. The outcome will be more attractive if some of these tasks are addressed in alliance with Asia Pacific businesses, investors, universities, and technology centers.

- This is the right moment to define, in a concerted manner, regional priorities regarding relations with China by proposing a mutually beneficial strategic association. China has already formulated a foreign policy toward Latin America with the publication, in November 2008, of its Policy Paper on Latin America and the Caribbean (the "White Paper" on LAC). This document recognizes our region's potential in moving toward integral cooperation in political and economic relations, in addition to social, cultural, judicial, and security issues. Latin America should soon take the next step and reply with a document establishing its own guidelines for a strategic approach to China and Asia Pacific.

- Given the interest expressed by the Chinese government in deepening economic and trade relations with Latin America, the conditions are auspicious to intensify such links. Regional coordination to define a first concerted reaction to the "White Paper" on LAC, in the form of roundtables to hold an initial technical dialogue, would set the stage for the realization of a China-Latin America presidential summit. Such a meeting could develop a shared agenda to include investment and trade projects with mutual benefits for infrastructure, energy, connectivity, trade facilitation, tourism, education, science, and technology-oriented businesses.

- In turn, cooperation could facilitate progress on such issues as energy efficiency, renewable energy, ultra clean technologies, and climate change, areas in which China is taking significant steps and where joint ventures could be established between companies, universities, and technology centers in China and Latin America.

- China could make profitable use of its huge international reserves by investing in infrastructure, logistics, connectivity, and tourism projects in Latin America. This, of course, requires that Latin America be able to agree to a portfolio of projects and adequately present them to Chinese companies and banks. In October 2010, the IV China-Latin America Business Summit organized by the China Council for the Promotion of International Trade (CCPIT) in Chengdu, Sichuan, created a permanent institutional mechanism for dialogue between the CCPIT, the binational chambers of commerce, and trade and investment promotion agencies in Latin America. This may be the first step toward greater regional coordination in this area.

- Another avenue to explore is support from Chinese banks, either directly or through special funds at the Inter-American Development Bank (IDB) or the Andean Development Corporation (CAF). These funds could be used for export diversification and greater participation by SMEs in export flows to offset the marked tendency toward "primarization" in Latin America's exports to China. Certainly, neither China nor Latin America is interested in a modern version of the center-periphery relationship that so damaged our region's development prospects.

- Latin America's lag in competitiveness, innovation, and productivity represents a permanent obstacle to the strategy of productive transformation with equity. A coordinated approach to China and the Asia Pacific region that draws on lessons learned from history and seeks dynamic partnerships would contribute decisively to achieving this crucial objective. As developing regions and equal partners, China and Latin America seek to deepen their ties based on mutual benefits. Any differences that arise should be dealt with through dialogue, consultation, and negotiation.

2 | New Agendas in Research on China-Latin America

Julia C. Strauss
SOAS, University of London

Reflection I: The newness of China-Latin America as an arena of inquiry

When we think about the question of "new agendas" in research on China and Latin America, the first thing to recognize is how young and immature this new area of inquiry is. Only ten years ago, little work existed on China and Latin America. The past decade has seen an incredible acceleration of exchange; primarily economic, but also now including diplomacy, culture, and migration. In the space of a decade, China has gone from being a negligible presence to ranking as the first or second most important trade partner of many states in Latin America.

It isn't surprising for this rapidly growing phenomenon to create demand for knowledge on the topic. Very few scholars are equipped to do justice to the topic, however, because of the formidable linguistic and scholarly barriers to knowing enough about each place to generate meaningful work. The "usual suspects" in the worlds of journalism, business, and policy analysis have stepped in to fill the demand, but they too suffer from a profound lack of context and understanding of both Latin America and China, starting with knowledge of the necessary languages. Their input helps get information into the public domain, but it seldom satisfies the criteria for academic scholarship and is often topical, causing it to quickly lose relevance.

How can we, in practical and intellectual terms, move from where we are now to generating high-quality academic research on China-Latin America that can stand on its own intellectually and contribute to wider sets of research on contemporary globalization and (for lack of a better term) "modernities"?

Reflection II: China and Latin America as a facet of contemporary patterns of globalization

The curse of all area-based studies is also their blessing: One knows a great deal about the particular empirical realities of the area, but often at a cost of integrating that knowledge into a wider regional or global framework. Conversely, scholars of contemporary globalization or macro processes (migration of capital, communications, people, etc.) are not likely to know all that much about particular areas. Getting the empirical details right, more often than not, matters a great deal for getting the ideas right. That said, the "rise" of China as a globally important economic presence and the increasing global clout of the so-called BRICS are factors to incorporate into our notions of contemporary globalization and "modernity." China exercises its "going out" policy, for example, not just in Latin America, but also in Southeast Asia, South Asia (notably Pakistan), Africa, and (to a lesser extent) the Middle East.[1] Scattered studies address "going out," but with the exception of one volume (Lowell Dittmer and George Yu, eds., *China, the Developing World, and the New Global Dynamics*, 2010), none have considered China and Latin America in anything but a very general globalization framework.[2] If China's "going out" is one aspect of, or answer to, contemporary globalization, we need to ask two very basic questions:

(1) Is China's activity in Africa, Latin America or South Asia different from that of any of the other external actors (businesses, enterprises, families, aid organizations) that have come into these areas as outsiders in search of business, adventure, opportunities, or aid? Are Chinese mining companies in Peru or Zambia really significantly "worse" in their behavior than any of the other major players in international mining operations? Are there any unifying themes to the ways in which Chinese enterprises drive particularly hard bargains vs. accommodate local concerns? And if there are, in what ways might they be worse, better, or learning?

(2) China's loose and elastic rhetoric is trying to accommodate a huge variety of local situations and circumstances. Are there notable similarities and differences in the way it "goes out" to Africa (where, for example, a fair amount of aid still accompanies other forms of investment) vs. Latin America? Are Chinese activities significantly different by country *within* Latin America?

My own research suggests, at least preliminarily, that China systematically singles out Brazil for special attention within Latin America. The Brazilian state has shown a good deal of capacity to stand up to and deflect parts of the Chinese arrival in a way that, for example, the Peruvian state has seemed unable to do. China has not bullied Brazil over flashpoints of tension in the way that it appears to have bullied Argentina (and gotten away with it). Is this preferential treatment of Brazil a function of size/scale (and presumptive importance as one of the co-rising BRICS)? Or is it due to the relatively high capacity of the Brazilian state to respond, or some other factor?

Reflection III: The importance of disaggregation: China and Latin America as units of analysis

"China" and "Latin America" are shorthands, constructs that attempt to make sense of a much larger, more complex set of realities. We risk reifying these names and treating them as if they are real, graspable, and knowable entities. It is, of course, much easier to disaggregate Latin America, because Latin America is made up of different states. China, in contrast, remains an insistently unitary state under a theoretically monocratic party that cannot risk a hint of admission to federalism. In both places, politics, society, and economy are multi-faceted and multi-layered. This is no less true

[1] The term "going out" (*zou chuqu*) refers to China's official encouragement that Chinese enterprises "go out" into the world in search of investment opportunities.

[2] The book focuses on the implications of China's rise for developing countries and the tensions that its new global economic status generates for both China and the developing world.

of China than it is of Latin America. The Chinese government presents itself as the unified voice of a well-ordered and controlled state. However, its own territory is so vast that, in many regions, the writ of the central Chinese Communist Party is easily subverted, leaving China rife with principal-agent problems. Furthermore, the process of privatization and semi-privatization in China has been implemented in such a way that it is often unclear which entities are parts of the Chinese state. Previously, profit-making enterprises were often attached to state bureaucracies. Entirely private enterprises survive on the strength of their connections to, and protection from, local states. Fully state-owned enterprises may be more ruthless in their drive for profits than smaller scale, entirely private enterprises, and, in many cases, shadow companies have been only nominally hived off from their party, state, or military parent organizations.

From Mexico City to the textile capital of West Africa, Lomé, the vast majority of Chinese local hawkers and traders, whose visibility on the street has made them polarized targets for popular backlash, get no support from the state. In Latin America, as in Africa and presumably elsewhere, reactions to the Chinese "*desembarco*" (landing) vary. Typically, governments and elites are attracted by China's insistence on "win-win" and lack of interference in domestic affairs. Representatives of a wide range of civil society organizations are more critical, but their responses need to be broken down by sector and over time. At least in Africa, China could count on solid support from African governments and elites until very recently, but that consensus is beginning to fray.

Reflection IV: The practicalities of research on China and Latin America

The needs of any credible research agenda are clear. We need *a lot* more primary research in both China and Latin America conducted by scholars with linguistic training and connections to relevant supporting organizations, such as universities, grant organizations, and groups that promote social science and academic research. This needs to be a two-way street, with Chinese programs developed in Latin America and Latin American programs in China.

There are some promising early signs of progress in this direction. A handful of graduate students, who are often already Spanish speaking, have begun to learn Chinese as they embark on PhD programs on China-oriented topics at institutions such as UCLA. The same university has developed online courses on East Asia with the Universidad Nacional de La Plata (UNLP) in Argentina, and the Universidade de São Paulo (USP) in Brazil offers some graduate training in China-Latin American relations. Research should be conducted at three different levels simultaneously: (1) developing programs and exchanges between China and Latin America; (2) training PhD students in the necessary linguistic skills; and (3) developing collaborative research projects with institutions in Latin America and/or China to build support for PhD students and postdocs. Ideally, these projects should be designed to include multiple types of data and methods from statistics to ethnography, as well as scholars trained in a range of disciplines; e.g., economics, agricultural economics, management, political science, sociology, and anthropology.

Reflection V: Some project possibilities to expand the field of China and Latin America

- A project focused on agricultural trade could make useful comparisons between the Chinese and South American trade in soybeans. This project could not only shed light on a range of government, business, and trade issues, but also clarify questions of land use, the environment, shipping, wholesaling and retail, and, most critically, how the Chinese state and Chinese enterprises respond to these challenges.

- A focus on copper mining and the neoliberal order could engage a direct comparison between Chile and Peru by going into the micro details of individual companies; their learning or lack thereof; local host governments' capacity to establish and enforce regulatory host environments; and policy debates or lack thereof about "new dependencies" or "new integration."

- Follow-up on China's official 2008 paper on Latin America, particularly its commitment to initiate government-to-government, party-to-party, and legislature-to-legislature links. Is there any evidence that China is attempting to export its one party "model" of governance to Latin America, as it seems to be doing in South Sudan? What, if anything, do Chinese actors internalize after "learning" through these kinds of exchanges with Latin American legislatures and parties?

- Infrastructure is a huge topic with significant ramifications. Examples include the huge Açu port in Brazil, ongoing discussions of other ports in Ecuador, and perennial talk of China building a railroad to bypass the Panama Canal. Not only is this a very important topic for geographers, it is also crucial for retail, management, communications, land use, contracts, and the "selling" of large projects with the potential for environmental damage. The politics surrounding these infrastructure deals are inherently important, but so is mapping a range of outcomes, including unanticipated ones.

3 | China, the Developing World, and the Global Architecture for Development Finance

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Chinese development finance is unusual in that much of the financial flow from China does not constitute concessional official development aid (ODA). Instead, most of it comes in the form of export credits and strategic lines of credit to Chinese-related companies, among other mechanisms. In this sense, it is very similar to Japanese financial flows to China several decades ago, when Japan began its outward march with a large line of credit to China, which at the time was unable to access international credit markets. Looking at the nature of Chinese development aid and non-aid to other developing countries provides insight into China's strategic approach to outward investment and economic diplomacy, even if exact figures and strategies are not easily ascertained.

Chinese development finance involves two distinct types of financial flows: ODA and other official flows (OOF). ODA, as defined by the Organisation for Economic Co-operation and Development (OECD), refers to concessionary funding given to developing countries and multilateral institutions primarily for the purpose of promoting welfare and economic development. Funding must be "concessional in character" (i.e., involve government subsidies), and loans must have a grant element of at least 25% when using a 10% discount rate.

While only concessional loans and grants qualify as ODA, governments also offer other official flows, such as funds for the donor country's firms to subsidize or guarantee their private investment in recipient countries, military aid, and export credits. These funds are reported as Other Official Funds (OOF). This category includes loans that are not concessionary in character and official bilateral transactions that are primarily export-facilitating in purpose, whatever their grant element.

China provides the equivalent of ODA through three instruments: grants, zero-interest loans, and concessional loans (*you hui dai kuan*, or fixed-rate, low-interest loans). These instruments finance Chinese governmental scholarships for African students and Chinese medical teams, as well as "turnkey" construction of stadiums, government buildings, telecommunications networks, and other infrastructure. They also finance technical assistance teams in agriculture and other sectors, short-term training programs, youth volunteers, and material aid (the export of Chinese goods).

Grants and zero-interest loans were the primary instruments of China's ODA until 1995, when concessional loans were introduced. According to the Chinese "White Paper" on aid released in April 2012, approximately 40% of China's aid is financed through grants. Zero-interest loans are also a mainstay of China's aid. The debt-relief program launched by Beijing in 2000 targeted overdue zero-interest loans for cancellation, with RMB25.58 billion worth (US$3.76 billion) cancelled.

Only large projects with a value of at least US$2.4 million that use at least 50% Chinese goods and services may be funded with concessional loans. China's concessional loan program in Africa has grown rapidly. At the end of 2005, China Eximbank had cumulatively funded only about US$800 million in concessional loans in Africa for 55 projects. Two years later, the number of African projects rose to 87 and the cumulative value was about US$1.5 billion.

China also supplies other official funds that do not qualify as ODA. Three categories of loans are relevant here: export buyers' credits, inclusive of preferential buyers' credits (*you hui mai fan xin dai*); export commodity-secured, or "mutual benefit" credits (*hu hui dai kuan*); and official loans at commercial rates with strategic lines of credit to Chinese companies. China Eximbank and China Development Bank are the main actors in these other loan categories. While China Eximbank is more active in Africa, China Development Bank has taken the lead in Latin America and Central Asia.

For lower-income countries, the OOF provided by OECD members has normally been well below the level of funds provided on ODA terms. This is not the case for Chinese OOF, reflecting Chinese policymakers' belief that countries with good export prospects can afford to undertake more commercial debt arrangements. China's government-provided finance to other developing countries falls primarily into the OOF category rather than ODA. In Ecuador, for example, China Eximbank recently provided a commercial loan for a hydropower project under construction by the Chinese firm Sinohydro at a fixed interest rate of 6.9%. Brazil's Petrobras received a loan at LIBOR plus a margin of 2.8%. These loans do not qualify as "ODA."

Across the globe, Chinese aid agreements seem to follow diplomatic ties. In Costa Rica, where Beijing wrested diplomatic recognition away from Taipei (Taiwan) only in 2007, Chinese aid included financing for a stadium and a US$30 million cash grant. China does not appear to give ODA in larger amounts to resource-rich countries, as can be seen in modest flows to Nigeria and the Democratic Republic of Congo. Grants and zero-interest loans are distributed evenly to lower-income diplomatic partners, while concessional loans and other development finance from Chinese banks fit a country's ability to pay, either because it is middle income or because it will finance an income-generating project.

Many policy instruments, including development aid, coordinate China's economic push to "go global." In this way, China's strategy resembles Japan's outward march more than it resembles the experience of other OECD countries. Chinese banks have developed instruments they believe can link natural resources in other developing countries to their development. Since they regard these resources as a source of wealth, they generally do not offer mutual benefit loans (*hu hui dai kuan*) at concessional rates, although a grace period is often built in, particularly when the natural resource is still to be developed and brought to market. To the Chinese, even resource-poor countries such as Ethiopia, whose balance sheets might not look good, sometimes have untapped capacity to service a future debt if borrowed funds go toward productive projects. Ethiopia has secured lines of infrastructure credit through its exports to China, mainly sesame seeds and leather products.

Concerns about Chinese development aid and finance

- *Transparency:* OECD countries and members of the Development Assistance Committee (DAC) have pledged transparency in reporting their aid and other official finance. Chinese transparency has increased somewhat with the publication of a "White Paper" on official aid. ODA is a relatively small part of China's official finance, however, meaning that the bulk of financial flows is left out. Further, aggregate figures are far less useful for understanding Chinese overseas finance on a country-by-country basis than are annual figures. The lack of transparency raises suspicions among other countries. Chinese sources believe that the government is not transparent because sectors of domestic opinion may not understand why China is providing development finance and aid overseas when China itself has so many needs and so much poverty.

- *Debt Sustainability:* Past decades have seen countries as developed as Mexico and Argentina default on large loans from international banks, bond payments, etc. The Chinese have tried to secure their own large loans with escrow accounts, into which proceeds from exports to China are regularly transferred. It remains to be seen whether these arrangements will withstand another global financial crisis or whether Chinese banks will reschedule and/or accept reductions should borrowing countries find themselves in difficulty.

- *Export Credits:* In the 1970s, wealthy countries agreed to provide a level playing field in the OECD's Arrangement for Officially-Supported Export Credits. Transparent reporting of all offers of export credit is required of members, who are supposed to compete on the basis of the quality of their exports and services, not cheap financing. China and other non-OECD members do not have to follow these rules and are believed to offer "unfair" competition.

- *Governance and Economic Conditionality:* For several decades after the 1970s, the Washington-based international financial institutions (IFIs) and bilateral donors were the main sources of finance for poorer countries. This allowed them to impose conditions on economic policy and governance before countries could receive assistance. China does not impose these conditions; diplomatic ties are required, but this is normal for official bilateral finance, just as IFIs require borrowing countries to be members. Some worry that Chinese finance will impede wealthier countries' ability to persuade poorer countries to adopt "better" economic policies and governance practices.

China's growing foreign aid and export credit program is an element of the changing international aid architecture. Practices governing Chinese aid and development finance diverge from clear OECD standards and norms for transparency and definitions, the management of concessional export credits, and the management of sovereign debt. In the areas of environmental and social protections, corruption, and governance we find mixed results. Chinese norms on environmental and social safeguards are evolving rapidly. There is some evidence that the framework for development loans has begun to take these higher standards into account, particularly through the ongoing development of "Green Credit" rules by China's banking regulators. Regarding governance, both China and the traditional sources of development finance have rules that discourage corruption in the procurement of aid, but export credits are less well policed. Rules for when or how aid should be restricted when the pattern of corruption characterizes an entire recipient government are not well specified by any lender. The global aid and development finance regime is not well institutionalized regarding democracy and human rights. Neither the IMF, the World Bank, nor the Chinese apply conditionality in this area. Many bilateral donors do apply such conditions but with relative inconsistency, and often without clear or firm standards. In sum, Chinese practice is not as different in this arena as is often believed.

Rigorous comparison between development finance from China and other actors is hampered by a lack of data. This is not only an issue on the Chinese side. Surprisingly, even OOF data from the OECD members is far less transparent than ODA. Although the Chinese are not transparent about any of their official finance, Chinese sources and media reports remain the most viable starting point for data collection. Researchers should collaborate to compile preliminary data on OOF from traditional sources of development finance and both OOF and ODA destined for emerging countries. Without data, it is difficult to reach a conclusion about debt sustainability, development impact, or other questions that depend on fairly firm figures.

Case studies of Chinese finance are also needed across countries. How do the Chinese make decisions on project finance? How are projects carried out? Is development finance primarily used to push Chinese exports, or does it serve other ends? How different are the Chinese requirements for environmental feasibility studies and other safeguards? How is repayment structured?

With better data and case studies, we can make more refined comparisons of the ways in which China, other official lenders, private lenders, and multilaterals actually offer and provide finance to developing countries. This will be useful to further our understanding of China's economic diplomacy and the role that China plays in international development finance.

4 | Asia, Latin America, and Global Networks: A Human Trafficking Perspective

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The trafficking in human beings has flourished in the context of increased global economic, political, and technological interdependence. Estimates indicate that hundreds of thousands of people are recruited, transported across national borders, and held in slave-like conditions every year for the purpose of exploiting their labor and/or removing their organs. International networks of organized criminals have become increasingly involved in this lucrative business, sometimes using the profits to fund other illicit activities, including traffic in drugs and small arms. The revolution in global communications and information technology since the 1990s has facilitated their clandestine operations.

While reliable data is hard to come by, data from various international organizations and national governments suggest that Asia and Latin America have been severely affected by the surge in human trafficking in the past two decades. Both regions have become increasingly integrated into the global economy and reap the benefits of increased trade and foreign investment. Yet, by opening their markets and deregulating their economies, Asian and Latin American countries have also had to confront the darker, clandestine aspects of globalization. Both regions, but arguably Asia to a greater extent, are important destinations for sex and organ transplant tourists. Experts estimate that the great majority of human trafficking victims are originally from Asia (Shelley 2010). Moreover, the competitiveness pressures confronted by local and international companies have created strong incentives for the exploitation of migrant workers in the agricultural, construction, and mining sectors. The International Labour Organization (ILO) estimates that approximately half of all trafficking victims worldwide are subjected to forced labor exploitation (ILO 2005).

Concomitantly, the last decade has witnessed an unprecedented increase in economic and political relations between Asian and Latin American countries. Trade flows between the two regions have expanded dramatically since 2000, with Asia currently accounting for 20% of all Latin American trade and serving as the region's second largest partner after the United States (IDB 2012). Asian countries, especially China and Japan, have also emerged as major investors in Latin America. As analysts emphasize the vast economic and political benefits associated with the growing trade and investment between the two regions, however, it is also important to consider the expanding scope for illicit flows of goods, drugs, arms, and human beings.

For example, preferential trade agreements between Asian and Latin American countries, which have averaged 2.2 per year since 2003 (Berisha-Krasniqi et al. 2011), have facilitated the surge in trade between Asia and Latin America. These agreements not only liberalize trade in goods and services but also tend to include so-called "Singapore issues," such as investment, competition policy, and government procurement. Will these arrangements foster illicit activities and, in particular, the traffic of human beings? Or will their strict investment regulations make it more difficult for licit and illicit networks to engage in illegal activities? The agreements between Peru and Singapore, Chile and South Korea, Chile and Japan, the Mexico and Japan RTAs, and Chinese Taipei's agreements with Nicaragua, Panama, Honduras, and El Salvador include environmental regulations, but none of them seem to cover labor standards. Will the absence of labor-related disciplines foster exploitative practices by exporting companies in both regions?

A similar question emerges with respect to the expansion of foreign direct investment by Asian companies in Latin America. Chinese firms have become important investors in Latin American natural resources, including mining, food, tobacco, coal, oil, and natural gas. Indeed, almost 60% of Chinese FDI in South America between 2003 and 2011 was concentrated in metals, while food and tobacco products accounted for 14% and coal, oil, and natural gas for 4% (Kotschwar, Moran, and Muir 2012). According to ILO research, these are the sectors in Latin America identified as having a higher incidence of human trafficking for labor exploitation. The ILO has documented the exploitation of migrant workers, particularly indigenous populations, in the Amazon region of Peru for illegal logging; in Bolivia for nut collection; and on cattle ranches in the Chaco region of Paraguay (ILO 2008). In Brazil, forced labor has also been documented in logging and on cattle ranches and soybean, corn, and cotton plantations (Seelke 2012). The top two Latin American recipients of Chinese FDI in mining, Brazil and Peru, have also reported forced labor practices in mining camps. Has the growth in Chinese direct investment in natural resources contributed to the increase in these exploitative practices? China's own human rights record gives rise to legitimate concerns, and the corrupt practices in some Latin American countries could exacerbate this problem. The Brazilian government has taken an active stance in fighting forced labor at the national level. How have other governments in the region responded to these new challenges?

Analyzing the illicit dimension of the expansion of Asian-Latin American links requires a prior understanding of the nature of illicit networks and human trafficking patterns in each region. An important first step in the research agenda will therefore be to examine and compare: (1) the nature and extent of human trafficking, including the types of exploitation and the modalities and practices of traffickers; and (2) the responses adopted by governments in each region, not only in terms of participation in international and regional initiatives but also in their national policies.

First, it is important to compare patterns and types of human trafficking in Asia and Latin America. While Asia has been the focus of extensive attention from scholars and policy analysts, considerable less research has examined the extent and nature of this problem in Latin America and the Caribbean. Moreover, most of the existing research has focused on sex trafficking of women and children, neglecting the increasingly serious problem of trafficking for labor exploitation. More empirical research on the sectors that are involved in labor trafficking in each region is essential. Similarly, a better understanding of labor migration patterns in Asia and Latin America, and identification of the main source, transit, and destination countries, would contribute to illuminating the potential routes and opportunities opened up by growing Asian-Latin American ties.

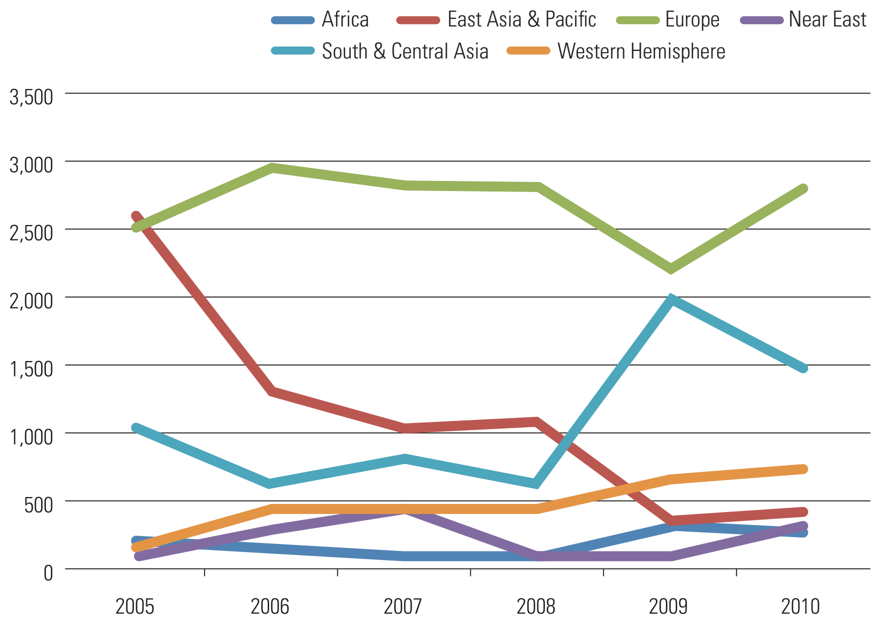
In addition, it is interesting to compare the ways in which human traffickers tend to operate in each region, and the extent to which they are linked to broader organized crime networks. According to Louise Shelley, organized criminal networks more often dominate the business of human trafficking in Asia than in other regions of the world (Shelley 2010). However, Shelley argues that human traffickers in Asia tend to specialize and derive most of their profits from the smuggling and trafficking of people. By contrast, in Latin America, evidence seems to indicate that human traffickers are also involved in the illicit trade in money, weapons, and drugs. According to reports, Mexican drug trafficking organizations such as Los Zetas are also increasingly engaged in human trafficking, as are criminal gangs in Central America (Seelke 2012). Further empirical research is needed to shed light on the differences and commonalities between trafficking patterns in both regions.

Finally, it is just as essential to compare the ways in which Latin American and Asian countries have responded to the problem of human trafficking, not only at the regional but also the national level. According to the US State Department's annual Trafficking in Persons Report, both regions have made significant progress in establishing national policies against human trafficking. In both Asia and Latin America, however, several countries still do not fully comply with the minimum standards established by the US Trafficking Victims Protection Act or have exhibited an increase in the number of victims of trafficking (Tier 3 and Tier 2 Watch List, respectively). From a comparative perspective, it is interesting to point out that Asian countries seem to have made faster and steadier progress than Latin American countries. The overall number of prosecutions and convictions is significantly higher for countries in Asia than in Latin America (see Figure 1 in the Appendix). This is despite the fact that Asian countries have lagged behind their Latin American counterparts in the signing and ratification of international treaties concerning human trafficking and forced labor (see Figure 2). As the data presented in Table 1 illustrate, Asian countries have exhibited greater willingness to engage in regional cooperation initiatives than have Latin American states.

Apart from exploring the determinants of the differences in national and regional responses in Asia and Latin America, another interesting question that emerges is whether there have been, or will be, processes of cross-regional learning and diffusion of anti-trafficking policies. For example, the ILO has acted as a crucial norm entrepreneur in the fight against labor trafficking and has worked closely with Brazil in coordinating national strategy against forced labor since 1995. More recently, similar projects have been launched in Asian countries such as Thailand, the Philippines, Sri Lanka, and Bangladesh. Efforts to fight sex trafficking of women and children, conversely, have been more aggressive in East Asia but have more recently also acquired new dynamism in the Americas. A closer look at the processes and mechanisms through which these policies and initiatives diffuse across and within regions would contribute to our understanding of the multidimensional interconnections between Asia and Latin America.

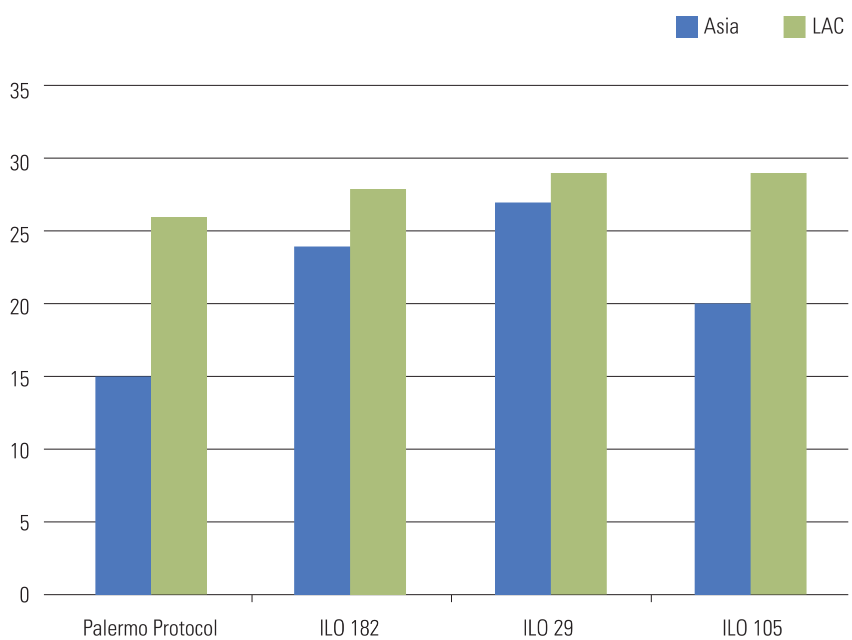
Appendix

Figure 1: Reported Number of Human Trafficking Convictions, by Region



Source: Prepared by author with data from US TIP Report 2011.

Figure 2: Ratification of Main International Treaties Concerning Human Trafficking and Forced Labor



Source: Prepared by author with data from ILO and US State Department.

Table 1: Main International and Regional Treaties and Initiatives regarding Human Trafficking and Forced Labor

International	
Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime (Palermo Protocol), Supplementing the UN Convention Against Transnational Crime	2000
UN Global Plan of Action to Combat Trafficking in Persons	2010
International Labour Organization Convention No. 182 – Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor (ILO 182)	1999
International Labour Organization Convention No. 29 – Convention Concerning Forced or Compulsory Labor (ILO 29)	1930
International Labour Organization Convention No. 105 – Convention Concerning the Abolition of Forced Labor (ILO 105)	1957
International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families	1990
International Labour Organization Convention No. 189 – Convention Concerning Decent Work for Domestic Workers	2011
Convention on the Elimination of All Forms of Discrimination Against Women	1979
Convention on the Rights of the Child	1989
United Nations Recommended Principles and Guidelines on Human Rights and Human Trafficking	2002
UNICEF Guidelines on the Protection of Child Victims of Trafficking	2006
Asia	
ASEAN Declaration Against Trafficking in Persons Particularly Women and Children	2004
ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers	2007
ASEAN Declaration on Transnational Crime	1997
ASEAN Practitioner Guidelines on Effective Criminal Justice Responses to Trafficking in Persons	2007
ASEAN Trafficking in Persons Handbook on International Cooperation	2010
Coordinated Mekong Ministerial Initiative Against Trafficking (COMMIT) Memorandum of Understanding on Cooperation Against Trafficking in GMS	2004
South Asian Association for Regional Cooperation (SAARC) Convention on Preventing and Combating Trafficking in Women and Children for Prostitution	2002
Latin America & the Caribbean	
Organization of American States (OAS) Work Plan to Combat Trafficking in Persons in the Western Hemisphere	2010
OAS General Assembly Resolution on Trafficking in Persons	2003
OAS General Assembly Resolution Creating the Coordinator on the Issue of Trafficking in Persons	2004
Regional Conference on Migration (RCM) (Puebla Group) Plan of Action	2002

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5 | Is China a Threat to United States Hegemony in Latin America?

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In the 1970s, it was common knowledge that Japan was about to overtake the United States in the world economy and that the hegemony that the United States had enjoyed since the end of the Second World War was in rapid and inexorable decline. In Latin America, Japan also was seen as moving to occupy space as a major trading partner in the region, especially in the purchase of raw materials, for which the rapidly expanding Japanese manufacturing sector and middle class appeared to have an insatiable appetite. In Brazil, Paraguay, and Argentina, Japanese investments in agriculture, particularly soybean cultivation, were growing at a vertiginous rate and MITI, the strategic planning division of the Japanese Ministry of the Treasury, began a comprehensive program of research and analysis of the political and economic conditions in Latin America. Within a decade, the serious study of Latin America had spread to Japanese universities and today, a number of publications print articles on Latin America in Japanese, Spanish, and English.

Fast forward to the first decade of the 21st century. Repeat the previous paragraph and substitute "China" for Japan. The juxtaposition prompts a comparison of the Japanese and Chinese positions in Latin America. Such a comparison is useful for understanding how trade and investment by a particular country can affect the growth and development of Latin America and its implications in a broader strategic context. It is instructive to highlight the different strategic approaches taken by the rising powers in each of the two cases.

The first and most obvious contrast is Japan's diffidence when compared to the self-conscious assertiveness of the Chinese. No one in the United States or Latin America anticipated that the growth in Japanese investment and trade in Latin America would undermine US influence in the region. In this, the Japanese entry into Latin America more closely resembles similar initiatives by India. In fact, Indian trade and investment in Latin America is growing faster than Chinese trade, although from a much smaller starting point. Indian firms are careful to make alliances with local partners. Their investments are made in sectors or industries considered vital to national development. Like the Japanese forty years earlier, the Indians raise no suspicion of geopolitical aspirations in the region.

Chinese assertiveness in South Asia, in trade negotiations with the US, and in many other venues, in contrast, has created an aura of anticipation and even suspicion of China's geopolitical motives. Some Chinese loans and investments—for example, loan commitments to Venezuela and Bolivia—appear naïve or perverse in their geopolitical implications. Is it China's intention to play a role in the tension between Venezuela or Ecuador and the United States? Is China willing to be used by Hugo Chávez, who has publicized the links between Venezuela and Iran?

Even the slightest suspicion of Chinese geopolitical ambitions in the hemisphere leads to the question of whether the current expansion of the Chinese presence in Latin America poses a threat to United States hegemony in the region. This question immediately raises another: How do Latin American nations view China's increasing presence and influence in domestic and regional affairs? We can no longer speak of US hegemony in Latin America without taking into account the foreign policy of Latin American nations. Whatever our sense of US hegemony today or in the past, we cannot ignore the historically significant evolution of Latin American agency in world affairs. The nations of Latin America will have something to say about China's role in the hemisphere. They can no longer be considered passive actors in the region.

In considering the growing role of China, we must avoid the temptation to pitch headlong into the global debate about the "decline" of the United States. Even *Foreign Policy* magazine maintains a permanent sidebar, "Decline Watch." Declinism is a new noun coined to measure whether, and/or how much, the United States is declining, and what that decline means for hemispheric politics and the global community. There are no greater declinists than the civilian and military officials at the Pentagon who study China's growing role in the hemisphere. They and a few Washington think tanks have been warning of the Chinese threat to US security for several years.

In these talking points, I will say only that the entire concept of US decline is fuzzy. To make the debate useful, it is important to state clearly what we mean by decline and how it might be measured.[1] The concept becomes even more difficult to manage when applied to the perceived decline of US hegemony in the hemisphere. We would need to measure that hegemony before the onset of decline to understand what it means for hemispheric politics. Without getting into the debate, I should make clear that I believe that US influence in the hemisphere has declined in the past decade or so. However, influence is not the same as hegemony, which remains the best term to describe the relative influence of the US as compared to other actors in the region. The major change is that all of the nations of the hemisphere now have a sense of their agency in world affairs, and as a result their relationship with the US is more complex than it was in the past.

In an effort to make a complicated subject as simple as possible in a short presentation, it is my view that, since 9/11, the strategic framework used by the US government has reduced Latin America to a zone of relative insignificance. The problem is not that some country is threatening US interests in the hemisphere or using the hemisphere to threaten the US; instead, the US, since the beginning of the George W. Bush administration, has lacked a clear view of the role of Latin America—either any single Latin American country or the group of countries operating within the framework of the Organization of American States (OAS) or UN—in the post-Cold War world.

Neither Bush nor Obama has been able to focus sufficiently on the hemisphere to produce a coherent foreign policy that satisfies US interests in Latin America and responds to the newly emerging voices in the region. In consequence, the US government, in dealing with the hemisphere, has devoted most of its attention to issues tied directly to domestic concerns, such as drug trafficking,

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1 See Jonathan Freedland, "The Big Bang: Zbigniew Brzezinski and Robert Kagan on the State of America," *The New York Times*, April 5, 2012.

immigration, and Cuba. Even trade, which could easily be the focus of regional or collective attention, is handled as an outgrowth of concern for the domestic economy. The April 2012 Summit of the Americas in Cartagena was a clear indication of the absence of US leadership and focus, with almost no attempt to find ways to tie the hemisphere together or explore increasing regional collaboration.

Part of the problem is that in the post-Cold War period, the nations of Latin America have found it extremely difficult to find their own voices to express their new sense of agency. Moreover, there are clear signs of considerable disagreement among the nations of the region, which makes any collaborative effort among them more difficult. Any argument that US hegemony is in decline assumes a univocal Latin American response to that hegemony. In fact, it is very difficult to demonstrate any group consensus among the nations in Latin America, at least one that can be translated into collective action or joint policy.

That brings me back to China. China plays several different roles in Latin America. The most prominent is its seemingly insatiable consumption of commodities, as if China were a large industrial yaw taking in unimaginable quantities of Latin American raw materials. In addition, it continues its more traditional role of exporter of cheap manufactured goods, the role it has played in the US for decades and, most prominently, in Mexico for the past twenty years. It is playing both roles in Brazil at the moment, creating a serious political problem for President Dilma Rouseff.

The role that concerns the radical declinists and the Pentagon is the soft-spoken Chinese role of lender and investor. That is the role Chávez tried to get China to play in Venezuela. The two countries signed agreements with great fanfare, but very little has happened. In Ecuador, China has become the lender of last resort and a major investor. Throughout the Andean region, it serves as a major investor, not lender, in the mining sector. This already has stirred nationalist sentiment in Peru, where a Chinese state-owned company sent in uniformed Chinese security guards to protect the company's property, setting off alarm bells about a repeat of experiences in Africa. The evidence of Chinese intentions is ambiguous. In most examples of direct investment, Chinese state-controlled enterprises generally operate through third parties, with due diligence performed by private firms contracted to do the work. Such investment projects are embedded socially in ways that do not occur in other forms of loans or trade swaps. Conversely, the opaque manner in which such Chinese enterprises operate raises suspicions. The current Pentagon nightmare is of Chinese state-controlled investment in the lithium deposits of Bolivia, extracted with Chinese labor and protected by Chinese troops. And yet, the nationalist reaction in the region to Chinese pretensions is much more significant than any possible US response.

This brings me to the third question, which interests me the most. If I were to write a paper on this topic, I would focus on the perception in Latin American nations, which varies from country to country, of the roles China does or might play in the region. What are the policy responses by Latin American nations to China's new presence? The only clear answer is in the case of Brazil, where there is significant tension between the two governments. The Chileans also have taken up the debate, and there are signs that if any of the announced Chinese investments in the mining and energy sectors actually get off the ground, a serious debate will emerge in Argentina as well. In

Ecuador and Venezuela, noted for their loud rhetorical noises against the US, the Chinese presence is considered another form of anti-imperialism and the rise of China evidence of US decline.

At this moment, on balance, China's role in Latin America is still ill formed. The problem is not China but rather the lack of a clear US stance and a weak policy debate in Latin America. Several scenarios are possible going forward. One is that neither the US nor the Latin America nations will formulate a collective policy to deal with the new phenomenon, and public discussion will continue to entertain wild speculations and conspiracy theories. Another scenario is that Brazil will take the lead to get the Comunidad de Estados Latinoamericanos y Caribeños (CELAC) or Unión de Naciones Suramericanas (UNASUR) to formulate a collective response based on shared values or interests. For example, it is difficult, but not impossible, to imagine a concerted effort to formulate rules concerning investments in natural resources. Can we imagine a Mercosur policy on China? Can Mexico get the countries of Central America to join a regional response to Chinese trade? It is also possible that a policy based on emphasis of the rule of law will provide a framework for dealing with any external influence on the region's domestic policies.

The most likely scenario is that several countries in Latin America will join together in an effort to formulate policy with regard to the impact of FDI on the environment, which is already a sensitive issue. Such an effort would be a response by a government or governments to internal political pressures and the evolving international consensus on environmental protection. The environment, or some issue like it that combines domestic and international guidelines and concern, could push China to follow rules and explicitly accept a framework for collaboration. Can Chinese influence be incorporated into some form of regional consensus on development or trade? Can the Chinese be made part of an evolving hemispheric community? Can anything like a hemispheric community be formed to deal with the role of China or, more broadly, with the impact of globalization? For the moment, hemispheric politics appears to be an idea without much substance. That may change in time.

6 | Toward a Balanced China-Latin America Relationship

Margaret Myers
Inter-American Dialogue

More than a decade ago, in 2001, then Chinese President Jiang Zemin predicted that the 21st century would be one of Chinese-Latin American cooperation "in all areas, hand in hand." Although political and economic cooperation have expanded considerably in recent years, broad-based bilateral and bi-regional cooperation is still a long way off. China, instead, maintains an "upper hand" in its burgeoning relationship with Latin America. As an increasingly important engager, investor, and lender in Latin America and the Caribbean, China is playing a transformative and even dominant role in its interactions with the region.

It comes as no surprise to those who study China-Latin America relations that, in almost all cases, China stands to benefit considerably more from its growing economic ties with Latin America than do its various Latin American partners. Trade in particular is imbalanced, with China exporting manufactured goods to Latin America and importing mostly commodities. But China's perceived dominance in its relationship with Latin America and, for that matter, with other developing regions extends beyond the economic realm and even beyond the ties it has established over the past decade. It is rooted, instead, in nearly sixty years (even thousands of years, as could easily be argued) of historical precedent.

China's "Asia-Africa-Latin America," or *Ya-Fei-La* (亚非拉) construct, was conceived during the Mao era in a move to promote developing country solidarity. At that time, China saw itself as a "spokesperson" for what it termed the "struggle of third world countries." Thirty years after implementing its policy of "reform and opening-up," China sees its role among developing nations in much the same way. Though always willing to study other countries—their economic and political systems, development challenges, social policy, etc.—China's leaders still operate under the assumption that it has more to offer developing nations than the other way around, especially in terms of development assistance and as a model for economic growth. Once more, China is establishing its role as a leader among developing nations. As such, formal references to aid and developing country assistance have increased significantly over the course of the eleventh and twelfth five-year plan periods.

Recent Chinese academic literature on Latin America further illuminates China's dominant view toward the region. Of the existing Chinese-language literature on the China-Latin America relationship, the vast majority seeks to derive "lessons," or *jiaoxun* (教训), from Latin America's failed experiments in economic and social development. These "lessons" frequently are taught in China's top universities, where students encounter charts documenting China and Latin America's divergent paths toward economic development. The economic demise of Latin America, which has often been linked to import substitution and/or failed neoliberal policy, is explained alongside

China's post-1979 growth miracle. Only one widely published Chinese-language article looks to Latin America, in particular Brazil, for a viable development model. The article, "Another Kind of Rise," or *lingyizhongjueqi* (另一种崛起), considers Brazil's approach to dealing with rampant inflation and social inequality over the past three decades and suggests that China might benefit from similar reforms.

Although China promotes mutually beneficial, win-win arrangements, Chinese motivations for engagement in the region have remained firmly linked to domestic interests. The premise of China's "going out" strategy, as described during the 17th National Congress of the Communist Party of China in 2007, is to "realize China's long-term economic and social development." China's global engagement remains driven by plans for domestic development prescribed in the twelfth five-year plan, as expressed most recently in Wen Jiabao's 2012 Government Work Report, albeit with consideration for the "common development" of other nations.[1]

Assuming the leadership makes incremental progress toward the objectives highlighted in the twelfth five-year plan, China is likely to continue engaging Latin America as it has over the past decade. Latin America should anticipate relations that are driven by China's domestic interests, dominated by trade and an overwhelming interest in natural resources and agricultural commodities. This dynamic will produce ongoing challenges for Latin American policymakers in terms of export primarization, extractive sector-related environmental degradation, competitiveness, intra-industry trade, and other issues stemming from China's engagement with the region over the past decade. Manufacturers in certain Latin American nations have been dealt a severe blow, for commodity-centered development is not optimal in the long run, even assuming sustained demand. The region's newest trade agreements with Asia still assume considerable exports of raw materials and agricultural goods. Expansion of primary commodities-based trade will promote continued high rates of growth only in a best-case global economic scenario, one in which the Eurozone muddles through, the United States continues its slow economic recovery, China grows at relatively high rates, and demand for Latin America's exports remains high.

Informing Latin America's China Policy

As two of the contributors to this publication have argued, "Latin American states and societies are not passive victims of a Chinese strategy aimed at imposing a particular model of development on a continent" (Armony and Strauss 2012: 17). In the absence of timely and effective efforts to improve competitiveness, however, China's model of engagement with Latin American nations could threaten prospects for long-term growth and development. Ongoing trade, investment, and lending from China may also require behavioral compliance by recipient nations as China seeks support in international institutions. Although China's global relationships are predicated on "mutual benefit," the responsibility for constructing mutually beneficial relations will fall increasingly to Latin American governments, policymakers, and private sectors.

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[1] See "Report on the Work of the Government (2012)," Chinese Government Official Web Portal, http://english.gov.cn/official/2012-03/15/content_2092737.htm.

In terms of economic policy, it will be critical to continue exploring means by which individual countries and sectors can improve competitiveness and promote long-term growth. The World Bank, IDB, ECLAC, and individual scholars have worked extensively to establish agendas promoting regional integration for enhanced competitiveness and trade facilitation in Latin America. Moving forward, efforts to identify examples of country-, sector-, or deal-specific success that encourage cross-national cooperation will prove valuable. China's recent proposal to work with ECLAC on the promotion of intra- and cross-regional economic cooperation seems to be a positive step toward diversifying existing trade relationships.

Given certain Latin American countries' growing reliance upon China as an investor, creditor, and/or destination for exports, it is also critical to identify political, economic, and social issues in China that are likely to impact longer-term engagement with the region. By all accounts, China is entering a period of extensive economic, political, and social transition. Its leaders have proposed fundamental changes to the country's economic growth model. At the same time, political turmoil at the highest levels of the Chinese Communist Party threatens both Party integrity and prospects for a smooth course of action following the leadership transition in 2012. Where is China going? And what does this mean for the developing world? Can China operate as a unitary actor abroad? How will China's "fragmented authoritarianism," as described by Kenneth Leiberthal (Lieberthal and Oksenberg 1990), influence its external relations? And to what extent does China have a cohesive policy or strategy for engaging Latin America and other regions?

It is also worth noting that the possibility of an economic "hard landing" in China is not so far fetched. The country faces a wide range of economic challenges that will probably intensify in coming years. Local debt, public sector inefficiencies, banking sector vulnerabilities, geographical disparities, rampant official corruption, high unemployment, resource scarcity, environmental concerns, and inflation are all possible destabilizing factors that threaten China's growth and Chinese Communist Party credibility. Sustained growth over the next few years will require careful economic and social planning, but recent political turmoil suggests intense conflict, even division, among China's political elite. Any China-Latin America research agenda must of course move beyond analysis of economic ties, but Chinese growth prospects remain a fundamental consideration. As the world's second largest economy, China's stability and economic prosperity factor into almost any global economic calculation. While Chinese growth may very well hover in the 7-8% range for years to come, Latin America should plan for a less rosy scenario.

Ariel Armony and Julia Strauss have encouraged additional research on the ways in which China's foreign policy is expressed at the subnational level, "and how local reactions do and do not become politically salient at the regional and national levels of policy-making in Latin America" (Armony and Strauss 2012: 13). The reactions of Latin American nations to China's growing presence are indicators of these nations' own ideas and internal debates on domestic development and international engagement. Also worth exploring is the extent to which China's presence is affecting intra-regional relationships. As Evan Ellis mentioned at a meeting of the Inter-American Dialogue's China and Latin America Working Group, the region's growing orientation toward China, and toward Asia more broadly, has encouraged the formation of new alliances (and tensions, as the case may be) among certain Latin American nations. Brazil is increasingly cooperating with Peru in an effort to access the Pacific. Colombia-Venezuela cooperation on a proposed oil pipeline also is largely attributable to China's growing presence in these countries.

Local reactions to Chinese foreign policy in Latin America may also inform future policymaking processes in China. Of considerable interest is the extent to which China's foreign policy toward Latin America and other regions is dynamic or influenced by cumulative experiences in these regions. How do Chinese firms and officials perceive and process foreign countries' reactions at different levels? China's model of firm-led engagement continues to produce unforeseen externalities. How is China grappling with occasional setbacks? Facing an uncertain economic environment at home, China is beginning to reevaluate its economic involvement in the region, especially arrangements that present a high risk. Venezuela has become synonymous with risk for certain investors and scholars in China. Even commodities-backed loans, the China Development Bank's preferred lending mechanism, may be overly risky in Venezuela, where the political situation is precarious at best.

As China's leaders have indicated in the twelfth five-year plan, coordination and better corporate governance/responsibility are critical to developing long-term investments and building sustainable relationships. Is China's newfound commitment to corporate social responsibility reflective of resistance to Chinese corporate behavior abroad? Having learned from a series of missteps, such as Shougang's difficulties in Peru and miscalculations in Burma, to what extent are Chinese firms looking to "make good" with the communities in which they operate?

China scholar Cheng Li (2003) describes present-day China as a "dialectic of hope and fear—a paradox of promises and pitfalls." While China appears poised to continue its model of resource-based engagement with Latin America, China's future development remains uncertain, as does its global engagement. China's relationship with Latin America, though evolving, remains far from balanced. Research and policymaking over the next few years must focus on Latin America's enduring competitiveness challenges, policy promotion of balanced relations, and the many domestic factors in China that are likely to affect its relations with Latin America and other regions.

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Part II Comparative Perspectives

7 | Regional Integration in East Asia and Latin America: A Comparative Perspective

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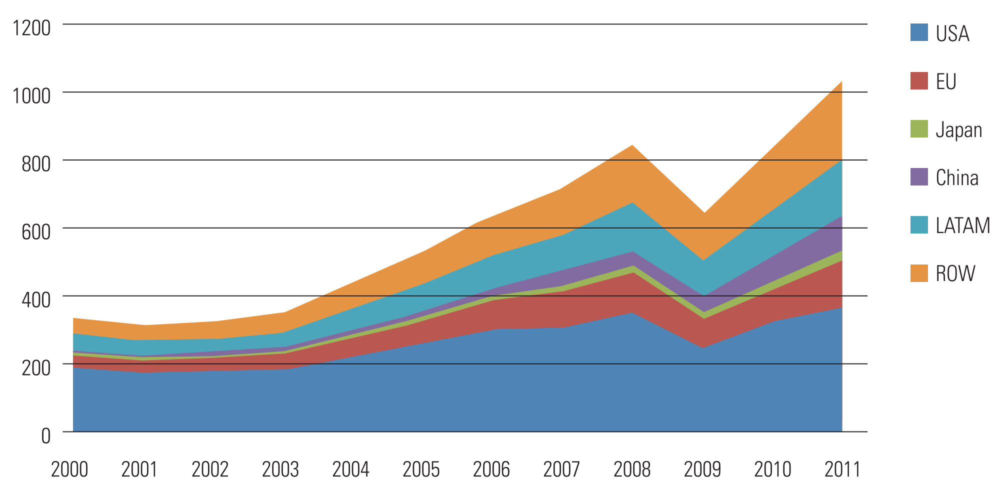
Latin America's trade with Asia has grown significantly over the past decade, displacing some of Latin America's traditional export markets (see Figure 1). The Latin American Commission on Latin America and the Caribbean (ECLAC) and the Inter-American Development Bank (IDB) have studied this trend extensively (IDB and ADB 2012; ECLAC 2011a, 2011b; Kuwayama, Durán Lima, and LaFleur 2010). Latin America's exports to China grew by more than 35% per year during the period 2000-2011, compared to an annual rate of total export growth of 10.5%. China's share of Latin America's export market grew from 1% in 2000 to 10% in 2011. The United States declined from absorbing 58% of the region's exports in 2000 to only 37% in 2011.

Figure 1: Direction of LATAM Exports, 2000-2011 (in billions of US$)



Source: IMF Direction of Trade Statistics database (data accessed June 6, 2012).

The first trade agreement between a Latin American country and an Asian trading partner was finalized in 2002, between Chile and Korea. The Chile-Korea Free Trade Agreement (FTA) was signed in 2003 and entered into force in April 2004. At this time, a parallel dynamic was emerging in Central America as Panama signed the hemisphere's first FTA with Taiwan. Other early trade agreements between Latin America and Asia include the Japan-Mexico FTA, which, as Japan's first free trade agreement, represented a break from its multilateralist trade position, and the framework agreement signed by Peru and Thailand. Since then, as Table 1 demonstrates, trade agreements between Asian and Latin American countries have proliferated.

Not surprisingly, Chile tops the list, with agreements in force with eight Asian countries; an agreement with Vietnam, which has been signed but is not yet in force; and negotiations with Thailand

and Hong Kong. Next is Peru, with agreements in force with China, Japan, Korea, Singapore, and Thailand and negotiations with the TPP countries (Australia, Brunei, Malaysia, New Zealand, and Vietnam). China, Japan, and Singapore each have three agreements in force with Latin American countries. Korea has two agreements in force and two more under negotiation. Taiwan, for its part, has FTAs in force with five Central American countries.[1]

Table 1: Trade Agreements between Latin American and East Asian Countries (in force and under negotiation)

	Partner	Status of Agreement
Chile	Australia	FTA, in force since 2009
	Japan	FTA, in force since 2007
	China	FTA, in force since 2006
	P-4 (Brunei - New Zealand - Singapore)	FTA, in force since 2006
	Korea	FTA, in force since 2004
	Malaysia	FTA, in force since 2012
	Vietnam	FTA, signed but not in force
	Hong Kong, China	Under negotiation
	TPP (Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, United States, Vietnam)	Under negotiation
	Thailand	Under negotiation
Colombia	Korea	Under negotiation
Costa Rica	China	FTA, in force since 2011
	Singapore	FTA, signed but not in force
El Salvador	Taiwan	FTA, in force since 2008
Guatemala	Taiwan	FTA, in force since 2006
Honduras	Taiwan	FTA, in force since 2008
Mexico	Japan	FTA, in force since 2005
	Korea	Under negotiation
	Singapore	Under negotiation
	TPP (Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, United States, Vietnam)	Request to join negotiations
Nicaragua	Taiwan	FTA, in force since 2008
Panama	Singapore	FTA, in force since 2006
	Taiwan	FTA, in force since 2004
Peru	Japan	FTA, in force since 2012
	Korea	FTA, in force since 2011
	China	FTA, in force since 2010
	Singapore	FTA, in force since 2009
	Thailand	FTA, in force since 2005
	TPP (Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, United States, Vietnam)	Under negotiation

Source: OAS Foreign Trade Information System (www.sice.org).

[1] Costa Rica bucked this trend and chose to enter into an FTA with China.

The motivation for Latin American countries to develop and strengthen trade relations with Asia is clear: Since the first decade of the twenty-first century, Asian countries have been the drivers of world growth. As China and India, as well as the smaller Asian emerging markets, have developed their economies, consumer demand and a need for primary commodities have fueled an export boom for many Latin American countries. Forging an Asian path was also a strategic trade policy move. Chile and Mexico, as logical frontrunners in this effort, both joined the Asia-Pacific Economic Cooperation (APEC) Forum (Mexico in 1993, Chile in 1994), implemented FTAs with the EU and with the United States, and established trade agreements with most Latin American partners.

The trend is for Asian countries to increase their participation in FTAs. Since 2000, FTAs have "exploded" in Asia, with East Asian economies "using FTAs to aggressively pursue their individual and collective trade strategies, leading to the expansion of advanced production networks across the region with hubs in Japan and the PRC [People's Republic of China]," as well as Korea. While Asian countries had only three FTAs in force in 2000, 45 were in effect and 84 were under negotiation by 2010 (Kawai and Wignaraja 2010). For Asian countries, particularly emerging ones, forging formal trade relations with Latin American countries marks an effort to develop what one analyst has called "active countermeasures" to the proliferation of regionalism, most notably Chinese and Japanese agreements with ASEAN countries (Hae-kwan 2003). For China, FTAs with Latin American countries can be seen as a way of consolidating and institutionalizing relationships with suppliers of commodities necessary for its economic development. Chile is one of China's main suppliers of copper, while Peru supplies copper, iron ore, and gold.

The proliferation of Latin America-Asia agreements follows the bifurcated pattern seen in Latin American trade policy over the last decade. Pacific-oriented countries—Chile, Peru, Colombia, Panama, and several Central American countries—are making efforts to harmonize their existing FTAs and are actively expanding their market reach through additional agreements. The Mercosur countries, along with Venezuela, Bolivia, and Ecuador, have signed few recent trade agreements. These countries prefer more directed "strategic partnership" arrangements, which are often directed at particular sectors and coupled with loans or development assistance. While much has been written on the new dynamics of trade and investment between Latin America and Asian countries, tremendous opportunities remain for further research. In this piece, I will focus on the narrow research question of the impact of recent trade agreements between Latin America and Asia.

Further Research Elements

Content: What disciplines are covered by these trade agreements, and how could this content impact the international trade regime? As explored by Agata Antkiewicz and John Whalley (2005), China's bilateral agreements exhibit a great diversity in their form and coverage. How do trade agreements signed with Asian countries compare to trade agreements with the United States, the EU, and other Latin American countries? Do they further or detract from commitments made at the multilateral level? How do commitments differ by area? What do such agreements portend for non-trade issues now increasingly included in trade agreements, such as the environment, labor, and CSR? What are the implications for transparency? How can trade agreements impact governance within the region?

This question will soon have a bearing on the shape of the Trans-Pacific Partnership (TPP), currently being negotiated by nine core members: Chile, Peru, and, most likely, Mexico; the United States; Australia and New Zealand; Brunei; and Malaysia, Singapore, and Vietnam. Canada and Japan have also asked to join. The TPP is being billed as a "twenty-first century" and "high-standard" agreement and has great potential to set the stage for further transpacific trade relations, as well as to shape negotiations at the multilateral level. Among the building blocks for the TPP are the trade agreements already in force by TPP members.

Geography and Power Dynamics: In his introduction to this publication, Ariel Armony describes the "new reality: The center of gravity of the world economy is shifting toward emerging economies." From the perspective of Latin America, the relationship with Asia is the key to understanding not only larger questions about globalization, but also the shift from North-South to South-South power dynamics. How do these new agreements fit into this dynamic? How will they impact Latin America's place in the international trading system and its relationship with other trading partners?

Economic Impact: What are the welfare impacts of different types of trade agreements? Is the Asian model compatible with the Western Hemisphere model? Do Asian FTAs contain similar provisions and have similar outcomes as FTAs among countries in the Americas or between countries in the Americas and other parts of the world?

Further research should also consider the shape and implications of non-FTA trading relations between Asian countries, particularly China, and Latin American countries. Much has already been written about the potential impact of Chinese trade and investment in Latin America. This analysis could be extended to include questions about how such bilateral and plurilateral relations could impact the Latin American region, as well as the international trading system as a whole.

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8 | What Can South America and Australia Learn from Each Other in Relation to China?

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That emerging economies are becoming the center of global economic dynamism is no longer disputed. More topical is the challenge of managing the boom in natural resource exports underpinning this transformation. Over-reliance on primary sectors has long concerned Latin American analysts, many of whom draw inspiration from Raúl Prebisch's seminal 1950 book, *The Economic Development of Latin America and Its Principal Problems*. Central to Prebisch's argument was the observation that the prices of raw materials and food in international markets tend to fall over time, while the prices of manufactured products steadily rise. This, he argued, leads resource exporters into dependence on the industrialized countries that consume their primary products in return for more valuable manufactured goods. The fault lines between South American industrialists and resource exporters are deepening as primarization "kicks away the ladder" underneath hard-won national manufacturing sectors (Gallagher and Porzecanski 2010; Maciel and Nedal 2011). Natural resources now account for 75% of Chile's exports (with copper accounting for 53% of this figure), 60% of Argentina's (oil seeds, 67%), and 43% of Brazil's (iron ore, 27%) (Bank for International Settlements 2009). A staggering 90% of the region's exports to China are in mining and agriculture (Dadush and Shimelse 2012).

If the prospect of economic dependence on China is a concern for South America, then it should be equally so for Australia, whose primary sectors have grown to 60% of total exports. With an expansive land area of 7.7 million km2 and 17% of the world's iron ore, Australia has long relied on primary exports to underpin its economy and provide for its relatively small population, 23 million people in 2012. Australia has serviced Japan and other industrializing countries since the 1960s, but in 2009 China replaced Japan as Australia's largest trade partner. Bilateral trade with China reached $105 billion in 2011, and Australia is the largest destination of Chinese FDI, with 220 Chinese investment projects approved as of 2011, worth more than $62 billion (Raby 2011). Of Australia's commodity exports, iron ore comprises 17%, coal 15%, and liquid natural gas 3%. In 2010, sixty-nine percent of Australia's iron ore exports went to China, and total Australian commodity exports are expected to exceed $251 billion in 2012 (Christie et al. 2011). As Saul Eslake has written, Australia is "unusual for an advanced economy" in its reliance on Asian natural resource markets, and in that only 16% of its exports are manufactured goods (Eslake 2011:145).

Latin America and Australia share a set of challenges in managing their economies. Driven by China, the primarization phenomenon is generating pressure on both to ensure that the benefits of the commodity boom flow on to citizens and advance national interests, including support to manufacturing sectors. This think piece explores two strategies for mitigating the risks inherent in this process: (1) the formulation of effective and appropriate taxation regimes that respond to the resource boom, and (2) more sophisticated management of foreign land titles. Given the prominent role of sovereign wealth funds in China's penetration of foreign primary sectors, interregional dialogue on these issues is becoming increasingly necessary.

Mitigating the Risks

China's unprecedented pace of urbanization is likely to sustain demand for agricultural products over the coming decade. However, three factors signal troubled times ahead for exporters of mining and metallurgical resources. First, as the Chinese economy becomes increasingly driven by domestic consumption, demand for metals will fall along with Chinese government investment (currently around 45% of GDP, compared to around 21% in most developed countries). Second, recent discoveries of iron ore deposits in West Africa by Australian companies, backed by Chinese capital, will likely put downward pressure on the metal's international price (Hale 2012). Third, expanding commodity exports have driven up currency values in Latin America and Australia, negatively impacting the competitiveness of non-resource sectors. Both regions have seen a growing number of manufacturers close their operations or move to China to take advantage of more favorable margins. Consequently, the capacity of the two to adjust to a slowdown in Chinese demand, or a fall in international commodity prices, has narrowed. Latin American and Australian exporters are exploring strategies to mitigate these risks. Two of these strategies are examined below.

Strategy 1: *Taxation of mining, carbon, and "super profits"*

The Chilean state-owned enterprise Codelco is the dominant player in the nation's copper sector, from which the government directly excises royalties. Public sector revenue from copper has historically varied between 5-17% of total tax collection. Chile's Copper Stabilization Fund finances public commitments, including guaranteed old-age pensions, tax cuts for small businesses, infrastructure, and, as recent history has shown, assertive countercyclical measures. Leveraged to international copper prices through a strategy of long-term national development, the Fund is recognized by the Organisation for Economic Co-operation and Development (OECD) as an example for other resource exporters (OECD 2009: 51).

In response to strong Chinese demand, in June 2011 the Brazilian government took legal steps toward implementing a special 25% "participation tax" on the mining sector. The states of Minas Gerais, Pará, and Amapa have announced a further levy of up to $4 per ton of iron ore and other metals. State governments argue that the revenue generated by this tax will enable them to fulfill their constitutional obligations to monitor environmental impacts and manage territorial resources. By granting exemptions to companies that provide metals to manufacturers within their states, they maintain, they are strengthening the ability of local industries to compete with China.

Like Brazil, the Australian government draws public revenue from taxation rather than from a Chilean-style sovereign fund. Early in 2010, it proposed a Resource Super Profit Tax (RSPT) to capture a share of the proceeds from growing iron ore and coal exports to China. Mining interests argued that the RSPT's proposed levy of 40% would drive investment away from Australia. The government, characterized as a "risk free" partner, would get "something for nothing" because it had not invested in operations and its outlays, including rail and port infrastructure, had been independently funded. Since it applied only to extractive sectors, its opponents described the RSPT as discriminatory and defeated it by mid-year. It is widely believed that Prime Minister Kevin Rudd was removed from his post in June 2010 on the basis of his support for the RSPT.

Australian lawmakers proposed a revised tariff, the Minerals Resource Rent Tax, for implementation in 2012. It is less significant than the RSPT and contains an "extraction allowance" that will reduce its excise rate to 22.5% for most mining companies, compared to the standard Australian company tax of 30%. A fixed price Carbon Tax, to be set initially at $23 per ton, will also be implemented in 2012. Although the Carbon Tax applies to all carbon-emitting industries, it will weigh heaviest on mining companies, prompting a vow from the conservative Liberal Party to rescind it should it win office in 2013. Initial approval for the Carbon Tax was assisted by popular concerns about environmental responsibility and climate change. However, a recent opinion poll indicates that 60% of Australians now oppose its implementation because of concerns about its impact on their cost of living, despite compensatory credits and reimbursements (Coorey 2012).

Strong Chinese demand and high commodity prices are intensifying Latin American and Australian dependence on primary exports. Through different mechanisms, such as royalties, resource taxes, and carbon pricing, both regions are attempting to derive a larger share of public revenue from the mining sector. Their common predicament raises questions of mutual concern:

- What blend of state and market instruments (e.g., Chile's stabilization fund vs. conventional taxation) provides an optimal structure for capturing public revenue from extractive industries?
- In what ways might Latin American excision schemes seek to integrate resource taxes with an environmental agenda, as Australia's Carbon Tax attempts to do?
- To what extent can governments justifiably levy taxes that apply exclusively to mining companies when these same companies already provide inputs such as rail and port infrastructure?
- Is revenue from resource levies an effective source of tax relief for manufacturing and small business?
- Since governments in Latin America, Australia, and elsewhere are all imposing greater taxes on mining, how valid are opponents' warnings that these taxes will drive investment offshore?

Strategy 2: *More sophisticated management of foreign land titles*

The entry of Chinese sovereign wealth funds brings a new level of complexity to Latin American and Australian approaches to FDI management. Both regions need to update their legal frameworks for governing foreign land use, environmental impact, and outcomes for affected communities. The "lessons" the two can share consist mainly of pitfalls to avoid.

The Río Negro-Beidahuang agreement in Argentina epitomizes the complications that can arise from FDI. Under the agreement, the provincial government of Río Negro plans to lease large tracts of fallow land for 20 years to China's Heilogjiang Beidahuang State Faros Business Trade Group for the production of export staples to China. Despite the potential for negative environmental impact resulting from questionable irrigation practices and the introduction of genetically modified products, the provincial government signed the agreement without the consent of the region's residents. The resulting uproar over the arrival of Chinese workers has left the Río Negro government open to legal reprisals under national and provincial transparency and environmental laws (Lopez-Gamundi and Hanks 2011).

In response to the growing interest of foreign, mainly Chinese, clients in arable land, Mercosur is exploring the feasibility of registries as a basis for regulating land purchases and leases. Many in Australia, galvanized by the National Party, are in favor of establishing such a registry but the Federal Trade Minister is reluctant, arguing that this "monumental task" is too difficult to achieve. Australia should stay abreast of Mercosur's advances and setbacks in this endeavor.

The Australian Bureau of Statistics reports that 11.3% of national land is owned by foreigners, though this figure is widely believed to be too low. The Foreign Investment Review Board (FIRB) presides over a relatively open trade regime that permits foreign individuals to purchase Australian land up to the value of $244 million. As most tracts of farmland sell for considerably less, the approval rate for purchase applications is very high. Nevertheless, Australia is exploring policy initiatives to ensure that agricultural produce, particularly from foreign-owned farms, remains available to global customers at market rates and is not diverted to pre-determined foreign markets, including China, at concessional prices. The formulation and implementation of such legislation could harbor useful insights for Latin American agriculture sectors in their pursuit of market diversity, competitive pricing, and food security. Faced with common challenges in the management of foreign land titles, Latin America and Australia could fruitfully compare notes on several questions:

- Does the entry of Chinese and other foreign state enterprises into the land market carry unique implications for national food security? How do the priorities and objectives of state enterprises differ from those of private firms?
- As foreign interests increasingly seek access to Latin American and Australian land, how can the two ensure that their agricultural produce remains bound for competing markets, rather than predetermined customers at concessional prices?
- How can work-visa schemes evolve to accommodate and regulate the size, length of stay, and activities of foreign agricultural workers?
- Should foreign land titles be subject to trial periods that enable monitoring and assessment of impacts on the environment, soil, water, and local communities?
- How might restrictions on foreign land titles affect present and future Free Trade Agreements? For example, would such restrictions jeopardize Australia's existing FTA with the United States and proposed FTA with South Korea, both of which permit land purchases of up to $1 billion?

Interregional Dialogue on China's Rise

The potentials and pitfalls of resource exploitation have historically produced both nationally oriented responses and internationally coordinated strategies. The pursuit of multilateral accords is premised on the notion of addressing a challenge that harbors a shared set of ramifications for multiple actors (Hira 2007). Whether or not China's rise warrants an organized collective response is debatable, but the fact that Chinese investments in foreign resources consist mainly of sovereign wealth funds, rather than conventional private FDI, suggests the need for multilateral dialogue at the very least.

The presence of Chinese state-owned enterprises in foreign primary sectors raises important challenges for exporting nations. Beyond the potential distortion of agriculture markets and associated food security concerns is the broader risk of "pushing back" against Chinese interests. This risk stems from the Chinese government's influence across a range of industrial sectors. For instance, shortly after Argentina pursued anti-dumping measures against Chinese manufactured goods in 2009 and 2010, Chinese importers boycotted Argentine soy oil, wreaking havoc on the South American country's economy. Similarly, following Chinalco's failed attempt to become the dominant shareholder in Australian mining giant Rio Tinto in 2009, a Rio Tinto executive was arrested in China—to international incredulity—on unrelated bribery charges and sentenced to 10 years. While the causality of events was clearer in the Argentine case, the coordination of trade, investment, and civil law enforcement under the Chinese state remains a concern for recipients of Chinese investment (Garrick 2011).

Resource exporting nations have a shared interest in managing such challenges and would benefit from deeper inter-regional dialogue about them. China should be party to this debate, for which reason the Asia-Pacific Economic Cooperation (APEC), and ultimately the G-20, are well positioned to shape its parameters. Academic and policy workshops that bring together researchers and analysts from stakeholder countries can play a useful role in canvassing the key issues and preparing the way for official dialogue. In this regard, the recent proliferation of workshops on China's relations with Latin America, and China's foreign affairs more broadly, provides an opportune platform for setting the agenda.

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9 | China and India's Oil Investment in Latin America: A Comparative Perspective

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In the past decade, the energy relationship between Asia and Latin America has witnessed great leaps forward in the oil industry. The two regions have gradually deepened their energy cooperation in crude oil trade, investment, technical equipment purchase and service, and mergers and acquisitions, specifically through the Chinese and Indian interest in securing Latin American oil supply. In recent years, the Inter-American Development Bank (IDB) and the Economic Commission for Latin America and the Caribbean (ECLAC) have discussed trade and foreign direct investment in Latin America by China, Japan, and India but have not specifically focused on an analysis of their energy cooperation.

In the context of geopolitical changes to energy supply-demand, Latin America and the Caribbean (LAC), with its abundance of hydrocarbon resources, and Asia, with its emerging growth engine characterized by the rapid increase of energy consumption, have potential complementarities in the energy sector. Taking into consideration China's high-profile investments and India's rising presence, energy ties with these two countries are an increasingly significant part of the change in the Western Hemisphere's oil politics.

Strategy Style

In terms of their strategy in LAC, Chinese oil companies are described as aggressive, risk-loving, and opportunistic, while Indian oil companies take a prudent position with small steps to oil acquisition. The most significant characteristic of India's strategy is to initiate oil cooperation projects that adopt a small-step approach to elicit active participation with local national oil companies. At times, India's approach may be preferable to China's more aggressive and spontaneous energy-related engagement in the region.

Partner Country Selection

China's partner countries in LAC (Venezuela, Brazil, Ecuador, Mexico, Cuba, Costa Rica, Peru, Argentina, and Colombia) range widely from the left to the right of the political spectrum. Venezuela, Brazil, and Ecuador account for nearly 80% of Chinese oil-linked investment.

India considers several factors when investing in LAC, including a country's resource potential and political stability, and the nature of its bilateral relations with potential partners. From 2006 to 2010, India launched 18 cooperative oil exploration projects in LAC, the vast majority of which (75%) are in Brazil and Colombia. India has very few cooperative projects with the region's leftist governments.

Time Window for Entry

Chinese oil companies took advantage of three windows of opportunity in the LAC region: the opening of hydrocarbon industry and privatization in the 1990s; nationalization by left-wing governments between 2003 and 2007; and the international financial crisis (2008-2011). In 1993, China National Petroleum Corporation (CNPC), China's leading national oil company, won an exploration bidding in Peru—a milestone for China—to begin energy cooperation with LAC. In 2010, Chinese oil companies made 13 new deals in LAC, including mergers and acquisitions involving international oil companies, such as Repsol, Pan-American Energy, and Occidental Petroleum (Sun 2011).

Indian oil companies entered LAC a little later. As early as 2003, India signed an oil & gas MOU with Brazil. It signed similar agreements with Colombia and Ecuador in 2006 and 2008, respectively (Mesquita Moreira 2010). In 2006, ONGC Videsh Limited (OVL), a wholly owned subsidiary of India Oil and Natural Gas Corporation Limited (ONGC), undertook several exploration projects in Brazil, Cuba, and Colombia. From 2007 to 2008, OVL expanded its participation interest in offshore blocks in Colombia and Brazil and established a joint venture with Brazil.

The Degree of Guaranteed Energy Security

Currently, LAC is not the most important oil supply source for Asian energy consumption giants China, India, and Japan. These countries regard LAC as a potentially strategic region where they might diversify their crude oil imports. The volume of crude oil Asian countries import from LAC is marginal, but the percentage of the oil trade volume in LAC exports and Asian imports has steadily risen (Table 1). From 2004 to 2010, LAC oil exports to Asia increased from 4.38% to 18.80% of the region's global exports, according to *BP Statistical Review of World Energy*.

China imported 25.3 million tons of crude oil from LAC in 2010, accounting for 8.6% of Chinese global imports and 10% of Latin American world exports. India imported 11 million tons, accounting for 6.2% of Indian global imports and 4.4% of Latin America's total exports.[1] Petroleum products have dominated India's import structure with Brazil, Colombia, Mexico, and Venezuela (Table 2). Taking into consideration the new offshore discoveries in Brazil and the huge reserves in Venezuela, these countries could, in the future, become China and India's most sustainable strategic crude oil suppliers.

[1] Figures from *BP Statistical Review of World Energy*, June 2011.

Table 1: LAC Oil Exports to Asia (in millions of tons)

	2004	2005	2006	2007	2008	2009	2010
China	4.1	5.3	12.9	13.7	16.5	17.7	25.3
India					7.7	10.2	11
Japan	0.4	0.1	0.1	0.4	0.1	0.4	0.4
Singapore			2.7	0.3	7.9	10.8	9.4
Other Asia and Pacific	7	4.9	2.9	2.2	0.1	0.9	1.3
Total	**11.5**	**10.3**	**18.6**	**16.6**	**32.3**	**40**	**47.4**

Source: *BP Statistical Review of World Energy*, 2005 to 2011.

Table 2: India's Petroleum Imports in Its Trade Structure with LAC, Annual Average 2008-2010 (percentages)

	First	Second	Third	Share of Total
Brazil	Petroleum oils, crude (32.4)	Sugars, molasses and honey (18.2)	Copper ores (12.6)	63.3
Colombia	Petroleum oils, crude (88.6)	Coke and semi-coke (3.8)	Ferro-alloys (2.7)	95.2
Cuba	Petroleum oils, crude (78.1)	Tobacco, manufactured (12.5)	Pulp and waste paper (2.5)	93.3
Ecuador	Petroleum oils, crude (65.3)	Wood, in the rough (19.1)	Printed matter (6.2)	90.8
Mexico	Petroleum oils, crude (52.9)	Fertilizers (8.7)	Primary forms of iron (8.5)	70.3
Panama	Petroleum oils, crude (55.7)	Ships and floating structures (39.5)	Wood, in the rough (3.4)	98.7
Venezuela	Petroleum oils, crude (99.5)	Flat-rolled iron products (0.15)	Polymers of halogenated olefins (0.08)	99.8
Caricom	Natural gas (60.6)	Ships and floating structures (21.7)	Petroleum oils, crude (5.2)	87.6

Source: ECLAC. 2011. *India and Latin America and the Caribbean: Opportunities and Challenges in Trade and Investment Relations.* Santiago, Chile, p. 42.

Cooperation Models

China's cooperation models with LAC are comprehensive with regard to the hydrocarbon industry and inclusive of technical service, crude oil trade, technical equipment, refinery, and loan-backed projects for oil (Table 3). Chinese *Go Global Strategy* initiatives that support national oil companies and financial organizations, in particular the China Development Bank, are fundamental factors influencing Chinese integration in Latin America. A new trend emerging from this mix is the increased cooperation between financial organizations and national oil com¬panies. An examination of their commercial patterns in LAC can be summed up in six forms of cooperation: (1) crude oil trade; (2) technical service; (3) joint development; (4) infrastructure-building participation; (5) loans for oil; and (6) bio-fuels technology joint research.

India's OVL has also adopted several forms of cooperation in LAC. India prefers to establish cooperative partnerships with local national oil companies rather than western international oil companies (Table 4). In April 2006, OVL acquired a 10% participating interest in a block in the Brazilian Campos Basin from Shell.[2] From 2008 to 2010, OVL strengthened cooperation with Petrobras by holding participation interest in deepwater offshore blocks. In Colombia, ONGC and Sinopec set up a joint venture, Mansarovar Energy Colombia Limited (MECL), for acquiring Omimex de Colombia Ltd. in September 2006. From 2007 to 2008, Videsh increased its participation interest in Colombian deepwater offshore blocks with Ecopetrol. In April 2008, India and Venezuela entered into a joint venture agreement to develop oil fields in Venezuela's Orinoco basin. In February 2010, Venezuela awarded Indian oil companies 40% ownership interest in a mixed enterprise to develop the Carabobo 1 North and Carabobo 1 Central blocks in the Orinoco Heavy Oil Belt in eastern Venezuela.

Table 3: Chinese Cooperation Projects in LAC and Their Contractual Structures

	Exploration	Development	Service Contracts	Credit for Oil	Crude Oil Trade
Argentina	●	●			●
Brazil	●		●	●	●
Colombia	●	●	●		●
Costa Rica			●		
Cuba	●				
Ecuador	●	●	●	●	●
Mexico			●		
Peru	●	●	●		●
Venezuela	●	●	●	●	●

Sources: China's National Energy Administration; China's State-owned Assets Supervision and Administration Commission of State Council; CNPC; SINOPEC; and CNOOC. Note: "Service contract" means that China's oil companies are only providing service with fees paid back, including both the technical service model and the infrastructure-building participation model. Chinese oil imports from Cuba account for a very small percentage of all oil imports.

[2] Shell, Petrobras, and ONGC announced changes in BC-10 holding and the entry of ONGC Videsh Ltd on April 26, 2006.

Table 4: India's ONGC Oil Projects in LAC

Country	Year	Participation interest	Investment (in US$ millions)	Cooperation Partner
Brazil	April 2006	15% PI in Block BC-10 in the Campos Basin	548	Shell with 50% PI as operator and Petrobras with 35% PI
	Aug 2008	25% PI in Block BM-SEAL 4 and Block BM-BAR-1	56	Petrobras with 75% PI as operator
	Jan 2010	43.5% PI in deepwater offshore Block BM-S-73	42	Petrobras with 43.5% PI and Ecopetrol with 13% PI
	Jan 2010	100% PI in deepwater offshore Blocks BM-ES-42	25	
	Dec 2010	43.5% PI in offshore Block BM-S-74 B		Petrobas with 43.5% PI and Ecopetrol with 13% PI
Colombia	Sep 2006	25% PI in Mansarovar Energy Colombia Limited (MECL)	437.5	Sinopec with 25% PI and Ecopetrol with 50% PI as operator
	Sep 2007	40% PI in deepwater offshore Block RC-8 as operator	8.8	Ecopetrol with 40% PI and Petrobras with 20% PI
	Sep 2007	50% PI in deepwater offshore Block RC-9		Ecopetrol with 50% PI as operator
	Sep 2007	50% PI in deepwater offshore Block RC-10 as operator		Ecopetrol with 50% PI
	Dec 2008	50% PI in Block SSJN-7	0.73	Pacific Stratus Energy Colombia Ltd with 50% as operator
	Dec 2008	70% IP in Block CPO-5 as operator	19.04	Petrodorado South America S.A. with 30%
Cuba	May 2006	30% PI in deepwater offshore blocks 25, 26, 27, 28, 29, 35A and 36	26.76	Repsol-YPF with 40% PI as operator and Statoil with 30% PI
	Sep 2006	100% PI in deepwater offshore blocks 34 and 35 as operator	42.99	
Venezuela	April 2008	40% PI in San Cristobal Project	191	PDVSA with 40% PI
	May 2010	11% PI in Carabobo-I project		PDVSA with 60% PI, Repsol and Petroliam Nasional Berhad with 11% PI each, Indian Oil Corporation Limited and Oil India Limited with 3.5% PI each

Source: ONGC Videsh Ltd. http://www.ongcvidesh.com/Assets.aspx?tab=3&AspxAutoDetectCookieSupport=1. Note: Investment figures refer to actual amounts through March 2011.

Investment Scale

India's oil-related investments are fairly small when compared to China's billion-dollar deals. India's smaller footprint and calculated approach to investment rarely engender resistance from host governments in the region or public opposition. In contrast, Chinese national oil companies have launched big acquisitions through large-scale loan-for-oil deals with Venezuela, Brazil, and Ecuador, including one such acquisition for US$18 billion in LAC in 2010 (Table 5).

Table 5: Major Chinese Oil Deals in LAC, 2010

Country	Cooperation Partner	Chinese Company	Project Detail
Brazil	Petrobras	Sinopec	Purchasing two blocks: BM-PAMA-3, BM-PAMA-8
	Norway Statoil	Sinochem	Purchasing 40% equity of Peregrino oil field
	Repsol	Sinopec	Purchasing new-issued shares of Repsol Brazil
Argentina	Bridas Energy Holdings	Cnooc	Bridas Corporation, a joint venture
	BP	Cnooc	Purchasing 60% equity of Pan-American Energy by Bridas Corporation
	Occidental Petroleum	Sinopec	Buying all assets of Occidental Argentina
Venezuela	PDVSA	CNPC	Holding 40% share of a joint Venture for Junin 4 development
	PDVSA	Sinopec	Holding 40% share of a joint venture for Junin 1 and Junin 8 development and refinery
	PDVSA	Cnooc	Participating in Mariscal Sucre gas development
Peru	Petroperú	Sinochem	Winning 5 blocks exploration and development bidding
Colombia	Hupecol	Sinopec	Acquisition of Hupecol's oil and gas assets in Colombia
Cuba	Cubapetróleo	CNPC	Upgrading Cuban oil refinery
Costa Rica	Recope	CNPC	Upgrading oil refinery capacity

Sources: China's National Energy Administration; China's State-owned Assets Supervision and Administration Commission of State Council; CNPC; SINOPEC; and CNOOC. Note: CNOOC and BP declared the failure of the asset purchase transaction of Pan-American Energy from BP in December 2011.

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Renewable Energy

Both China and India attach great importance to renewable energy cooperation with LAC. Since the 1980s, China has provided technical and financial assistance for the construction of small hydropower plants in Cuba, Ecuador, Guyana, Colombia, and other countries in the region. In 2006, China helped Cuba build solar cell production lines with Chinese photovoltaic technology. In 2009, China and Brazil established the Center for Climate Change and Energy Technology Innovation. At the third China-Caribbean Economic and Trade Cooperation Forum, in September 2011, China announced its decision to help Caribbean countries build small-scale new energy projects, some of which use solar power. China is also considering lithium investments in Bolivia. In 2011, China's Xinjiang Goldwind Science & Technology began to export wind power technical equipment to Ecuador and Chile.

Under the India-Brazil-South Africa Dialogue Forum (IBSA) framework, India and Brazil discussed the possibility of bio-fuel cooperation. In 2002, both countries signed a renewable energy MOU. India signed a similar MOU with Mexico in 2008. Within the Technical and Economic Cooperation policy initiatives, India helped establish solar panels in Cuba and Costa Rica. In 2006, Suzlon Energy Ltd., an Indian wind energy company, secured a project in northeast Brazil. India has also expanded into the ethanol business with Brazil and into solar energy with Argentina (Tuchman and Dukkipati 2010).

Conclusion

Despite the lack of detailed official documents about Chinese and Indian energy cooperation policies in LAC, we can gain an insight into these policies by analyzing their intentions and the behavior of national oil companies. Chinese and Indian policymakers regard LAC as a strategic alternative for diversifying crude oil imports while maximizing energy security. National oil companies act as agents to realize this objective at the lowest cost throughout the region.

India's relations with LAC have warmed over the past few years as a result of domestic pressure on both sides to expand trade and investment, and a mutual interest in strengthening ties in a context of shifting global power dynamics. India's oil-related cooperation in Latin America has strengthened the country's political relationship with its regional partners. India's small-step approach to energy acquisition in Latin America is based on its national energy security interests and capital endowments, and the pace of internationalization of India's oil companies.

When operating in LAC, China's oil companies should consider not only China's domestic energy needs alongside their own international operational interests, but also regional politics. To be specific, they should consider policy changes. China should seek out cooperative opportunities in LAC but must "steadily and cautiously" avoid "blindness" when operating abroad. China can learn from India's cautious and strategic investment, which involves successful risk assessment and responsible examination of country-specific investment opportunities. To cope with the relatively complex business environment in Latin America, Chinese companies must improve their learning capacity to operate in different settings and accumulate human resource expertise.

Given the trend toward greater high-profile cooperation in recent years, the energy relationship with China and India is playing an increasingly important role in the Western Hemisphere. Some issues should be emphasized for future study to better understand the newly emerging energy dynamics between Asia and LAC. The United States continues to dominate the oil trade and investment flows in the Western Hemisphere, but many questions remain unanswered. How will energy security between the US, LAC, and Asia evolve? What is the role of the US with regard to LAC energy reliance and exports? Is LAC's attempt at energy independence and export diversification a promising strategy?

Energy cooperation cannot be adequately explained from an economic perspective. Various political actors, including international and national oil companies, local communities, and NGOs, are involved in energy contract chains. It is necessary to study the motivations of these actors to uncover the links between them. More in-depth analysis is also needed to understand the cooperation structures and policy instruments employed by the governments of China, India, and Latin American countries.

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10 | Asia-Latin America Interactions from a Subnational Perspective

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This piece is devoted to the emerging issues resulting from the growing incidence of interactions between Asia and Latin America at a subnational level. This growth is manifested by an increasing number of mutual visits by members of regional and local governments in Asia and Latin America, often accompanied by the signing of formal agreements. This piece is also about the increase in flows of international development cooperation originating in Asia that find their way into Latin American regions and provinces with no need for the central government's protagonist role. International migration, informal commerce, transnational crime, and cultural interactions are just some of the other aspects Asia-Latin America relations that can be analyzed from a subnational perspective.

What does it mean to establish a "subnational perspective"? In international relations and international law, the term "subnational" has been, until recently, associated with the concept of "paradiplomacy." It has also referred to a set of actions performed by subnational entities in the international arena through the establishment of official and semiofficial contacts in public, private, or mixed domains in other countries within the limits established by the home country's constitution. Research from this perspective, however, has been restricted to certain countries or regions that, due to their constitutional arrangements, provide a wider window of opportunity to promote international relations. Some studies have demonstrated that the dynamics of interactions on a subnational level do not necessarily correspond to the level of formal autonomy that subnational units enjoy. In many parts of Latin America, international involvement is seen as an engine that fosters social and economic development, and a significant number of cities, regions, and provinces already possess or have started to design their own international policies. Stronger relations with Asia constitute a key point of the agenda in more than just a few cases.

In this context, a study of interactions between Asia and Latin America from a subnational perspective necessarily includes a diversity of international activities that are distinguishable from interactions taking place at the national level. This approach may enrich our understanding of current and future dynamics in the relationships between Asia and Latin America by allowing us to identify their new and distinct features.

Twin Cities Movement

City twinning is one of the most traditional manifestations of international activities at a subnational level. Currently, Latin American cities and territories have more than a hundred cases of established relationships with cities and territories in Asia (see Table 1). Brazil accounts for half of these. The city twinning movement has acquired new impetus with the increased conquest of international space by subnational actors. Cities and territories have decided to go global, changing the "rules of the game" in international relations. The agreements are not political in nature; rather, they tend to promote economic and cultural contacts, open new "entrance points" in the subcontinent for countries such as China and India, and strengthen "people-to-people connections."

Table 1: Sister Cities Agreements, Asia and Latin America

Cities and territories in Latin America	With Cities and Territories in:			
	Japan	Korea	China and Taiwan	Other
Argentina	2		3	
Bolivia			2 (Taiwan)	
Brazil	44	2	15	
Chile	2		3	
Colombia	2	1	4 (China), 1 (Taiwan)	2 (India)
Costa Rica			1	
Ecuador			1	1 (Indonesia)
El Salvador			1 (Taiwan)	
Guatemala			1 (Taiwan)	
Honduras			1 (Taiwan)	
Mexico	5	5	4	2 (India)
Nicaragua			1 (Taiwan)	
Panama			1 (Taiwan)	
Paraguay	1		1 (Taiwan)	
Peru	2	1	4	1 (Philippines)
Uruguay			1	
Venezuela	2		6	
TOTAL	**60**	**9**	**51**	**6**

Source: Author's own calculations.

Decentralized Cooperation for Development

Many international cooperation agents are keen to promote cooperation at a subnational level, which they consider more efficient for reaching their objectives. Subnational actors deal directly with their partners in regions and provinces, public and private alike, often with the participation of regional and provincial international cooperation agencies. The Paris Declaration on Aid Effectiveness (2005), Accra Agenda for Action (2008), and Busan Partnership Document (2011) called upon international donors to align their cooperation efforts more with requirements at subnational levels. Japan, which has been traditionally very active in providing development assistance to Latin America, and newly emerged Asian donors are exploring new subnational opportunities.

The "hunt" for resources for international development cooperation has become a favorite sport for many local and regional political leaders in Latin America, who often make campaign promises to attract resources from abroad. In many cases, a promise of increased resources and formal development plans has led local and regional political elites to walk the extra mile to reach an agreement with international partners. Regional and local authorities may also be more flexible than the central government when negotiating conditions and agreements with international cooperation actors.

Networking and Regional Groupings

Networking and regional grouping is one of the less explored, but potentially one of the most interesting topics of research on Asia-Latin America interactions from a subnational perspective. In Latin America, the incidence of regional and local actors in foreign policy decision-making processes differs from country to country, but in general terms it remains weak compared to the actors in the center. It is possible to identify certain pressure groups linked to various provinces or localities that attempt to influence the government's foreign policy decision-making process. Depending on their interests, these subnational actors resist the deepening of relations with Asia. In such cases, Asian actors may look for ways to establish collaborative relations with subnational and non-state actors to improve their standing in negotiations with the center.

Asian actors may also take advantage of the role played by subnational actors by aligning themselves with existing groupings that are keen to promote the interests of entire subnational regions. Those interactions are especially important to investments in infrastructure and other long-term commitments. Some subnational regions in Latin America can be characterized by particularly high rates of informal commerce with Asia, higher migration flows, and an increased incidence related to transnational crime. Studies focusing on this "local" dimension of international politics with Asia undoubtedly contribute to a better understanding of the relations between Asia and Latin America.

Keeping the above observations in mind, the following factors must be taken into consideration when defining a research agenda for studying Asia-Latin America interactions from a subnational perspective:

- The growth of subnational actors in the international arena in many parts of the world.
- The opportunities, as well as challenges, a changing world order poses for subnational actors.
- Decentralization processes in Latin America and the strengthening of the roles played by subnational entities.
- The interests of subnational actors in going "global."
- Interest among new Asian players in Latin America in diversifying their "entrance" points and the ways they deal with Latin America.
- The growth of interactions of Asian actors with Latin America at the subnational level.

A comparative approach to the study of Asia-Latin American interactions from a subnational perspective would be desirable to achieve the required level of generalization. For instance, it can be useful to compare interactions involving Asian actors in Latin America at a subnational level with similar interactions in other parts of the world. Emerging questions may include the following: Do specific Asian actors such as China use the same strategy in Latin America as in other regions? How different, or similar, are Chinese activities in Latin America at the subnational level compared to Chinese activities in other regions of the world? Are there differences in the way specific Asian actors deal with distinct subnational regions within the same country? What about their strategy in different Latin America countries? What are the differences and similarities among Asian actors? In brief, subnational scenarios offer a rich opportunity, which has not yet been properly explored, to examine Asia-Latin American interactions from a comparative perspective.

Part III Empirical Research

11 | Chinese Resource Extraction in Latin America: An Agenda for Empirical Research

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Two decades have already passed since the Marcona iron ore mine in Peru became the first Chinese-run extraction project in Latin America after its purchase by Shougang in 1992 (González-Vicente forthcoming). This early acquisition was followed by investments in the Peruvian and Venezuelan oil industries in the 1990s. However, it was the first decade of the 21st century that witnessed a more systematic arrival of Chinese resource-based companies to the subcontinent, particularly after 2006. In recent years, as Chinese mining and oil companies begin to consolidate their presence in Latin America, the impacts of Chinese resource-based foreign direct investment (FDI) in the region are still far from clear.

FDI is just one of the various means through which China gains access to natural resources from Latin America,[1] albeit the most visible form and, more important, the one that entails a higher degree of social embeddedness in the host country. But a complete picture of resource acquisition would include the following mechanisms:

- *Commodity trading:* In terms of aggregate economic data, this remains the most important activity. As of 2010, China's imports from Latin America had risen to US$90.3 billion, with natural resources figuring most prominently (Latin Business Chronicle 2011).
- *Resource-backed infrastructural loans:* These loans, inspired by China's own leveraging of natural resources in the 1970s, are destined to infrastructure development and are paid back with resources, although, contrary to popular belief, the final amount is usually adapted to market rates (Bräutigam 2010). According to compiled data, Chinese loans in Latin America surpassed US$37 billion in 2010, a figure greater than World Bank, IDB, and US Ex-Im Bank loans combined (Gallagher et al. 2012).
- *Non-controlling stakes in joint ventures/payments for a stable supply of resources:* Similar to loans, some Chinese companies have signed deals with Latin American state-owned companies to contribute capital in exchange for a fixed supply of minerals or oil. Cooperation agreements between China Minmetals and Chile's Codelco or Petrochina and PetroEcuador are examples of these kinds of dealings.

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[1] "Natural resources" is a broad category. I focus here on resource extraction and, more specifically, large-scale mining and oil extraction.

- *Foreign direct investment:* An important number of Chinese companies have set up operations in Latin America, controlling mining and oil extraction projects under different contractual frameworks. FDI should be understood not only as a resource acquisition strategy but also as part of wider plans for industrial and business development at the national and corporate levels.

While it is widely acknowledged that natural resource acquisition is central to China's relationships with the developing world, Chinese resource extraction in Latin America has been the principal focus of just a few analyses (see Sanborn 2009; González-Vicente 2011a, 2012a). Media and academic accounts of Chinese resource-based FDI tend to emphasize three levels of inquiry: the background conditions that propel the international expansion of Chinese mining and oil companies; the bilateral context of relations that enhances (or hinders) further engagement; and the developmental impacts of particular instances of Chinese foreign direct investment. These are three urgent and valid research directions, and they give rise in turn, to a number of questions:

Where have Chinese companies invested more successfully, and why?

- Here we can distinguish between push and pull factors. On the push side, we have foreign policy that incentivizes the expansion of mining and oil firms in Latin America. The "going out" policy is a distinctively Chinese strategy for internationalization that combines comprehensive support for international investment and a developmental rationale that promotes the nurturing of managerially autonomous firms. This policy frames yet decentralizes foreign policy (González-Vicente 2011b). In a certain way, the "going out" strategy represents a sort of externalizing industrial policy more than foreign policy, and its impact on the industrial organization of Latin American countries could be further researched. However, independent corporate strategies are also a critical driver for outward direct investment (González-Vicente 2012a)

- The pull factors in Latin America vary from country to country. Interestingly, Chinese mining and oil firms have succeeded in making inroads in two kinds of countries with rather dissimilar political profiles: "poster children" of neoliberal reforms, such as Peru, which are open without much reluctance to any kind of foreign direct investment; and countries with a foreign policy that actively seeks to break away from US dependence, such as Venezuela. Resource nationalism has taken interesting directions in Caracas, where Chávez's government has chosen to rely on China and other non-Western countries as partners in the task of recovering "resource sovereignty." In countries with a more ambiguous and contingent stance toward the openness of their resource sectors (e.g., Chile, Brazil), Chinese companies have encountered more barriers to FDI. The ways in which Chinese and Latin American actors juggle issues of economic openness and sovereignty deserve detailed attention.

What is the success of particular policies in integrating Chinese FDI within wider developmental endeavors?

- Latin American national systems of political economy, or "varieties of capitalism," suggest different policy alternatives. The success of each of these in leveraging oil and mining industries for overall social and industrial development has not yet been properly investigated. Moreover, beyond "policies," the "politics" of resource governance, the "actual implementation and shifting power relations resulting from the different scales of governance and resistance," deserve further analysis (González-Vicente forthcoming).

What are the developmental impacts of Chinese resource-based investment?

- Answers to this question, in the context of Latin American countries' development, have been sought at the macro level. Contrary to the case of Africa, where more case-study based research is starting to illuminate the impacts of Chinese investment on the ground, case studies of Chinese resource-based FDI in Latin America are lacking, although I have tried to address this gap in my own work.

Discussions of China's outward FDI have advanced significantly in explaining the political and economic background factors that prompt the internationalization of firms, as well as the socio-political intricacies of particular examples of developmental success or failure. However, the search for a link between these two areas of inquiry has been to a great extent neglected. This is due in part to the novelty of Chinese outward FDI as a political economic trend, and to the inclination of researchers to seek out difference and conflict as themes deserving of urgent analysis. An important limitation of this kind of research is the inability to carefully map out convergence and divergence.[2] What is particularly Chinese in the trends analyzed? And what is on the contrary more attributable to sector or country dynamics? (cf. Pan 2009). How can one avoid over-essentialist perspectives but also "the contingency of everything"? How to balance the weight given to agency and structure? A comprehensive theoretical framework is needed in order to answer these questions. In what remains of this short piece, I summarize how I have confronted this issue in my own research. More specifically, I highlight how issues of *internationalization, embeddedness*, and *networks* are essential in establishing an agenda for empirical research that is both critical and context-attentive.

In various regions of the world, the dilemma at this early stage of Chinese investment is how to conceptualize processes that are determined by context as much as by business models and evolving institutional frameworks. I suggest taking inspiration from economic geography analyses of social and territorial embeddedness. For decades, economic geographers have probed into the relational and place-bounded nature of increasingly transnationalized economic activities (Yeung 1998; Dicken 2003). The concept of embeddedness investigates how economic activities are "anchored" in specific places and affected by territorial dynamics and connectivity with wider production

[2] Ariel Armony (2011) also analyzes "convergences and divergences" between China and Latin America. Here, however, I am referring to the convergence and divergence between Chinese FDI and more traditional investment flows into the region (from within and beyond).

networks (Henderson et al. 2002: 452). As noted above, research on China and the developing world, and by extension on China and Latin America, has more often addressed the "macro" side of political engagement (i.e., bilateral relations, overarching macroeconomic dynamics) and "micro" developmental impacts (i.e., conflict or success of a particular investment project). In aiming toward a more comprehensive understanding of China's engagement in Latin America, more weight needs to be given to the micro-politics of business engagement; that is, the spatial variability and strategic and contingent negotiation of embeddedness. Systematically examining how Chinese investment is embedded into networks of industrial organization in China, Latin America, and beyond illuminates the context of its developmental impacts, structural constraints, and strategic choices, as well as the transformation of the business rationales that underpin specific behaviors.

Elsewhere, I have defined the internationalization of the Chinese state and Chinese companies as a process wherein diverse entities and agents transform their behaviors and rationales as part of their integration in transnational economic activities. Internationalization complements embeddedness, in that it reveals and openly highlights the agency and strategy of particular instances of embeddedness. Internationalization is shaped by embeddedness, while embeddedness is carefully interiorized as part of a logic of internationalization. The conceptual dimensions of Global Production Network (GPN) literature are useful in grounding the framework for an empirical analysis of embeddedness and internationalization: firms, sectors, networks, and institutions (Henderson et al. 2002: 453-5).

- The particular backgrounds of Chinese *firms*, their relationship with the Chinese state, and their embeddedness in Chinese processes of production and markets play an important role in the recent expansion of Chinese mining and oil FDI in Latin America. Modes of financing and ownership are essential to understand the long-term strategies that Chinese firms adopt, and the possibility of operating at a loss for a longer initial period of time. It is equally crucial to disaggregate Chinese firms. Strategies of localization have led to the recruitment of local expertise that ultimately shapes business trajectories, just as travelling and situated knowledge converge to define engagement strategies.

- The intrinsic features of the mining and oil *sectors* also determine many of the strategic choices and behaviors of Chinese investment in Latin America.[3] It has been noted that firms within the same sector are likely to have similar GPN architectures, given that they share "technologies, products and market constraints" (Henderson et al. 2002: 454). Mining and oil companies share technological challenges in Latin America and elsewhere, while the market constraints that Chinese mining companies face are arguably different from those confronted by other transnationals. Most important, firms in Latin America's extractive sectors share particular social and political challenges to their operations and hence tend to elaborate common discursive strategies that, according to my own research in Peru, are not too different from those of other transnational companies (González-Vicente 2012b).

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[3] Following a different theoretical framework, but addressing similar concerns, Enrique Dussel Peters's (2012) analysis of the auto parts chain in Mexico and China is a perfect example of how profound knowledge of a particular sector is critical in understanding China's direct and indirect impacts.

- *Networks* are also significant. For example, Chinese mining firms in Peru rely on local expertise, not only through recruitment (an intra-firm process) but also through the outsourcing of tasks to local and international companies, several of which have great political significance in community relations planning.

- *Institutions* are, without a doubt, an important force in shaping and negotiating firm behaviors and the political background in which the GPN operates. States, through regulations and their complex relations with populations, play a key role in this sense, but the pressures received from NGOs and unions are equally important.

- Beyond the main conceptual dimensions proposed by Henderson et al. (2002), forms of resistance that are not fully institutionalized also contour the context in which firms, sectors, networks, and institutions interact.

Since resource extraction has a very complex industrial organization, I do not have space here to explain how this framework can be applied to each stage of the business process. Instead, I briefly exemplify, focusing on project acquisition, how such a framework would help shed light on the activities of Chinese oil and mining companies in Latin America. These are some of the conclusions from my study of recent processes of project acquisition by Chinese mining companies in Peru:

- *Acquisition processes are internationalized:* Due to the neoliberal transformation of the Peruvian economy and the Peruvian mining sector in the last two decades, most acquisitions are now conducted internationally. These are not "global" or "placeless" processes. They take place in stock markets, such as the Toronto Exchange and London Junior Alternative Investment Market. The rules of the game are set on these stages, where particular business rationales and regulatory procedures prevail.

- *Government involvement in the negotiations is minimal:* The Peruvian state plays no role in overseeing the acquisition process at these stock market or private negotiations, thus it is unable (and unwilling) to set prerequisites beyond the business agreements between the selling and purchasing parties, and beyond the legal framework that companies will face once in Peru. Similarly, the Chinese government plays no role in smoothing the negotiation process with the host government, which is absent from the deal.

- *International consultants shape companies' understanding of investment environments:* International consultants are often trusted with the elaboration of due diligence studies that analyze the profitability and challenges of a project. The kind of due diligence studies used in stock market and private negotiation acquisitions tend to stress technical details and deemphasize social issues, at times resulting in the underestimation of the social challenges of particular projects.

- *Chinese companies' strategies matter:* Chinese companies are strongly enmeshed in their home country environment and their Global Production/Extraction Networks, which are important drivers for their specific modes of acquisition. In particular, Chinese companies give preference to prompt access to resources and prefer not to be involved in exploration activities. Therefore, they need to acquire their projects from junior exploration companies, from which they inherit organizational structures and path-dependent social dynamics.

As illustrated above, a framework focused on exploring the complexities of production networks allows us to appreciate a combination of Chinese "uniqueness" or "divergence" and a more general "convergence" and "embeddedness" in mining sector dynamics in Peru. The unraveling of acquisition processes is illustrative of the place-bounded nature of Chinese FDI, while showing that particular forms of embeddedness are the result of domestic backgrounds and internationalization strategies. For example, one cannot dissociate Chinese FDI from wider neoliberal trends in Peru in the last two decades. The multiple underpinnings of neoliberalism are found both in Peru's political history and in free market developmental rationales imported from the West. China's "going out" strategy is just one of various aspects shaping the dynamics of project acquisition. Without going into much detail, one can appreciate how the particular dynamics of project acquisition would greatly differ from those in Venezuela, for example, and from a sector such as oil extraction. Similar place-bounded dynamics are to be expected in other phases of the resource extraction process. A systematic understanding of the firm's characteristics and preferences, sector organizational dynamics, investment networks in the particular country, and the role of institutions, therefore, is critical to understanding Chinese resource-based FDI in context.

Table 1: China's FDI – Potential Areas of Research

	Developmental Impacts	Political Trends
Macro	Macroeconomy	Bilateral relations
Micro	Case studies (Africa, not Lat. Am.)	*Micro-politics of business engagement*

As Table 1 summarizes, four main areas of research deserve the attention of scholars interested in Chinese resource-based FDIs in Latin America. Past scholarship on Asia-Latin America relations has privileged macroeconomic impacts and political bilateral relations. This is partly because most existing analyses of Asia-Latin America are not based on fieldwork research. Given the novelty of Asia-Latin America scholarship, great potential remains for further exploration of these two areas of research. An additional prospective research direction is the case study of the developmental impacts of particular instances of Chinese investment in mining and oil extraction. The literature on Asia-Africa relations suggests that this is a field with great potential. Finally, I have devoted most of this brief piece to explaining a fourth dimension of research: the micro-politics of Chinese FDI engagement in Latin America. I believe that this is an area that has been largely neglected, also in the study of Asia-Africa relations, and that needs much more detailed examination if we want to understand Chinese investment within its spatial and temporal dimensions.

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12 | Latin America, Mexico, and China: Economic Conditions and Challenges

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Latin America, Mexico, and China have a centuries-long relationship dating back to the Nao Victoria, the Spanish ship that became the first vessel to sail around the world in the early 1500s. The relationship has had several phases since then. To understand the current relationship, it is important to start with China's diplomatic recognition of respective Latin American countries since the 1970s. This process of political closeness—bilateral, regional, and multilateral—has evolved as China-Latin America trade has increased dramatically in the twenty-first century. Most recently, it has come to include Chinese foreign direct investment (FDI) to Latin America. According to recent sources, Chinese FDI in the region accounted for more than US$30 billion in 2010-2011.

Research on Asia-Latin America has been slowly accelerating. Recent studies have generated several interesting results pertaining to the region and China.[1]

- *Statistics:* Trade and FDI statistics account for some important differences between Chinese and Latin American sources. For example, with regard to China's accumulated FDI to Mexico, the difference is 6:1 in 2012.
- *Regional trade specialization with China:* New developmental challenges are emerging as a result of technological and trade balance limitations. For example, Latin America is exporting low value-added raw materials while importing higher value-added manufactured items from China, creating an imbalance.

Studies of several segments of value-added chains in raw materials show that in some cases a process of "downgrading" has occurred, arguably as a result of new Chinese regulations and pressures. Conversely, technology, value-added, and sophistication have decreased among Latin American exports.

For the China-Mexico relationship, several other issues are worthy of mention:

(1) *Qualitative terms:* China has questioned Mexico's export-oriented strategy (EOI) since the late 1980s. In contrast to Mexico, China has followed a long-term strategy with active public policies that influence industry, trade, education, urbanization, exchange rate, and other fiscal policies. The Center for Chinese-Mexican Studies at the School of Economics at the Universidad Nacional Autónoma de México (UNAM) has described China's socioeconomic performance as outstanding when compared to Mexico's. Between 1980 and 2010, China's GDP increased 14 times more than Mexico's. China was also able to decrease poverty levels for more than 400 million people, while poverty levels in Mexico increased.

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[1] For a full discussion, see http://www.economia.unam.mx/cechimex/.

(2) *Growth rate:* China is Mexico's second trading partner. The average annual growth rate (AAGR) of Mexico's total exports between 1995 and 2010 was 9.2%. Total imports accounted for 10.0% of the AAGR, while exports and imports from China accounted for an AAGR of 37.1% and 34.7%, respectively. As a result, the US share of Mexico's trade was the lowest it had been since Mexico began recording trade figures.

(3) *Deficit:* Another relevant feature of Mexico's trade with China is its 11:1 import/export relationship as of 2010. In other words, Mexico runs a massive trade deficit with China.

Several issues stand out in the configuration of Mexico's trade with China. First, Mexico imports goods that are almost exclusively manufactured in China. In particular, electronics, auto parts, and other increasingly sophisticated technological goods have proven to be good business. Second, until 2006-2007, electronics, auto parts, and automobiles accounted for more than two-thirds of Mexican exports to China. This performance has changed drastically in the last three years, however. In 2010, copper, oil, and other raw materials accounted for two-thirds of Mexican exports to China. The "primarization" of Mexican exports will probably deepen in the future. Research conducted in 2010 showed that only 9% of Mexican imports from China were consumption goods. The rest, accounting for 91% of the trade with China, consisted of intermediate and capital goods. These figures belie the notion that Chinese imports compete massively with domestic production and other imports. It appears that, on the contrary, they improve the competitiveness of the Mexican production sector.

Trade issues, from the massive trade deficit and trade/non-trade barriers to tariffs and other similar issues, overwhelmingly define Mexico's bilateral relationship with China. The case of tariffs provides an insightful example. Total Chinese imports to Mexico pay effective tariffs of 1.89%, more than total Mexican imports to China, which pay 0.80%. A small group of 204 Chinese items, however, paid a tariff of 106% in 2008 and a maximum of 35% in 2012. This has resulted in a tense relationship between the two countries, escalating with the outbreak of the AH1N1 virus in 2009, the visit of the Dalai Lama in 2011, and public declarations by Mexican and Chinese officials. Since then, Chinese FDI has been minimal. According to ECLAC, Chinese FDI in Latin America was estimated at around US$35 billion in 2010-2011. Some records suggest that Mexico may have received less than US$100 million. The lack of institutions specialized in attracting Chinese FDI, as well as the unharmonious trade and political relationship with China, has resulted in this situation.

To start a new phase in an improved bilateral relationship, Mexico needs to develop short-, medium-, and long-term agendas with China that allow the public, private, and academic sectors to work together to discuss their priorities. However, it is not clear that Mexican elites feel a sense of urgency concerning China. Mexico's relationship with China requires urgent, high-level political support to overcome institutional, economic, and political limitations. Otherwise, the current level of tensions will continue, potentially causing an increase in hostilities.

An improved agenda between Mexico and China could include:[2]

- Short-, medium-, and long-term plans that clearly address topics resulting from binational specificities with regard to tariffs, antidumping policies, statistics collection, and infrastructure.

[2] For a detailed discussion, see http://dusselpeters.com and http://www.economia.unam.mx/cechimex/.

- Strengthened bilateral institutions, such as the Binational Commission Mexico-China and the High-Level Group, which met for the fifth time in April 2012. Given the lack of high-level support from both sides, these forums have accumulated issues rather than solving them.
- The Mexico-China agenda should go beyond trade and tariff discussions to include issues such as immigration, visas, tourism, infrastructure projects, and the overall investment promotion. Specific projects addressing each of these topics are necessary and should be handled by commissions led by specialists from both countries.
- To achieve a long-term and harmonious relationship, the economic agenda should be in line with political bilateral relations, common interests in international and multilateral institutions, and educational and academic programs.

13 | China and Latin America: Environmental Perspectives of the Relationship

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During the past decade, trade and economic links between China and Latin America have grown dramatically. Chile, Peru, and Costa Rica have all signed Free Trade Agreements with China. Two of these specified that the agreements should promote sustainable development while protecting the environment. This paper explores some of the environmental aspects of the relationship.

Latin America as Exporter of Primary Commodities to China

Latin America is now an important market for primary commodities. Resources such as minerals, petroleum, agricultural products, fish products, and wood are an essential part of China's booming industrial base. Even with the application of "best practices" and mitigation, extractive activities have caused adverse environmental impacts. In spite of this downside, China's economic policies still offer some potential benefits for the Latin American environment. China has managed to successfully develop its own industrial base by becoming a leader in the development of green technologies, advocating a new global economic order, and increasing South-South economic linkages.

Today, China is a major commercial partner for Latin America and its importance in the region is increasing. China is the largest purchaser of Brazilian and Chilean exports, in addition to being Peru and Venezuela's second largest trading partner. A country overview illustrates the significance and nature of Latin American exports to China.

- Argentina contributes 12.4% of Latin American exports to China. Agricultural products dominate the market, with soy and soy oil accounting for more than 90% of Argentine exports to China. Argentina supplies 23% of Chinese soy imports.
- Brazilian primary commodities account for 36% of Latin American exports to China. Brazil, which is also the third largest supplier of iron ore to China, supplies 45% of Chinese soy imports. Soy accounts for approximately half of Brazilian exports to China. Additionally, 30% of wood products exported from the Amazon are destined for China.
- Chile is China's second largest trading partner in Latin America, with copper accounting for 83% of Chilean exports to China. Along with Peru, Chile is an important supplier of China's fishmeal, which is often used as animal feed.
- Metals, particularly nickel, dominate Colombia's exports to China. China is also interested in Colombian coal and oil reserves.

- Petroleum is Ecuador's principal export to China. Recently, new contracts with Chinese companies have opened the door to mining activities, particularly copper.
- Peru is an important exporter of mineral ores to China. Copper accounts for 70% of Peruvian exports to China. Iron ore exports to China are also significant.
- Venezuela's petroleum exports to China are rapidly increasing. By 2012, Petróleos de Venezuela anticipates selling one million barrels of oil to China, accounting for 15% of China's petroleum imports. Today, Venezuela sends 20% of its oil exports to China.

While Latin America exports primary commodities to China, it imports manufactured goods that often compete with the region's own industrial production. China ranks second in value of imports to Brazil, Chile, Colombia, Mexico, and Peru. It ranks third in Argentina and Venezuela.

Latin America's Economic History

Historically, Latin America has exported primary commodities to the industrialized North—Europe and North America. Between 1930 and 1980, a shift in this policy occurred, championed by larger Latin American countries with import substitution policies marked by the creation of state-owned and controlled national industries. The shift toward neoliberal structural adjustment policies, beginning with the Washington Consensus in the 1980s, led to the resurrection of Latin America's role as exporter of primary products. Chinese trade practices appear to be replicating the traditional pattern of export of primary products with little value added.

China's foreign direct investment (FDI) in Latin America is significant and has risen steadily in the twenty-first century. More than half of China's natural resource sector FDI is in Latin America. The FDI is concentrated in a score of large projects in South America's mining and agricultural sectors.

Chinese companies have invested heavily in the Ecuadorean petroleum sector and recently entered the country's mining sector. Shougang Hierro Perú is the largest exporter of iron ore in Peru. Ninety percent of its iron ore is shipped to China. Chinese FDI in Venezuela is largely concentrated in the oil sector. In Brazil, Chinese FDI has been distributed between iron ore mining, electric transmission companies, and offshore oil. Chinese investors have attempted to make direct and indirect purchases of Brazilian land for soy cultivation although, in 2010, the Brazilian government tightened regulations on foreign land ownership.

Potential Environmental and Social Impacts

Mining: Large-scale mining is perhaps the most environmentally damaging resource extraction activity. Current commonly used practices employ the open pit method that destroys natural habitats, as it essentially attempts to move mountains. Habitat destruction and fragmentation lead to a loss of biodiversity. Mining operations use large amounts of water and alter the hydrological regime in the watershed. The concentration of minerals and purification of ores frequently result in water pollution (low pH acidic waters and high concentrations of heavy metals). The acidic waters adversely affect downstream environments, creating public health issues. Mine wastes, or tailings, react with surface water or rainwater, causing additional pollution problems.

While large-scale mining operations create serious problems for adjacent communities, the tax revenues from these activities benefit the central government rather than local coffers. Direct employment remains minimal because operations are often capital-intensive. The influx of workers from outside of the community often creates a strain on housing, services, and traditional community structures. Traditional lands may be lost, and payment for land is often wasted or poorly invested. Many mining sites occupy lands of First Peoples and result in acculturation and loss of traditional values.

Chinese mining companies have found themselves enmeshed in disputes with local communities. In March 2012, Ecuador signed its first large-scale mining contract with Chinese-owned Ecuacorriente/Ecsa, which plans to invest US$1.4 billion in the El Mirador copper project and export mineral concentrate beginning in 2014.[1] The site is in the Amazon region of southern Ecuador in the province of Zamora Chinchipe. The mine, which is expected to be two kilometers in diameter and 800 meters deep, would extract 60,000 tons of material daily. Environmental, social, and indigenous groups that oppose the project have launched an "International SOS." In March 2012, they began a two-week protest march to Quito to express their opposition to the project.

Shougang Hierro Perú, a Chinese mining company, owns and operates a large-scale mine in San Juan de Marcona in the southern Peruvian department of Ica. For more than a decade, Shougang has found itself in a long-term dispute with the Peruvian government, miners' unions, and local communities regarding its alleged failure to comply with labor and environmental commitments. Since 2004, Peru has also been engaged in a dispute with the Zijin Consortium and Río Blanco, formerly owned by the British company Majaz, regarding a copper project in a fragile cloud forest in Piura Province in northern Peru. Several protesters have been killed and legal charges have been leveled against rural leaders and environmental activists.

Soy: In Argentina, Bolivia, Brazil, and Paraguay, land areas under soy cultivation continue to increase to meet the increasing demand for animal feed in China. As the largest exporter, Brazil's soy cultivation continues to expand into the Amazon region (Mato Grosso, Maranhão, Rondônia, and Pará). It creates a stimulus for deforestation of tropical forest and degradation of tropical savanna, causing the fragmentation of natural habitats and loss of biodiversity. The soy expansion has also led to an increase in large infrastructure construction, which attracts other activities such as ranching and logging. The soy varieties used are genetically modified to be herbicide resistant. Soy monoculture requires herbicide application that is subsequently toxic to soy's nitrogen-fixing rhizobium bacteria. It is dependent on commercial fertilizers, evidence that it is responsible for soil degradation. Monoculture also increases the potential for insect pests, and large areas of Brazil's soy fields require fungicide application to control soybean rust. Agrochemicals often run off into streams, where they have serious adverse impacts on water quality. Soy cultivation may also lead to significant social impacts, such as increased land concentration, the expulsion of small farmers, the loss of agricultural jobs, and a decrease of food security as food crops are displaced by soy.

[1] Ecuacorriente/Ecsa is the property of China Railway Construction Company and Tongling Nonferrous Metals Group Holding.

Chinese Responsibility?

Is the Chinese demand for primary commodities responsible for environmental degradation in Latin America when Latin America has sustained historically important trade relations with the United States, Europe, and Japan? This is an open question that requires additional investigation at the project level.

If China is promoting a new economic order, environmental protection and social equity should be integrated into the model. Chinese companies should, as good trading partners, invest in social and environmental responsibility initiatives. However, environmental protection is the responsibility of the sovereign nation where the resource extraction occurs. Latin American nations must, as responsible stewards of the health of their peoples and natural environments, implement effective environmental protection programs.

Positive Aspects of Trade with China

The Chinese example of development presents a model that could ultimately prove beneficial to Latin American development. State intervention in the Chinese economy, and in foreign trade and investment, has guided the nation's economic growth. Long-term strategic planning has made great strides toward achievement of national development goals. State investments in major infrastructure projects have generated the momentum for this development, in turn alleviating poverty and promoting economic growth. As the Chinese development model evolves, it may increase its environmental sustainability component.

China also offers initiatives for a new global economic order and alternatives to economic control of transnational corporations through direct South-South linkages. For example, four large transnational agroindustries dominate Brazil's soy sector. Chinese investment in agribusinesses may offer an alternative to the economic stranglehold of these corporations by providing greater economic benefits and causing fewer harmful environmental and social consequences. This, however, remains to be seen.

China is also a global leader in the development and production of clean energy/green technologies—wind and solar power, biomass. Latin America could be a market for these clean technologies. Some Latin American states, particularly Brazil, are potential partners with China in research and development in these areas.

Future Research

To improve our understanding of the environmental and social impacts of Chinese mining ventures in Latin America, we first need a current inventory of these activities throughout the region. This inventory must include the size, type, and future growth projections of the activity. A record detailing the extracted minerals, the history of the mining activity (whether it is a new venture or an acquired existing venture), the type of Chinese investment (state-owned enterprise, provincial-owned enterprise, or private capital), as well as processing and reduction that occur within the country should also be documented. Methodologies that compare the environmental and social impact of the different types of Chinese mining ventures and compare Chinese mining ventures with non-Chinese controlled mining activities must be developed. Comparative analyses should focus on environmental impacts, modes of operation, social impacts, community relations, adopted business models, relationship with labor unions, and transparency and openness of the enterprise.

To explore the impact of Chinese soy purchases in Brazil and Argentina, we suggest research that investigates the following topics: the type of venture (direct land ownership, negotiation, and purchase from soy farmer cooperatives) and the nature of business relationships (prices paid for soy products, relationships with local communities, use of herbicides and GMOs, and the negotiation process itself). The Chinese business models could then be compared to the models adopted by trans-national agrobusinesses. Efforts should also focus on the spatial nature of Chinese soy purchases, specifically aimed at locating the most active areas for soy cultivation and determining the land use histories of these regions. This will also provide insight into the push to develop the road and port infrastructure needed to export soy.

Conclusions

China-Latin America trade is a tremendous benefit to Latin American economies and to a China that is hungry for primary commodities. The benefits have been particularly important to Latin America during the most recent global economic recession. The relationship, however, replicates the traditional Latin American model of natural resource exports. While such trade may bring immediate short-term benefits, the long-term effect on Latin America's natural and social environments is much less certain.

The environmental impacts of natural resource exploitation are great and have not featured as important considerations in the trade relationships or formal Free Trade Agreements that exist between China and three Latin American states. Responsibility for adverse environmental impacts lies primarily with the country where the extractive activity occurs. Latin American states must accept their primary responsibility to implement environmental protection legislation. Nevertheless, Chinese companies that invest directly in Latin America would be wise to increase their social and environmental responsibility efforts to find greater acceptance as loyal long-term trading partners and set an example for their host countries.

14 | Informality in China and Latin America: Comparisons and Interactions

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Ariel Armony has described the relationship between China and Latin America as "an 'encounter of informalities'" (2012: 104). Building on this idea, I will sketch out some preliminary ideas about what this encounter of informalities might mean in both a comparative and "actual" interactive sense. First, by way of comparison, I will discuss the meaning of the concept of informality and what governing informality means in the China context. At first glance, this may seem a simple exercise, but any effort to "travel" with a Latin America-based concept of informality very quickly runs into complications in the case of China. Second, with this comparative perspective in mind, I will discuss what a distinct form of Chinese informality might mean for growing economic and political interactions between China and Latin America.

Chinese Informality in Comparative Perspective

The concept of informality is rarely applied to the Chinese political economy by either Chinese or international observers. As a rare 2009 study noted, "In China… there has been relatively little attention to the subject of the informal economy" (Huang 2009: 419). This inattention is both intriguing and puzzling since the urban informal sector constitutes close to 60% of total urban Chinese employment (Huang 2009).[1] Why the concept of informality has not been prominent in either academic or popular use in China has various explanations.

Compared to Latin American informality, the Chinese state plays a different and, arguably, more active role in the "governing" of informal markets. It is this comparatively prominent role of the Chinese state in governing Chinese informality that has led to its neglect as a popular or academic analytical category. However, having *more* governance or "regulation" of informality in China does not necessarily equate with *better* governance or regulation. In fact, even though the overriding goal of the Chinese Communist Party (CCP) and the state is to maintain "stability" and "order" over markets in general, the result of efforts to govern informal markets is quite often the opposite of the desired stability and order.

Understanding informality in the Chinese context first requires some background about the concept itself. In a commonly cited definition, informality "is a process of income-generation… [that] is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated" (Castells and Portes 1989: 12). This definition, with its focus on "unregulated"

[1] Naughton (2007) puts the number at close to 40%.

economic processes, is crucial but frequently frustrating. This is because definitions and studies of informality that focus on a regulated/unregulated, formal/informal dichotomy often fail to thoroughly investigate the state's relationship to the informal economy.

The literature on informality, mostly adapted to settings outside of China, demonstrates a bifurcated use and understanding of the concept of "regulation." It emphasizes the distinction between formal and informal types of employment in which "deregulation" implies the loss of employment stability and material and legal guarantees from employers or the state. In this sense, employment in the regulated or formal sector is associated with job stability, a certain set of state-backed welfare benefits, and legally mandated labor standards. In contrast, unregulated or informal sector employment is associated with job instability, no basic legal protections, and few guaranteed material benefits. Throughout the 1980s and 1990s, in both Latin America and China, we saw similar processes of "deregulation" and rising informality as states liberalized large swaths of their economies.

While this approach to the unregulated nature of informality stresses a definitive shift away from the state's commitment to a certain form of production and labor arrangements, it says very little about how the state interacts with markets and workers once they become "informal." Studies that take up the question of how the state interacts with those who no longer enjoy the protection and benefits of formal sector employment often emphasize ways in which the informal sector is unregulated by the state. One argument suggests that informal markets are simply *hidden* from the view of state officials. According to this view, officials know about and can "see" these markets but are not necessarily opposed to their existence. Instead, they "intentionally [do] not intervene in an explicit, active, or institutionalized way" (Roever 2005: 5). Ultimately, both arguments portray the state as lacking a regularized, institutional form of interaction with the informal sector. In other words, the state fails to govern the informal sector and, almost by definition, the informal economy is therefore "unregulated."

The idea that the informal sector is unregulated or ungoverned makes little sense in the case of China. The Chinese state, and in particular its uniformed agents in the institutional form of the "urban management" unit, or *chengguan*, actively regulate a key segment of China's urban informal economy. In other words, a dedicated unit of the Chinese government maintains close oversight over and has daily interactions with the "face" of China's informal economy—its urban street vendors. In this sense, China seems to govern and regulate an informal sector that is not governed or regulated in other countries.

Nevertheless, the result of this interaction is often a confrontational cat and mouse game that has captured the attention of the larger Chinese public. It has also captured the attention of elements of the CCP who are concerned about the challenge it poses to the legitimacy of the Party's rule. Therefore, the Chinese state actively seeks to regulate and control key parts of the country's informal economy with the avowed intent of "maintaining order and stability." The result is an uneasy standoff between state and society that often results in rising chaos, violence, and decreasing state legitimacy.

Chinese Informality Meets Latin American Informality

This somewhat formalized comparative approach to understanding the governance of informality in China is useful as background, but it fails to capture a more common sense understanding of the concept. A more intuitive understanding of informality would include two essential facts: (1) formal laws and rules can be, and are, negotiated, bent, or violated; and (2) who you know is crucial, because having the right connections makes these laws or rules even more malleable. As Armony writes, "people in China, as in most of Latin America, move in a deep sea of informality, in which unwritten rules, bribery and/or personal connections are the gatekeepers to resources controlled by individuals in positions of power" (Armony 2012: 104). Moreover, for those who live in informal environments, informal practices are "common knowledge in society," and therefore people "understand that there are incentives to comply with the [informal] rules as well as sanctions for not following them" (Armony 2011: 38, 2012: 104).

In this more cultural understanding of informality, the implicit comparison is with more formal institutional environments, such as the United States or Germany, where it is understood that laws and regulations are followed and enforced. In contrast, in Latin America and China it is intuitively understood that rules, standards, and laws are potentially quite negotiable.[2] What happens when Chinese and Latin Americans, both accustomed to informality, meet? One effect, Armony argues, is the heightened possibility for corruption as Chinese and Latin American government officials and businesspeople together undermine even the best-formulated labor, environmental, and other investment rules.

Armony may well be correct that the interaction of Chinese and Latin American state and business representatives—both steeped in informal practices—will lead to corruption. Ultimately, this is an empirical question. Here, I want to ask a few questions and posit several outcomes, some negative and some potentially positive. First, even though Chinese traders and investors may be used to an informal institutional setting in China itself, does that necessarily make them more prone to, or more adept at, negotiating the rules than their counterparts from more traditional recipients of FDI from the United States, Europe, or elsewhere in Latin America? Without the strong enforcement of trade and investment regulations on the part of Latin American governments or the oversight of laws such as the American Foreign Corrupt Practices Act, history has shown that firms from even the most "formal" countries may engage in bribery, corruption, or other legal and standards violations.

Another question that relates to the discussion of comparative informality in China and Latin America is the extent to which knowing how to be informal in China translates into knowing how to be informal in a foreign environment. A Chinese firm or individual adept at navigating the Chinese political and economic institutional environment may not necessarily be equally as adept in a Latin American setting.

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[2] Armony (2012) notes that informality is "high" in China and Latin America. Understanding levels and types of informality across countries would be a challenging but worthwhile effort. For example, as Indian firms increasingly invest abroad, including in Latin America, how should we understand their firms' approach to negotiating investment rules and other government regulations?

When Chinese SOEs go abroad, they often come with an understanding that having resources and connections can help them get what they want. But just as the Chinese informal economy is unintelligible in comparative perspective, failing to take into account the all-important role of the state can lead us to overlook a crucial and possibly unique feature of China's overseas trade and development behavior: a preference for state-to-state deals. Within China, having government connections is fundamental for the smallest to the largest of businesses. In Africa, but also in deals with Latin American countries, Chinese SOEs and development banks have shown a preference for engaging in state-to-state deals and, when possible, gaining "sovereign guarantees."

I would suggest that this preference is in part based on the unique features of Chinese informal practices and also the nature of the Chinese political economy. Within China, knowing the right government officials is often a ticket to preferential market access, credit, protections, subsidies, etc. At the same time, it also implies a kind of guaranteed stability for a given business deal. The perception that stability is implied, or risk minimized, by having the right political connections is underpinned by the absence of popular election of government officials. Nor do labor, environmental, or other "civil society" groups openly participate in the system.

Undoubtedly, China is not the only place where having good official connections is seen as crucial to business success. But when Chinese firms, especially SOEs and policy banks, go abroad to Latin America or elsewhere, they come with a strong sense that knowing the right government officials implies a kind of guarantee. They assume that certain, often official, connections guarantee their interests. Another way of putting it is that Chinese businesspeople and government officials assume that the risk of any given trade or investment deal can be largely minimized if the deals are done with the right officials, or at least with their approval.[3] Knowing *specifically* who to know is arguably less important than knowing an official's rank in the hierarchy.

How differently has this proposition worked for Chinese firms and banks in Africa than in Latin America, given the different institutional and political settings in each region? Many Chinese firms and major policy banks have cut their teeth in Africa, where there is a clear preference for state-to-state deals and sovereign guarantees.[4] There is, however, reason to believe that the Chinese confidence in the guaranteed risk-reducing nature of state-to-state deals may be misplaced in many Latin American settings. This could be, in large part, because of the more institutionalized and vibrantly participatory Latin American setting, which contrasts with the environment in many of the African countries in which Chinese firms and banks have been operating. The idea that Latin American officials can be voted out of office and that civil society groups representing labor, environmental, or indigenous interests might criticize or help overturn government decisions is anathema to a Chinese sense of "informality." It is, however, part and parcel of Latin American democracy. In this sense, Latin America may be less informal but its political and legal systems more institutionalized than China's.

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[3] This applies most dramatically to China-Venezuela ties. China's largest loan exposure in Latin America, just under US$40 billion, is in sovereign loans to Venezuela.

[4] For a recent example that explores the effects of different institutional settings on Chinese investments in Africa and Latin America, see Alves (2012).

Chinese SOEs and development banks, as the quintessential "state capitalists," are used to having the upper hand when it comes to navigating the informal Chinese institutional environment. However, it is not clear that knowing how to be informal or negotiate the rules in China will translate into the ability to effectively or consistently do so in Latin America or elsewhere. In fact, it is quite likely that the more sure Chinese firms or government officials are that knowing the right (i.e., highest-placed) Latin American politician means a guaranteed outcome, the more disappointed and surprised they will be if and when that politician leaves office or changes his or her mind.[5]

As China's investment activities in Latin America continue to increase, more non-state Chinese firms will pursue deals in Latin America. What kinds of deals and how they make them will likely differ from their SOE and policy bank counterparts. It will be interesting to see how firms with fewer, or at least different, kinds of state connections in China navigate Latin American institutional environments. Will they be more or less likely to engage in corruption? One possibility is that they will be more willing to seek out and do deals with non-official partners in Latin America. They too may be willing to negotiate and bend the rules as much as their hosts allow, but they may want to bend different rules differently. The institutional variation in any given Latin American country will be a key variable in how much or how effectively Chinese firms, state or private, can bend the rules.

One last consideration, and one that points to a less pessimistic outcome as Chinese and Latin American informalities meet, is whether rule bending might not be a potentially healthy thing. Sometimes, bending or ignoring the rules is necessary or healthy when the rules themselves are poorly designed or fail to reflect a social consensus. In China, two clear examples of the informal economy are street vendors and informal finance. Both arguably fulfill an important role in providing employment, income, and popular products and services. This, in part, also explains the state's on-again, off-again approach to enforcing prohibitions against these activities. If Chinese firms or individuals prove adept at getting around ill-conceived or burdensome bureaucratic barriers in Latin America, this may not necessarily be such a bad thing. The devil will be in the details.

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[5] Here the case of Hugo Chávez and Venezuela again comes to mind.

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15 | China's Presence in Latin America: The Security Dimension

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Views of the increasing Chinese presence in Latin America and the Caribbean tend to be phrased as opposites. In the pessimistic view, Beijing sets out to dominate markets, often resulting in the impoverishment and de-industrialization of the area. Further, Beijing operates on a model of autocracy, authoritarianism, and neo-mercantilism. Finally, from a security perspective, polarity has increased between left-leaning Bolivarian groups within Latin America, which have drawn closer to the People's Republic of China, and other, more democratically oriented Latin American states. Internationally, the demise of the Monroe Doctrine produced adverse consequences for US security, allowing for Chinese surveillance equipment, and perhaps weapons, to enter Latin America and the Caribbean and resulting in the interdiction of sea-lanes.

In the optimistic view, China's involvement in Latin America and the Caribbean has resulted in the creation of an additional market for regional goods. While it has become a useful lever against the traditional dominance of US, European, and Japanese companies and their governments, Beijing does not seek to challenge the US presence in the Latin American and Caribbean (LAC) region. Additionally, proponents of a closer LAC-PRC relationship believe, the PRC wants nothing more than to secure the commodities it needs to continue its economic growth and has employed a model of development that may be more suitable for development in the region than the so-called Washington Model.

While the doom/gloom and optimistic scenarios will likely remain unrealized, it is also unlikely that the truth will be precisely in the middle. Uncertainty has led to speculation on the intentions of Beijing's leadership. Since these intentions are both unknowable and subject to change, a more fruitful agenda for research might focus on the intertwined issues of: (1) Beijing's capacities; and (2) its past behavior in the LAC area.

Beijing has reversed the slogan of the British Empire that trade follows the flag. Instead, for the Chinese, trade has opened the way for closer political contacts and influence in Latin America. While this has had some good results, such as the increase in Sino-Latin American trade from US$12 billion in 2000 to more than US$140 billion by 2011, it also resulted in an increase in the region's trade deficit from US$950 million to US$32 billion in 2009 (Castaneda 2011). In the LAC region, as in many other parts of the world, economic influence leads to dependence on Beijing, followed by requests for compliance with its demands on various issues. If the target of the demands does not comply, retaliatory actions may follow. In other cases, China may use the promise of trade to extract concessions from the target country (e.g., the promise of a multi-million dollar contract in return for withdrawing recognition from Taiwan, which China extended in the Bahamas and attempted in St. Kitts).[1] Another example would be the promise that a country that grants market economy status to the PRC, thereby making it more difficult to bring anti-dumping charges against a country in the World Trade Organization, will receive priority destination status for tourism from China, as was the case with Argentina, Brazil, and Chile. When Argentina cited unfair competition and imposed anti-dumping measures against Chinese footwear and textiles in 2010, Beijing responded by halting the import of soya oil, a major Argentine export. Subsequent concessions from Buenos Aires notwithstanding, Beijing had not rescinded its ban as of April 2011 (Castaneda 2011). Aided by subsidized loans from the central government treasury, Chinese companies are able to out-bid the competition for contracts, which ultimately leads to questions about the motivation for the subsidies and generates fear that these actions might be precursors of a plan for regional domination. In this scenario, military action becomes unnecessary, for the target state or area is in economic thrall to the dominant power. It cannot resist China without causing more harm to its own interest.

While the economic aspects of security are apt to outweigh the military aspects, the latter are worth addressing. In terms of weaponry, it would be comforting to assume that given the inferiority of Chinese weapons and equipment, the PRC's sales will be limited to uniforms and other nonlethal items (Koleski 2011). This, however, was never strictly true and may in fact be changing markedly. According to a study released in April 2012, the United States has consistently underestimated the pace of Chinese weapons developments in four key areas: diesel electric attack submarines, anti-satellite systems, anti-ship ballistic missiles, and stealth fighter aircraft (Chang 2012).

Richard Fisher, an American military specialist who visited Latin America in March 2012, found that the PRC is gradually increasing its military engagement in the region.[2] In addition to actual transfers of weaponry, Fisher, noting a marked increase in formal contacts, cites fundamentally transparent military-to-military interactions. An example is the faster pace of military-diplomatic engagement that propels groups such as the People's Liberation Army (PLA) to make official visits to the region and gradually participate in more complex exercises. Such interactions, Fisher believes, will come at some cost to the United States, for they affirm a regional acceptance of Chinese power and leadership and diminish the United States' commanding stature. They also give future Latin American leaders an alternative power to balance that of their northern neighbor.

The Chinese have gained a real military advantage in LAC, in part because Beijing has embraced the Bolivarian group while seeking to perpetuate its anti-democratic and anti-American views and spread them to other countries in the LAC region. Beijing encourages the Bolivarian group to create alternate institutional power centers that explicitly exclude the US in conjunction with political/economic agitation against Washington. The sale of inexpensive but capable Chinese weapons creates a significant deterrent effect for US forces while giving their owners additional reasons to exercise with the PLA.

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[1] Taiwan countered with aid proposals of its own, including a stadium and, most recently, assistance in designing a solar-panel manufacturing facility and an agro-tourism park.

[2] Mr. Fisher is a vice-president of the International Assessment and Strategy Institute, Washington, D.C.

According to Fisher, China has:

- Transferred strategic capabilities by providing Brazilian engineers with exposure to satellite launching and development.
- Offered an alternative to US, European, and Russian arms, and one unrestricted by political, human rights or other considerations. For example, the US has delayed technology cooperation agreements with Brazil until its government ratifies a technology safeguard agreement following Brazil's admission into the Missile Technology Control Regime in 1995. China has no such qualms.

Additionally:

- The Argentine military's acquisition of Chinese CZ-11 helicopters, which can carry four modern guided antitank missiles or two rocket or machine gun pods and are equipped with optical/low light tracking sights that allow for all-weather operations, would enhance Argentina's capabilities in a future campaign for the Falklands/Malvinas.
- Venezuela is the largest LAC buyer of Chinese weapons. Its mid-2011 decision to purchase 10-12 Shaanxi Y-8 mid-sized transport aircraft will nearly double Chávez's capacity to respond to political and military challenges to Venezuela or allies such as Bolivia and Cuba.
- Bolivia has purchased Chinese transports and trainer fighter planes with PRC financing. This could be of concern to Chile, given its border dispute with Bolivia.
- Ecuador could follow others in purchasing K-8 training/light attack aircraft and FC-1 or J-10 fighters if force multipliers like AWACS were part of the deal.

A crucial determinant of Beijing's economic and military impact on LAC security is whether the impressive trajectory of future economic growth can be maintained. Signs of weakness are not lacking. Some observers believe that China can continue to prop up the faltering economies of much of the rest of the world, but others point to weaknesses in its economy and predict a precipitous crash. Chinese financial analysts and a World Bank study have been warning for years that unless drastic restructuring of the economy is implemented soon, Armageddon is nigh.[3]

China sustains inefficient state-owned enterprises through infusions of capital from the central government's treasury. Local governments have run up huge debts, and the banking system is beset with non-performing loans made on the basis of personal considerations rather than an assessment of the borrower's ability to repay. Capital flight has become a concern as those with sizeable assets seek to place them in safer economic havens. Corruption is so pervasive that businesspeople complain it is impossible for their ventures to remain solvent without large payoffs to a predatory, rent-seeking bureaucracy.

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[3] See "China 2030: Building a Modern, Harmonious, and Creative High-Income Society," The World Bank and the Development Research Center of the State Council, People's Republic of China, Washington, D.C., 2012.

While much of the world extols the wisdom of Deng Xiaoping's advice to "cross the river by feeling the stones," a growing sentiment among Chinese financial analysts is that the government should instead favor measures aimed at actually reaching the other side. However, the necessary restructuring would impinge on powerful vested interests and make it politically risky for the party and the government to commit to reform. If the PRC's economy enters a period of decline, it could mean an adverse impact for the LAC economies that have become dependent on exports to China for their own growth and prosperity.

Hence there are doubts as to the PRC's ability to sustain the momentum of its investment in, and purchases from, LAC. Is China the Atlas holding up the world, or a Humpty Dumpty that will fall and shatter? Alternatively, as the World Bank report hypothesizes, could it become mired in a middle-income trap?

A future research agenda should include a project to carefully scrutinize Chinese military and international journals. It is important to learn what Chinese sources are saying to each other, albeit with the caveat that, given the curb on the free expression of opinions within the PRC, the authors may be tailoring their remarks to their perceptions of the current party line.

Interviews within the LAC region with managers involved in joint ventures with Chinese companies and government-to-government negotiations with Chinese diplomats would also be constructive, as would meetings with Latin America specialists at the Academy of Military Science (AMS) and Chinese Academy of Social Science (CASS).

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Setting the Agenda:
Asia and Latin America in the 21st Century

Latin America and Asia are among the world's fastest growing regions. Trade between Asia and Latin American and Caribbean countries has risen dramatically in recent years. It is undeniable that Asia now plays a formidable role in the economic development of the region. This publication emerges out of the University of Miami's 2012 "Asia and Latin America in the 21st Century" conference, where leaders from academic, policy, business, and media communities from around the world convened to address the macroeconomic trends, trade relations, and sociopolitical trends that have emerged as the links between Asia and Latin America strengthen. Organized under three broad themes—Asia and Latin America as Subject and Object of Globalization; Comparative Perspectives; and Empirical Research—these pieces establish a multidisciplinary dialogue regarding some of the most pressing issues affecting the region today, inclusive of, but not limited to, issues of bi- and multilateral trade relations, development finance, human trafficking, environmental protection policy, sociocultural dynamics, and economic globalization. By establishing a discourse across disciplines, *Setting the Agenda* attempts to formulate a preliminary framework toward the study of the evolving ties between Asia and Latin America.

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