

Writing about Latin American Sovereignty

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The Latin American Board

Edited by

Pablo Baisotti

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INTRODUCTION

Political scientist Kenneth Waltz stressed that a system is made up of a structure which is composed of interactive units. Structure is the conceptual component that makes it possible to perceive the system as a whole. The various parts of the international political system are in a coordinated relationship. Formally speaking, each part is equal to any other. No single international actor is authorized to command; no one is obliged to obey. This has led some commentators to observe that international politics is politics in the absence of government. After the changes to the international order brought about by the fall of Soviet communism, the global economic crises and the emergence of new threats, China began to occupy a different space in Latin America that became “vacant” after the United States gradually lost its grip over the region. China’s relationship with the continent is based on its strategy of “peaceful ascent” (as defined by Zheng Bijian 2005) and the promotion of economic, political and cultural ties at all levels. Thus, the structure of the international system is changing due to the emergence of a new distribution of capacities among the interactive units that comprise it, that is, the rise of China as a global power (Waltz 1988). For political scientists Alexander Wendt, Robert Keohane and Joseph Nye, the politics of the international structure changed from a Hobbesian state-centric emphasis to a system with a qualitative capacity for collective action, wherein non-territorial actors such as multinational corporations, transnational social movements and international organizations play an increasingly important role. However, this type of international system is inherently anarchic, as pointed out by the political scientist Hedley Bull in his work “The Anarchical Society. A study of Order in World Politics” (Wendt 2003; Keohane and, Nye 1988; Bull 1977). At present, the “interior” and “exterior” boundaries of international actors are overlapping, and international economic dynamics have begun to have an impact on governance at all levels, affecting the internal domestic policies of the nation state. This is what Nye and Keohane describe as complex interdependence, in which the multiple channels that connect societies, at the inter-state, trans-governmental and transnational level, now transcend national borders, and the internal policies of countries increasingly interfere with each other (Keohane and, Nye 1988). It could then be argued, in the words of political scientist John Mearsheimer, that the most important goal

of each state (in this case China) is to maximize its share of world power at the expense of other states (Mearsheimer 2001). The political scientist Robert Gilpin argued in “War and Change in World Politics” that the economic and technological developments have not transformed the nature of international relations, and that war will always be a constant possibility among men (or states). This author points out that the international system moves from balance to a redistribution of power, in the specific and current case, power is being redistributed to China, generating an imbalance which may lead to a systemic crisis and a resolution that will generate a new balance (Gilpin 1981). This is what political scientist Harvey Cox emphasizes when he writes about the continuous creation of new institutional forms arising from the confrontation of opposing social forces. However, his conception differs from Gilpin’s description of cyclical changes in that he maintains that the structure possesses a combination of three forces with different degrees of coherence: thought, patterns and ideas – the material conditions which condition the behavior of the actors operating within any structure. At the same time, Cox proposes that this model can be applied to three spheres of activity: the organization of production (the social forces that the model of production engenders); the various forms of the nation State; and the international organizations that define the conditions of peace and war for the States that belong to them (Cox 2004). In short, China's relations with Latin America are based on asymmetrical modes of cooperation, suggesting that mutual interests are capable of moving states to overcome their mutual suspicions or ideological differences. Cooperation involves mutual adaptation and can only arise, according to Keohane, from conflict or potential conflict (Keohane 1988). Is this what has occurred in the development of relations between China and the different countries of Latin America? The high growth rates of many Latin American economies between 2001 and 2008 were driven by a favorable external market environment characterized by high commodity prices and strong improvements in terms of the region’s trade relationships. Furthermore, this period coincided with China’s entry into the World Trade Organization (WTO). In the context of the global economic crisis, Latin America experienced a fall in regional output in 2009, however economic activity began to expand once again in the following two years, supported by high economic growth in China and the expansionary monetary policies followed by some industrialized countries (CEPAL 2015). China's trade with Latin America has continue to grow and it is now 22 times greater than it was in 2000, growing at an average annual rate of 27%, while the value of the region’s trade with the world as a whole grew at an average annual rate of 9%. Nearly 90% of Chinese investment between 2010 and 2013 went

into projects related to the extraction of natural resources, while this sector absorbed 25% of the total foreign direct investment (FDI) that the region received from the rest of the world in the same period. By 2016, Chinese FDI to Latin America and the Caribbean declined by 7.8% (CEPAL 2016, 2017). It should also be noted that most Chinese investments in Latin America were mainly in sectors relating to the extraction of natural resources such as iron, steel and oil in Brazil; oil in Venezuela; copper in Chile; and oil and copper in Peru. In some countries Chinese investment has also benefitted the international marketing sector, as is the case in Chile. The book includes several chapters that relate to this particular theme – the nature of Chinese investment in Latin America – but also about the cultural¹ approach between Latin America and China.

This book arose from the interest surrounding various questions concerning Latin America, the relationship between Latin America and China, and how that affects Latin American States with regard to other international actors. For this reason, various approaches and issues are considered. It seems that many of the authors represented here are asking the same questions: What is Latin America and what is China today? How do they influence each other? What are their respective roles in the world? This book is the result of an investigation into questions such as these. Below is a brief presentation of the topics that the authors have developed.

From a multi-level perspective, Bruno Hendler presents “The rise of China, the left-wing crisis in Latin America and the dismantling of the Brazilian ‘South America’ project,” examining the evolution of three dimensions of Brazilian foreign policy in Latin America: the systemic or powerful position; the regional position with an emphasis on the creation of a Latin American identity; and the domestic position. Also, the following chapter by Pablo Baisotti, “The Falklands: China's path to the Thucydides Trap?” highlights the influence of the Falkland Islands/Falklands issue on Chinese international policy from the beginning of diplomatic relations between China and Argentina in 1972 to the present day. In the chapter by Sandra Ochieng-Springer and Romel Springer “China: An alternative partner for the Caribbean” the relations between China and the nations of the Caribbean are explained from a historical point of view and from the current Caribbean perspective as those nations are currently facing China's expanded economic and diplomatic initiative. Raquel León reviews relations between Mexico and China in “The Construction of the Sino-Mexican relationship through Political Discourse: a Postmodernist View” through the lens of postmodern *reflectivism* in light of the various phases determined by the international context, and a series of elements that have been legitimized by this approach. Luis Meléndez Guerrero highlights the

particular case of the *Las Bambas* mining megaproject in his essay "Advantages and Challenges of Chinese Investment in Mining in Peru." He points to the economic benefits of the asymmetrical links between China and Latin America, and then focuses on an evaluation and analysis of Chinese interest in the Peruvian mining sector. Douglas de Castro "Anarchy is what China and Latin America make of it – theoretical and empirical stances of the Bandung Spirit" demonstrates how the increasing economic presence of China in Latin America is generating a strong response from mainstream academics and politicians, whose primary claim is of imperialistic features; while Charles Pennaforte and Nairana Bones' "China's Influence in Latin America in the Brazilian Case (2002-2018)" portrays the emergence of Asia as an adversary within the current world system and China's participation as a major economic competitor from the 1980s. Then, it reaches deeper into the Chinese interest in Latin America and its importance, and finally shows the Chinese influence in Brazil. Gustavo Alejandro Girado "The BRI and LAC. Objective and subjective aspects," studies the relationship between liberal institution and some of the complexities of modernity, which has not been able to adapt to the challenges of the 21st century. European models of democracy, capitalism and integration do not seem to be in tune with the new issues (networks of cities, bankers, terrorists and migrants that appear in the old continent). Finally, Laura Manrique, and Ralf J. Leiteritz "The highest, the lowest and the in-betweens: tracing the map of China's influence in Latin America" research the relative importance of China vis-à-vis the United States in the political, economic and cultural dimensions of these countries' relations with Latin America.

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In the surroundings of La Plata Av. and Directorio Av., Buenos Aires,
mid-June 2020

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Notes

¹ One of the definitions of culture provided in the latest edition of the Dictionary of the Royal Spanish Academy states that culture is “the set of ways of life and the customs, knowledge and degree of artistic, scientific and industrial development of a particular social group at any one time”.

CHAPTER 1

THE RISE OF CHINA, THE LEFT-WING CRISIS IN LATIN AMERICA AND THE DISMANTLING OF THE BRAZILIAN “SOUTH AMERICA” PROJECT: A MULTILEVEL PERSPECTIVE ON THE POST- 2008 POLITICAL-ECONOMIC CYCLE

BRUNO HENDLER

Introduction

This article examines the evolution of Brazilian Foreign Policy (BFP) for Latin/South America within a space-time framework based on the premise that three political-economic cycles have occurred since the end of the Cold War. The crises of 1997/2001 and 2008/2010 represent major turning points in the transition from one cycle to the next. Thus, the first period of interest is the 1990s, the second the early 2000s and the third, still without a clear resolution, the years since 2008/2010. The works of historians such as Geoffrey Barraclough (1976) and Jacques Le Goff (2015) have inspired this analysis, in that they seek to question the historical periodization of ruptures and continuities that are not linked to the Braudelian '*longue-durée*'.

This article studies these periods on three levels of spatial analysis: The systemic or great power dimension; the regional dimension, with an emphasis on Latin/South America; and the domestic sphere, focused on the internal dynamics of power and wealth in this region's countries, particularly in Brazil. This method is inspired by Buzan and Waeber (2003) who question the classic view of the “two-level game” between the domestic and international arenas and emphasize the importance of regions in the dynamics of securitization. Even though our scope is not on international security, we take this view as a platform from which to

highlight the particular dynamics of power and wealth in Latin/South America.

Finally, there is a systemic aspect embedded in our space-time perspective. Based on Wallerstein (2006, 266) we argue that temporal and spatial cuts only make sense as part of a system (with subsystems) which has internal coherence through an “integrated network of economic, political, and cultural processes.” In other words, based on the perspective of the world-system, we argue that studying BFP is vital if we are to understand the causal links between systemic, regional and domestic phenomena which may be immersed in distinct temporalities that present different ruptures or continuities according to the researcher’s view. We hypothesize that the systemic, regional and domestic constraints of the current cycle (post-2008 crisis) contributed to the decline of Brazilian leadership in South America and that this process was concomitant to China’s gradual projections, which are currently economic but may entail broader geopolitical motivations.

The First Post-Cold War Cycle: The 1990s

At the systemic level, the unipolarity of US power and the neoliberal ideological wave that swept the world characterize the first post-Cold War cycle. The notion that there was “no alternative” to this ideology came to be known as the “Washington Consensus,” – as famously extolled in the 1980s by the US President Ronald Reagan and the UK Prime Minister Margaret Thatcher. At that time the Washington Consensus was presented as a recipe for success to be followed by all developing countries. The neo-liberal doctrine of technology-driven globalization and the expansion of markets, as well as the peaceful convergence of peoples, demanded that those core and peripheral nations who sought to sign up to the post-Cold War program undergo a series of political and economic reforms (Fiori 2007, 93). “There is no alternative” consequently became a mantra which was repeated by politicians, intellectuals, and governments around the world, with Latin American countries and former Soviet republics representing some of the most well-behaved and supportive followers of the post-Cold-War neo-liberal creed.

In the years following the break-up of the Soviet Union this US-led unipolar and neoliberal systemic pressure advanced over Latin America. In the early 1990s, neoliberal presidents were elected in all major countries and instructed by US-trained monetarist intellectuals. They consequently adopted the three “shock treatments” of liberalization: The development of consumer markets, stock markets and the production and service system

(Cervo 2008, 78). To achieve these goals, they eliminated the entrepreneurial state, privatized state firms, attained primary surpluses, protected foreign capital and enterprise, and adapted institutions and legislation to meet market demands.

Carlos Menem's Argentina (1989-1999) became the most notorious example of this ideology in Latin America; wherein there emerged not only an epistemic community advocating neoliberal changes, but also an intellectual perspective of international insertion, which became known as peripheral realism. Menem's Argentina was focused on the socioeconomic development of its citizens instead of the maximization of state power, and the reduction of military expenditure in light of a non-confrontational attitude towards the great powers (Escudé 2009, 233, 234). Thus, Argentinian foreign policy abandoned its historic opposition to the US and opened its economy to foreign technologies and capital. In Brazil, the impact of the Washington Consensus also strengthened the intellectual heirs of the liberal current. This vision of the world, which contrasted with the national sense of developmentalism, gained adherence and guided the behavior of the Brazilian State during the 1990s, from the government of Fernando Collor de Melo (1990-1992), through Itamar Franco (1992-1994) to Fernando Henrique Cardoso (1994-2002). Like other Latin American countries, although to a lesser degree of intensity than in Argentina, these governments followed the handbook of the International Monetary Fund, reducing the size of the state, allowing financial speculation and the free flow of foreign capital, and promoting the mass privatization of state-owned enterprises.

Amado Cervo (2008, 82) points out three consequences of the changes promoted by the "normal state" in Brazil, one positive and two negatives. The positive aspect was the high organizational capacity of society to respond to the "shock of openness." This process considerably reduced the state protection enjoyed by Brazilian firms, and the competition of foreign products and services promoted an increase in productivity.

The two negative consequences are, in reality, only one: retrocession and the deepening of structural dependencies. As neoliberalism advanced, economic dependence on the great centers of capitalism increased. Brazil's export portfolio once again relied on the primary sector and, as a consequence, the country experienced a historic reversal.

Thus, regional and systemic forces were crucial in shaping Brazilian Foreign Policy's (BFP) performance in the 1990s, based on the concept of open regionalism – a symbiosis between liberal monetarist thinkers and neo-orthodox structuralists. The idea of open regionalism consisted of combining the broad openness of the economy required by globalization with bilateral

or regional integration composed of trade preferences and aimed at controlling the adverse effects of its new liberal attitude (Cervo 2008, 79).

Being shaped by, but also shaping regional and systemic levels, BFP made South America more prominent, as opposed to the concept of Latin America, and relations with Argentina were the driving force of this process. The impact of the bilateral relationship, which gradually moved from the security agenda to a series of issues related to economic cooperation, democratization, and development, was soon felt throughout the region, characterizing the concept of “axis relations” (Cervo 2008). Thus, the Brazil-Argentina partnership [...] was an expression and a result of political convergence on goals such as democratic consolidation, regional stability, regional strategy, the rescue of external credibility and the coordination of positions on the issue of debt management. It would seek to materialize the partnership with the promotion of a higher level of economic interdependence, through cooperative actions in a wide range of sectors (Vaz 2002, 77).

In 1991, the presidents Fernando Collor of Brazil and Carlos Menem of Argentina met to consolidate the process of regionalization in the Southern Cone, initiated years earlier. Along with presidents Luis Alberto La Calle (Uruguay) and Andrés Rodríguez (Paraguay), Collor and Menem signed the Treaty of Asunción and gave legal personality to the Southern Common Market (Mercosur), leaving behind the security agenda and military tensions that had long guided inter-state relations in the Plata Basin. Janina Onuki (2006, 299-319) divides the history of Mercosur into three phases. The first proceeds from the founding of its constitution in 1991 to 1994. At this early moment, the distrust between Brazil and Argentina still prevailed, due to divergences in the conduct of domestic macroeconomic policies and foreign policy agendas. Nevertheless, the first advances were made, with the automatic reduction of tariffs, the removal of non-tariff barriers and the consolidation of the customs union. The bloc also appeared as a form of opposition to the US hegemony in the Americas expressed by George H. W. Bush’s proposal of the Free Trade Area of the Americas (FTAA).

The second phase begins in 1994 with the signing of the Protocol of Ouro Preto, creating the customs union and establishing the Common External Tariff (CET). Following its establishment, the bloc, as a balance to the US FTAA proposal, was strengthened in economic terms by the intensification of trade among member countries, joint negotiations with other nations and blocs – and politically – with the stabilization of democratic regimes in Brazil and Argentina FTAA proposal. Furthermore, the relative success of Mercosur in the second half of the 1990s attracted the interest of other South American nations, either by block negotiations – with the Andean Pact – or by the individual approach, in the case of Chile.

The third phase marks the bloc's crisis, which began in 1999 with the devaluation of the Real and the subsequent impact on intra-bloc trade. The vulnerability of the other members towards Brazil was felt very quickly and contributed significantly to Argentina's economic and social crisis in the year 2000 as its main consequence. From then on, the shortcomings of Mercosur, its lack of institutional structure and inability to solve commercial disputes and implement agreed norms became increasingly evident. Cervo (2008, 512) points to the deepening of asymmetries among the member countries and the return of a climate of distrust between Brazil and Argentina. Monica Hirst (Onuki 2006, 313) highlights the combined effect of four crises: those of results, commitments, political expectations, and finally of the widespread perception that Brazil was increasingly acting in isolation in international negotiations to the detriment of its relations with other members.

If open regionalism favored Brazil's asymmetry of power and wealth in the Southern Cone, at a systemic level, the country lost credibility and relative power due to the unipolarity of the United States, the decline of the competitiveness of its companies and the monetary and economic crisis of the late 1980s. Thus, to build an image of itself as a global player and an active and responsible global trader, BFP adopted the stance of adherence to international regimes and institutions under the motto of "autonomy through integration" (Vigevani et al. 2003, 2). Consequently, the non-traditional themes of climate change, human rights, and economic development increasingly came to overshadow the political-military agenda (Nye 2009). It was in these years that Brazil joined the World Trade Organization, signed the Additional Protocol of the Non-Proliferation of Nuclear Weapons Treaty, hosted the UN Conference on Environment and Development (ECO-92) and acceded to other international regimes.

The Second Cycle of the Post-Cold War Period: The 2000s

Two processes have altered the systemic configuration of power and wealth since 2001: the acceleration of the US' relative decline as the sole global superpower and the impacts of China's rise after two decades of reform and economic growth. Examples of the relative decline of the United States are found in various areas of George W. Bush's administration. Foremost among these examples is the military failure of the War on Terror and the deterioration of US diplomatic capital. Another example would be the unilateral foreign policy of the Bush administration, and its disregard of multilateral forums such as the UN Security Council before the invasion of Iraq. Further examples include the corrosion of the neoliberal ideology as

the socioeconomic results promised by the Washington Consensus failed to emerge, and finally the reallocation of a considerable portion of US and European productive activities to East Asia.

These processes correspond with the rise of East Asia, driven by China’s rapid economic growth. Unlike most developing countries, China did not adopt the precepts of neoliberalism and, through gradual reform, has maintained high levels of investment and public enterprise, subsidized credit, fiscal incentives, non-tariff barriers and stimulated FDI in high technology sectors (Felipe et al. 2010, 23). Thus, as the second pole of the world economy (Medeiros 2006, 256), China had large trade deficits with developing countries and even more significant surpluses with developed nations, and bears primary responsibility for the commodity prices boom in the 2000s.

Mariutti (2011, 34, 35) points out two contradictions in the Sino-American articulation that became more evident in the 1990s. In the US, the move of productive investments to China along with financial and credit expansion, resulted in speculative bubbles and the hypertrophy of the luxury and entertainment services sector at the expense of industrial jobs. For China, it forged an export model that attracted productive investment but remained vulnerable to US’ consumer and financial markets. This vulnerability became mutual in the 2000s as rising consumption, credit expansion and current account deficits in the US became viable through the purchase of government bonds by foreign central banks, mostly from China and Japan.

The late 1990s witnessed economic crises in much of the so-called Global South. Southeast Asian, Latin American and former Soviet bloc countries that embraced the shocks of opening their economies to the neoliberal agenda found themselves at the mercy of financial markets. Concurrently, the systemic projection of American hegemony suffered significant setbacks in these regional scenarios. The return of Russian nationalism, the gravitation of Southeast Asian countries (including Western allies) around China and the emergence of the loose concept of a “Beijing Consensus” and the waves of anti-Americanism felt in Latin America (Ramo 2004) all represent opposition to US dominance and the Washington Consensus.

Main foreign holders of US treasury bonds (in USD billions)									
	China	Japan	Oil Exporters	Brazil	Caribbean Central Banks	Taiwan	Total foreign holders	Total Public Debt	
2000	60.3	317.7	47.7		37.4	33.4	1015.2		
2001	78.6	317.9	46.8		27.6	35.3	1040.1		
2002	118.4	378.1	49.6	12.7	50.3	37.4	1235.6	6405.7	
2003	159.0	550.8	42.6	11.8	47.3	50.9	1523.1	6998.0	
2004	222.9	689.9	62.1	15.2	51.1	67.9	1849.3	7596.1	
2005	310.0	670.0	78.2	28.7	77.2	68.1	2033.9	8170.4	
2006	396.9	622.9	110.2	52.1	72.3	59.4	2103.1	8680.2	
2007	477.6	581.2	137.9	129.9	116.4	38.2	2353.2	9229.2	
2008	727.4	626.0	186.2	127.0	197.9	71.8	3077.2	10699.8	
2009	894.8	765.7	201.1	169.2	128.2	116.5	3685.1	12331.3	
2010	1160.1	882.3	211.9	186.1	168.4	155.1	4435.6	14025.2	
2011	1151.9	1058.0	258.3	226.9	226.0	177.3	4996.4	15222.8	

The failure of the Washington Consensus had domestic and regional impacts in Latin America. At the domestic level, the promise of development was revealed to be an illusion, as technological backwardness and inequality persisted on a large scale. This failure was exposed by the deterioration of socioeconomic indicators, according to which 43% of the Latin American population lived in poverty levels in 2003 (Cervo 2008, 83). As a consequence, the 2000s saw a revival and rise of left-wing parties and social movements (Pecequillo 2013, 104). Bresser Pereira (2000, 165) characterizes two currents in this process: the Old and the New Left. The Old Left (or simply the left) would be the populist, centralizing, anti-globalization and internationally confrontational governments, with specific reference to Hugo Chavez’s Venezuela and its allies such as Evo Morales’ Bolivia, Ecuador’s Rafael Correa and Nicaragua’s Daniel Ortega – in addition to Cuba’s Fidel Castro. The New Left (or center-left) was characterized by those who sought to adapt and administer Keynesian macroeconomic policies, while maintaining their political party’s links to entrepreneurs and the emerging middle class, such as Brazil’s Lula and Kirschner’s Argentina. Under their administrations, the expression “class conflict” lost appeal among their followers, suggesting a lack of support for egalitarian social policies. However, the significance of social programs such as Bolsa Familia must be recognized. Both the old and new left promoted the nationalization of natural resources, proposing that state enterprises would exploit raw materials and redistribute part of the income to the people through social programs and investment technological research. They also share a belief in the State’s role in developing policies that promote social cohesion and economic dynamism based on labor market inclusion and consumer market expansion.

At the regional level, the leftist cycle created new integration projects or remodeled old ones. The Left, under the leadership of Venezuela’s Chavez, created the Bolivarian Alternative for the Americas (ALBA). The public projects which powered ALBA are known as “Empresas-grannacionales,” or “EGs,” and include literacy programs, humanitarian health and food exchange programs such as “ALBA-Foods,” the “Misión Barrio Adentro,” and housing projects such as the “Miracle Operation.” The energy sector was also implicated with the establishment of Petrocaribe, Petrosur and Petroandina, as well as other EGs in the areas of heavy industry, commerce, environment and tourism. In addition to Venezuela, the bloc included Ecuador, Bolivia, Nicaragua, Suriname and some small Caribbean countries.

However, the most ambitious project of regional integration in the 2000s was carried out by the Brazilian center-left, which came to power with Lula in 2003. Several significant changes in Brazilian Foreign Policy are relevant

in this context. Firstly, at the regional level, the proposed construction of a South American space based on topics such as integration, security, democratic stability, infrastructure, development, and trade, instead of the pure open regionalism of Mercosur. Secondly, in the systemic arena, the emergence of the idea of “autonomy through diversification,” which would influence the country's adherence to international norms and principles in South-South alliances (BRICS, IBAS, commercial G-20). Furthermore, to reduce the asymmetrical geo-political power imbalance, agreements with non-traditional nations were established (Vigevani and, Cepaluni 2007, 283) and Brazil sought recognition as an aspiring candidate for a permanent seat on the UN Security Council.

Thus, Brazil's global objectives would necessarily be achieved through the regional leadership that the country sought to solidify with the creation of institutions such as Unasur, IIRSA and the South American Defense Council (CDS). Contradicting Mercosur's commercial focus, these bodies would have a more political-strategic function in excluding the US from the region's decision-making processes (Pecequilo 2013). However, wary of neglecting its economic ties, Brazilian diplomacy also acted in a logistical capacity, paving the way for the transfer of resources and growing the markets of neighboring countries through its national companies' investments and exports.

At the regional level, Bragança (2016, 39) points out five axes of Brazilian projection that brought together the ruling party, the military, the diplomats, the national bourgeoisie, and the leading institutes of strategic thinking of the PT governments (IPEA). Firstly, regional integration; secondly, the construction of a unified South American identity; thirdly, the articulation of national industries around Brazilian industries; fourthly, sustained economic growth that enabled the emergence of a working class; and finally the transformation of South America into one pole within the emerging multipolar global power structure¹.

Throughout the institutional apparatus around Unasur, there has been much debate as to the scope and purpose of integration. This discussion culminated in a series of declarations of noble but impractical principles such as peace, sustainable development, and multilateralism. Emerging from this discourse, the main projects which have been implemented relate to physical integration, regional security, and development.

The most significant outcome of the political will to integrate was the action plan for the Integration of Regional Infrastructure in South America (IIRSA). Its principal objectives, as explained in its act of creation, are the identification of works of bilateral and subregional interest; the identification of innovative formulas of financial support for infrastructure

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projects; and the adoption of regulatory and administrative regimes to facilitate the interconnection and operation of energy, transport, and communications systems. Finally, the booming of the export market, influenced by growing Chinese demand, also affected the plans for integration in South America. The axes shown on the map below are clear indications of Brazil’s intention to access the Pacific Ocean in order to facilitate trade with Asia.



Source: Ministério das Relações Exteriores – Brasil.

Concerning regional security, the institutionalization of South America provided considerable room for maneuver for BFP’s conciliatory tradition. The creation of the South American Defense Council (CDS) in 2008 derived from the Brazilian initiative to guarantee regional stability and exclude US influence in South America. In this way, coordination and cooperation in security and defense policy between the South American states could build

confidence and prevent conflict situations such as the 2008 Colombia-Ecuador-FARC episode (Kang-Deok 2011, 69), as well as channel efforts to deal with drug trafficking and organized crime, and prevent US interference in the region.

Finally, the transverse phenomenon of the 2000s was the commodity boom caused by China's increasing demand for natural resources. China passed the US as the primary trading partner of most Latin American countries and sought initiatives that gradually went beyond the simple circulation of goods. These efforts included business summits; the expansion of Brazil-China cooperation in the construction and launching of satellites (Cbers-2 in 2003 and Cbers-3 in 2007); and research on agricultural technology and renewable energy (Embrapa) (Becard 2011, 41). At the domestic level, Latin America's trade surpluses were crucial for sustaining the power of the left and center-left parties. However, the income that enabled macroeconomic stability and the reduction of social inequalities also homogenized the export agenda in primary products.

In sum, two systemic processes in the 2000s affected the formulation of BFP: Firstly, the relative decline of US hegemony paved the way for a stronger projection of Brazil in South America, in spite of US military presence due to the war on drugs and the war on terror. Secondly, China's rise not only contributed to the domestic stability of the economies of the region but also shaped the thinking around integration in South America with projects focused on increasing exports to Chinocountrya. Also, the "integration by diversification" motto of Lula's foreign policy found favor at this time, as divergent power geometries (BRICS, IBAS, etc.) and the euphoria of "emerging countries" were most in evidence.

The Third Cycle of the Post-Cold War Period: The Post 2008-Crisis Years

The illusion of the "post-American world" and the "rise of the rest" reached its climax between the US financial crisis in 2008 and the Chinese economic slowdown in 2010. If the roots of the crises of the late 1990s (1997-2001) were in developing countries and shook the system from the bottom up, beginning the corrosion of neoliberal ideology and its institutions, then the crisis of the following decade (2008-2010) played out in reverse. These crises originated in the core economies of the US and the European Union. During this period China continued to grow between 8% and 10% in 2009 and 2010 pulling along the growth rates of developing countries with its demand for primary products.² In the face of the crisis in the Global North, exposed by movements such as Occupy Wall Street in the US, Los

Indignados in Spain and the social chaos in Greece, the fever of the “rise of the rest” in 2010 seemed as real as the “end of history” in the early 1990s.

In this context, the Latin American center-left parties, supported by social advances and the commodity boom, had a surplus in power that enabled the election of Dilma Rousseff in Brazil in 2010 and the re-election of Cristina Kirchner in Argentina in 2011. Also, the formation of a “Brazilian capitalism” with the internationalization of large companies supported by the government and credit incentives for the domestic retail market focused on the “new emergent class” seemed to ensure conditions of unprecedented and self-sustaining development in Brazil. On the other hand, the Venezuelan project declined in the face of difficulties concerning its interdependence in the energy sector with the United States, the low diversification of its economy and heightened social polarization caused by the death of Hugo Chavez in 2013 (Pecequillo 2013, 105).

However, due to the slowdown in Chinese growth and the spread of the global crisis to semi-peripheral countries such as Brazil, Russia, Turkey and Egypt, Latin America would face a second intensely fractious period and enter the third post-Cold War cycle. We propose to identify the main ruptures in this transition and outline its main political and economic features.

Again, two processes deserve attention at the systemic level. The first is the Bush – Obama transition in the US. Guided by a multilateral rhetoric and a less dogmatic and aggressive foreign policy, Obama reduced spending on the War on Terror (mainly by withdrawing from Iraq in 2011,) and redefined the US' global focus on East Asia. The so-called “strategic pivot to Asia,” which was an undeclared policy of China containment, had several elements: The first was diplomatic, with presidential visits to all ASEAN countries and participation in multilateral forums in the region. The second was geopolitical, with the activation of military bases in allied countries and the execution of joint military exercises under the argument of free movement in the South China Sea. The third was economic, instituted via mega-regional agreements such as the Trans-Pacific Partnership (TPP), which sought to forge a new institutional and regulatory framework for investment agreements. The TPP would bind Asia (Japan, Vietnam, Singapore, Malaysia, and Brunei), South America (Peru and Chile), Australasia (Australia, New Zealand) and the three members of NAFTA (USA, Canada, and Mexico).

Despite the differences in discourse, the continuity of policy regarding Latin America between the Bush and Obama administrations soon became clear as Obama's term began. This continuity was pointed out at the time by Petras (2009). For both Bush and Obama, Latin America was a low priority in US foreign policy. Both administrations emphasized security and the war

on drugs instead of long-term programs aimed at poverty reduction and economic development. The maintenance of the economic embargo on Cuba until the last moments of Obama Administration, and the support of the ambiguous position of defending the free market while following protectionist economic policies – especially against more competitive countries like Brazil – further evidence this continuity.

The second process was the transition from the model of export and investment-led development in China to a model still under construction, aimed at raising labor incomes and expanding the domestic markets, as well as those of developing countries (Hendler and, Nogueira 2016). That is, China's relations with the Global South, which in the 2000s were primarily based on commercial interdependence, grew in complexity, encompassing substantial direct investments by Chinese state-owned enterprises, infrastructure megaprojects, financial aid packages and the gradual reversal of trade balances in China's favor. Thus, since the crisis of 2008 developing countries have become an outlet for the reproduction of Chinese capitalism, which until then was very vulnerable to the North American and European markets.

According to the table below, China still depends on the demand of central countries (50% of its exports are destined to the OECD countries). However, this dependence had fallen considerably since 2005, when the OECD accounted for 61.2% of the total. The same is valid for the European Union, which went from 19.2% to 15.6% and in the US, from 21.4% to 18%. Developing countries, on the other hand, have received an increasing share of Chinese exports, particularly industrialized products such as computers, mobile phones and automobiles – which now compete with US, European and Japanese brands in emerging markets.

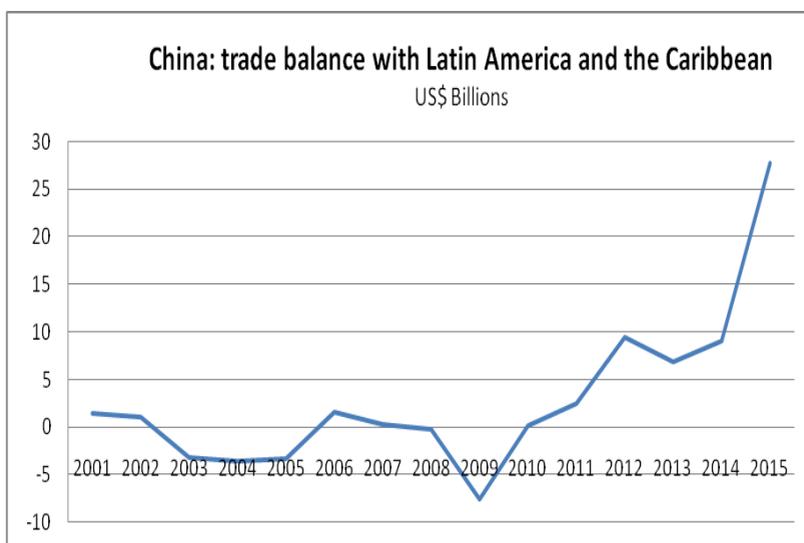
China: main export destinations (%)³			
	2005	2010	2015
OECD	61,2	56,4	50,4
Developing market economies	44,9	50,9	56,9
EU 28	19,2	19,8	15,6
ASEAN	7,3	8,8	12,2
Middle East	3,7	5,1	6,2
BRICS	4	6,7	6
Latin America	3,1	5,8	5,8
Africa	2,4	3,8	4,8

Source: trademap.org

The transition from Hu Jintao's leadership to Xi Jinping in 2012 marked the turning point for China's more assertive and nationalist foreign policy, reflected in China's subsequent interactions with the Global South. Despite the diplomatic rhetoric, Latin America lags behind Southeast Asia, Central Asia, the Middle East and Africa as a priority region to China for economic and strategic reasons. A short glance at the Asian giant's efforts to integrate Eurasia with the One Road One Belt initiative, join regional security forums and create alternative financial management mechanisms such as the Asian Infrastructure Investment Bank (AIIB) confirms that.

China-Latin America Trade Relations

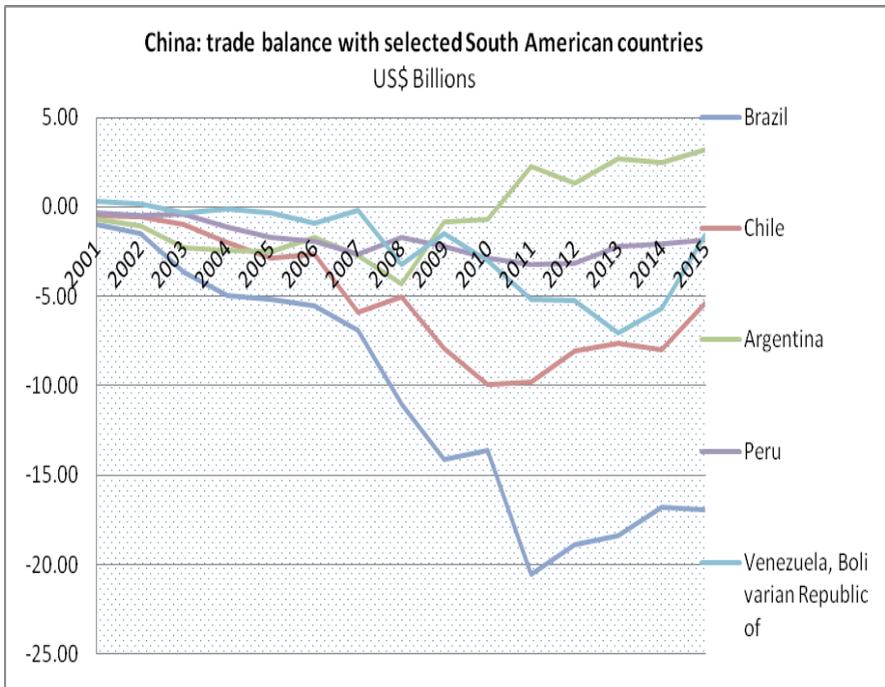
Latin America has entered into China's strategic planning, albeit gradually and less intensely than other parts of the Global South. The chart below draws attention to the fact that right after the crisis of 2008-2010 China had an economic surplus with Latin America and the Caribbean. A similar pattern occurred in trade between China and ASEAN (Hendler and, Nogueira 2016).



Source: trademap.org

This peak is mainly due to China's trade with Mexico, which has become the leading Latin American importer of cell phones, tablets, computers, and hardware, also serving as an access route to the US market. In South

America, the trade balance with China varies. Some countries have had surpluses since the 2000s due to exports of primary goods such as petroleum (Venezuela), soy, iron, and oil (Brazil), and copper (Chile and Peru). In these cases, the commodity boom favored the terms of trade, but the “invasion” of Chinese manufactured goods – which intensified after the 2008 crisis, combined with the fall in Chinese demand for raw materials – has reduced the absolute gains of these countries. Argentina is already a transitional case because it also had a trade surplus with China arising from commodity exports (mainly soybeans). Since 2011 the trade balance with China has turned negative – a trend shared with Peru, Chile, and Venezuela. Only Brazil is likely to maintain its substantial surplus with China – due to both its commodity exports and high tariff barriers.



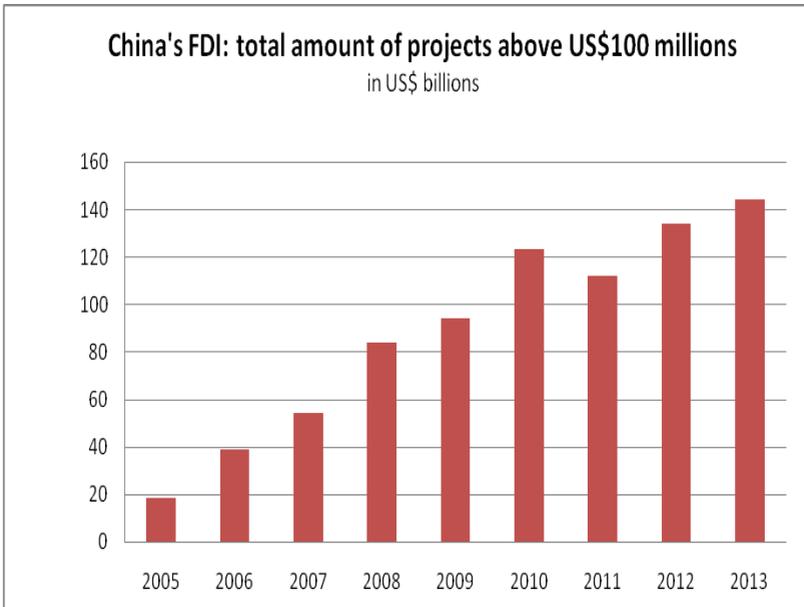
Source: Trademap.org

Other countries continue to manage historical deficits. Colombia and Ecuador export oil to China, but import much higher values of electronics, machinery, and automobiles. Bolivia, Uruguay, and Paraguay export little and import these same products on a large scale. Thus, these systemic processes highlight two regional issues that remain open in the post-2008 cycle. Firstly, the re-prioritizing of Latin American exports already signaled in the previous period. Secondly, the threat of Chinese products to local industries – already reflected in a large number of anti-dumping measures held against China in the WTO (Krause 2016, 5).

China's Foreign Direct Investment in Latin America

In China during the 2000s, the energy, transportation, and construction sectors were stimulated significantly by urbanization and government investment. Public and private renewable energy, transport infrastructure and civil construction companies developed new technologies and gained know-how through contracts with the government. However, the reorientation of the Chinese economy towards consumption made the domestic market more competitive, and, encouraged by credit mechanisms; large companies started to look for new markets abroad (Krause 2016, 7; Kroeber 2015).

Whether these investments obey an immediate profit-seeking logic or share a broader political goal – such as the co-opting of allies and establishment of access to strategic resources – is another research question that deserves further attention. Thus, since the mid-2000s, China has become a significant source of foreign direct investment (FDI) in the world. From 2005 to June 2014, Chinese companies, mostly state-owned, issued about USD 870 billion in FDI (counting only projects of more than USD 100 million). The main sectors were energy, mining, and transportation, but also technology, finance, agriculture, and construction. The chart below shows the evolution in billions of dollars.



Source: China Global Investment Tracker

South America became one of the primary targets of Chinese FDI in this period, receiving about USD 95 billion compared to Southeast Asia (USD 103 billion), Europe (USD 96.5 billion) and Africa (USD 152.7 billion). The table below shows the evolution of Chinese FDI in South America plus Mexico in value and the number of individual projects with a value above USD 100 million. About one third (USD 31 billion) went to Brazil, especially its energy sector (oil, USD 16 billion).

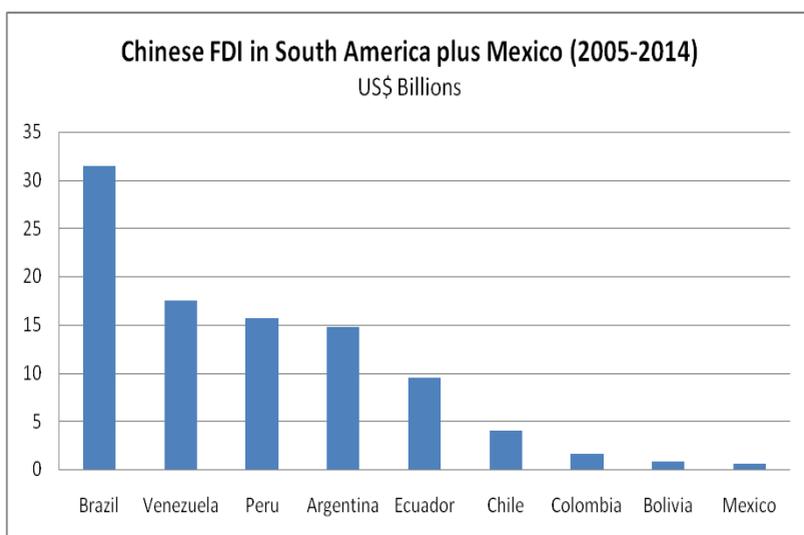
Chinese FDI in South America plus Mexico⁴		
Year	USD billion	# of projects
2005	USD 2.790	3
2006	USD 2.060	3
2007	USD 1.530	4
2008	USD 2.510	3
2009	USD 12.150	9
2010	USD 30.710	19
2011	USD 13.730	19
2012	USD 7.630	13

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2013	USD 14.570	16
Until June/14	USD 7.670	7
Total	USD 95.350	96

Source: China Global Investment Tracker

In addition to Brazil, Venezuela (USD 17.5 billion), Peru (USD 15.6 billion) and Argentina (USD 14.7 billion) also stood out as relevant recipients of Chinese FDI. The target sectors were mostly the same: energy, transport, and mining.



Source: The China Global Investment Tracker, The Heritage Foundation

The flood of Chinese FDI in South America leads us to a third relevant sector: financial cooperation. Public banks such as the Bank of China, China Exim Bank, and China Development Bank have provided loans to Brazil and countries with more difficult access to global capital markets, such as Venezuela, Argentina and Ecuador (Krause 2016, 6; The Dialogue). This Chinese practice is also common in other regions of the Global South, such as Southeast Asia and Central Asia, and differs from the approach of Western banks like World Bank and the IMF in two ways. Firstly, the Chinese banks do not condition loans based on political issues or internal reforms, but on the condition that the loan applicant hires Chinese companies to execute their projects. It is not a coincidence that much of the lending is dedicated to the infrastructure, energy and mining sectors and is

targeted at countries that receive the most Chinese FDI (except Peru). Thus, there is a high correlation between investment and credit supply from China to South America.

Chinese banks loans to South America (2005 to 2016)		
	Value (USD billions)	# of loans
Venezuela	62,2	17
Brazil	36,8	10
Ecuador	17,4	13
Argentina	15,3	8
Bolivia	3,5	10

Source: thedialogue.org

Finally, China's growing transactions with the world have accelerated the internationalization of the Renminbi (RMB). Brazil, Argentina, and Chile already have financial swap agreements with China and, therefore, economic flows are expected to rely less and less on other currencies. However, this economic cooperation is still at an early stage.

The specialized literature relating to this subject reflects the data analysis recorded above. Roughly speaking, those authors who address the relationship between China and Latin America draw the following conclusions: Firstly, that there has been a quantitative and qualitative increase in the interdependence of China and Latin America, which has accentuated the latter's vulnerability to the former. Secondly, the re-prioritization of these economies and their export portfolios and the gradual movement towards financial dependence – guided by loans and contracts executed by Chinese companies in strategic sectors such as energy, mining, and infrastructure – indicate this increased interdependence. Consequently, China is viewed by these authors variously as either a new capitalist core which is constructing a periphery of interdependent states which includes Latin America, or as a contributor to real development in the Global South (Hung 2016.)

Our goal is to understand the nature of this “systemic pressure” on the current political-economic cycle of Latin America and the foreign policy of Brazil in particular. That is, the economic data only makes sense if it can be related to the political dynamics (regional and domestic) and recent fundamental shifts on the continent – such as the three post-Cold War cycles outlined above. At the regional level, the great novelty of the post-2008 cycle was the creation of the Pacific Alliance (PA), influenced by systemic factors already addressed (China's rise and the Obama administration's