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China's South-South Cooperation with Latin America and the Caribbean

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Introduction:

At a recent international conference, Mario Pezzini, the director of the Development Center of the Organization for Economic Co-operation and Development (OECD), stated publically that China has greatly contributed to the development of the Latin American countries in recent years and that China's experience in development can be an inspiration for all the developing countries in Latin America and the Caribbean (LAC) (Zabala, 2015). While this statement was made by the head of a prominent pro-Western inter-governmental institution, most Western experts, the Western and LAC academic literature and the Western and LAC media reports on China's economic relations with the Latin American countries tend to focus on what they consider to be the risks, threats and adverse effects of China's increasing relations with the LAC countries. In fact, many experts, much of the academic literature and the mainstream media in the United States of America (USA), United Kingdom (UK), Western Europe and many of the LAC countries have propagated a series of myths, misconceptions and misinformation about the intentions, nature and effects of Chinese involvement in the region (see Harris, 2015a and 2015b). A representative sampling of the 'China Threat' academic literature on LAC countries would have to include: Bresser-Pereira (2010); the Brazilian Confederação Nacional da Indústria (CNI, 2011); Dos Santos (2010); Farias and Pedrozo (2012); Gallagher and Porzecanski (2010); Jenkins and Barbosa (2012); and Mattos and Fevereiro (2014). To a large degree they mirror the myths, misconceptions and misinformation about the nature and effects of Chinese involvement in Africa, which have been contested by Brautigam (2016); Hirono and Suzuki (2014); Mawdsley (2008); Ubi (2014) and Yang (2007).

The biases, preconceptions, hidden agendas and fears that underlie or influence much of the academic literature and the media coverage on China's relations with the Latin American and Caribbean countries represent what has been variously labeled as Sinophobia, antichinismo, China bashing, and the "China Threat" (Chu, 2002; Dolin, 2012; Foreign Policy, 2011; Ming, 2006). Evidence of this phenomena can be found in the research conducted by Cambridge University scholar Emma Mawdsley (2008: 517–519) on the British media's biased coverage of China's growing influence in Africa. Mawdsley found this coverage often conveys misinformation, myths and fallacious "images of African weakness, Western trusteeship and Chinese ruthlessness." In their work, Hirono and Suzuki provide an excellent critique of the Sino-phobic and anti-Chinese knowledge production that has developed in response to China's increasing economic and political influence in Africa, Latin America, the Caribbean and Southeast Asia. They convincingly argue that for many "Western scholars, studies of China's international relations are

generally still in the service of the national security agenda of the Western policy community”, and “Western elites” who perceive China as “the only strategically competitive peer that could pose a threat to the West’s power and dominance” (Hirono and Suzuki, 2014: 445-448).

According to Hirono and Suzuki, this perspective has produced “a powerful discourse which claims that China’s rise to power presents a unique and unprecedented challenge to the maintenance of the Western-dominated world order.” They give as an excellent example the series of reports that have been commissioned by the US Congressional Research Service on China’s activities in Africa, Latin America and Southeast Asia (e.g., see Sullivan, 2014). They also argue that Western scholars, analysts and media pundits have jumped on this bandwagon, and published a stream of works and media coverage that confirm the worst fears of the Western political elites that China is a challenge to US/Western global hegemony (for more information on this topic, see Armony and Velásquez, 2015; Arnson et al, 2007; Ellis, 2015. Nolte, 2013; and Paz, 2012; Talvi et al, 2014; and Vukovich, 2011).

In addition to exposing “the close link between the academic and the policy agendas in the West,” which have biased the study of China’s presence in Africa, Hirono and Suzuki call attention to “the enduring Eurocentrism” and “deep sense of Western exceptionalism” that are present in the study of international relations (IR), particularly concerning Africa, Asia, Latin America and the Caribbean. Hirono and Suzuki argue these two forms of biased thinking have produced “an impoverished vision of a world order where Western hegemony is no longer guaranteed” and “the rise of an Asian power is implicitly seen as a unique and unknown development” that threatens “the moral fabric of the international order” (see pages 445 and 451). They conclude their critical review of this literature and media coverage by arguing the Sino-phobic knowledge being produced by many Western scholars and analysts “not only serves to impoverish” current “scholarship and understanding of China’s and Africa’s interactions” but has also created an unfounded Sino-phobic ‘China threat’ which they argue is largely the “by-product of Western fears that [the West’s] influence and thinking are no longer regarded as ‘universal’ and ‘authoritative’ (pages 460-461). They cite both the work of Brautigam (2014) and Mawdsley (2008) who have come to similar conclusions. Mawdsley’s research on how British newspapers represent China’s relations with Africa is particularly relevant since she demonstrates how the Western media tend to project the Chinese presence in Africa as the inherently ‘unethical’ non-West versus the ‘ethical’ West, despite the rather sordid recent history of Western colonial exploitation, which generally is not mentioned.

Debrah Brautigam (2015) claims the most damaging myth about China’s presence in Africa is that the Chinese are there only to extract the region’s natural resources. Brautigam says “there is no question that the continent’s vast natural resource endowments are a big draw for Chinese firms — just as they are for Western oil and minerals giants like Shell, ExxonMobil, and Glencore,” but “even in oil-rich countries like Nigeria, this is far from the whole story,” and “in 2014 alone, Chinese companies signed over \$70 billion in construction contracts in Africa that will yield vital infrastructure, provide jobs, and boost the skill set of the local workforce” (Brautigam, 2015). She also contends that Chinese

“technology companies have also done much to accelerate local development,” and gives the example of how over a decade ago “the Chinese telecom firm Huawei established its West African training school in the Nigerian capital, Abuja,” where “it has been honing the skills of local engineers who are rolling out the cell phone networks that underpin Africa’s telecommunications revolution.” Brautigam argues that this is the same in other sectors, where “our China Africa Research Initiative team at Johns Hopkins University, which has sought to map Chinese engagement and analyze its impact, found Chinese factories in Nigeria employing Nigerians and producing building materials, light bulbs, ceramics, and steel from salvaged ships.” She also states that “our own database has yet to uncover a case where Chinese aid was directly swapped for a mining or oil concession” (Brautigam, 2015).

The Chinese perspective on the PRC relations with other developing countries is almost never presented in the critical Western literature and media coverage. But even a cursory review of the Chinese literature and media reveals quite clearly that the political leaders of the PRC (i.e., President Xi Jinping and top officials of the government and Communist Party of China) believe China is at the center of a historical transformation in the contemporary world system, and they are determined to take advantage of the opportunities this historical conjuncture provides the country for its own peaceful development as a socialist society and what they call China’s “return to greatness” -- fu xing in Mandarin Chinese (Huang, 2013, Harris, 2015a). In Chinese view, China lost its historical greatness over the course of what they call “a century of national humiliation” suffered by China as a result of Western and Japanese imperialism (Wang, 2012; Zhu, 2015). Their explicit primary strategic goals in the present historical conjuncture are to secure the country’s sovereignty, national unification, and territorial integrity and to foster a peaceful international environment that enables China to pursue a path of peaceful economic and social development as a socialist society through the creation of a new multipolar world order based on peace and international cooperation rather than hegemony, extreme inequality, and war (Huang, 2013; Harris, 2015a; and for example, see Xinhua.net, 2014).

Since the 1990s, the economic and political relations between the Peoples Republic of China (PRC or China) and the Latin American and Caribbean (LAC) countries have expanded and intensified. This development has been driven largely by the remarkable growth of the PRC’s socialist market economy ¹ over the last four decades, which has greatly increased both the country’s demand for energy, mineral and agricultural commodities, and its export of manufactured goods around the world. As its share of world trade and its international economic influence has increased, the PRC has begun to play a key role in the transformation of the hegemonic and unequal structure of the existing global order, which is dominated by the USA and the other major capitalist countries. China’s leaders seek allies among the developing countries to join with them in creating a new multipolar and more equitable global order.

For the countries of the LAC region, the impact of this transformation in the world system has been mixed, but for the most part beneficial. The rise in the region’s commodity exports between 2000 and 2012 as a result of exponentially rising Chinese demand for these commodities and the accompanying inflow of Chinese goods, direct investments, loans and technical assistance has been beneficial. China is now the second most important source of

Latin American imports (following the United States) and the third most important destination for the region's exports after the United States and the European Union (Krause, 2016). In 2014, Brazil, Mexico, Argentina, Colombia, Chile, Peru and Ecuador exported at total of US\$83.3 billion to China, and imported approximately US\$152 billion in products and services from China. Brazil has become the PRC's main Latin American trading partner, its total trade (exports and imports) with China was approximately US\$78 billion in 2014, and China was the destination for 18 % of Brazil's total exports in 2014, although these exports only represented 1.7 % of Brazil's GDP (Krause, 2016).

According to a recent report of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC:2015a: 41-42), the LAC countries have benefited from their growing relations with China in the following ways:

The countries of Latin America and the Caribbean have benefited in various ways from growing trade with China. Robust Chinese demand for raw materials has helped boost their prices, improving the terms of trade for net exporters of commodities. Surging exports to China have cushioned the impact that falling demand in the region's traditional markets like the United States and the European Union has had on the region's exports, especially after the global financial crisis of 2008. Growing imports of manufactured goods from China have helped to contain inflationary pressures and broaden access to consumer goods for the most disadvantaged segments of the population. And imports of intermediate and capital goods from China have expanded the range of suppliers available to companies in the region, thus making them more competitive.

The Latin American correspondent of The Guardian, Jonathan Watts, who spent nine years as a journalist in the PRC, supports this view of China's relations with the LAC countries. Watts contends trade with China "has helped Latin America avoid the worst of the financial and economic crises that gripped much of the developed world and provided extra revenue for poverty alleviation programs that eased the region's notorious inequality" (Watts, 2013). In addition, Watts makes an important observation not mentioned in the ECLAC reports, namely that Chinese trade, investments and loans "have played a major part in bolstering left-leaning governments that are seeking an alternative to neoliberal prescriptions from Washington and Wall Street" (Watts, 2013; see also Erthal Abdenur and Marcondes de Souza Neto, 2013:77). On the other hand, the PRC's continuing demand for the region's commodity exports has raised the prospect of an increased economic dependency on these primary sector exports, and the increased importation of manufactured goods from China is considered by some observers and certain economic and political interest groups in LAC as a threat to the industrial development of the region.

Starting in 2013, the PRC's political leaders launched a new strategy to slow down China's economic growth and "rebalance" its economy by making consumer demand the main engine of "smart" economic growth and sustainable development. This strategy, which has been enshrined in China's 13th Five Year Plan for 2016-2020 (SCPRC, 2016) involves

boosting individual incomes and productivity, reducing the country's income disparities, and following a more environmentally sustainable model of economic and technological development based on advanced high-value and high technology forms of production and innovative knowledge-intensive technology as well as renewable clean energy—all aimed at creating what China's leaders call a new “ecological civilization” (see Wang, He, and Fan, 2014). This important change in China's development strategy has contributed to the sharp global drop in both the demand and the prices for some of the main commodities that the Latin American and the Caribbean countries export, especially oil and its derivatives.

According to recent data collected by ECLAC (2015b), the export of commodities from the LAC region has fallen for the last three years in a row (2013-2015). During this period, according to ECLAC, exports to all countries outside the region have contracted -13%, and intra-regional exports within the LAC region have contracted even more -21%. Meanwhile, the value of imports purchased by the countries in the region has dropped 10%. Alicia Bárcena, the Executive Secretary of ECLAC, has characterized the current economic conjuncture as follows: “the region is at a crossroads: either it continues along the current path restricted by the global context, or it commits to a more active international insertion that favors industrial policy, diversification, trade facilitation and intraregional integration” (ECLAC, 2015b). In this regard, it should be noted that the Premier Li Keqiang has recently offered to contribute to this more active international insertion, especially through providing financial and technical assistance for industrial up-grading and economic diversification in the LAC countries (Gan, 2015). More will be said about this later in this article.

The goals of the PRC's relations with the Latin American and Caribbean (LAC) countries are clearly stated in the State Council's “Policy Paper on Latin America and the Caribbean” (SCPRC, 2012), which was issued on November 5, 2008. This important document clarifies the strategic framework and policy goals of China's relations with the LAC region and reveals how the PRC's political leaders perceive globalization, the existing world order, China's role in world affairs and, more specifically, how they perceive China's relations with the LAC countries in the present historical conjuncture of expanding globalization. This document also sets forth the goals of China's foreign policy in the region and identifies specific policy objectives in five fields -- politics, economics, cultural and social affairs, peace and security affairs, and the PRC's relations with LAC regional organizations. As clearly stated, these policy objectives seek to “strengthen China's comprehensive cooperation with the Latin American and Caribbean region” (SCPRC, 2012).

The opening paragraphs of the official English translation of this policy paper reveal the basic propositions or assumptions upon which China's foreign relations are based in the current historical conjuncture. The following excerpt reveals most of these propositions and assumptions (SCPRC, 2012):

The world today is undergoing major transformation and adjustment. Peace and development are the trend of the times. The move toward multi-polarity is irreversible and economic globalization is gaining momentum. World peace and development are facing new opportunities

as well as various challenges. It is in the fundamental interest of people of all countries and also their common aspiration to share development opportunities, jointly address challenges and promote the noble cause of peace and development of mankind.

This policy paper provides a clear statement of how China's leaders perceive the current state of world affairs and what they call "the common aspirations of humanity". It also reveals that they want China to be perceived as "the largest developing country in the world", and that it is committed to a "path of peaceful development" and a 'win-win strategy of opening-up" to the rest of the world community in order "to build a harmonious world [order] of durable peace and common prosperity." The introductory section of the policy paper clearly reveals the Chinese leaders regard the Latin American and Caribbean countries as "an important part of the developing world and a major force in the international arena" which the government of the PRC wants to support and collaborate with in international affairs (SCPRC, 2012).

As far as the US government is concerned, neither the Bush administration nor the Obama administration have considered China's increasing involvement in the LAC region to be a major threat to US interests in the region. The relative decline of the USA's preeminent trading position and its political influence in the region in recent years is largely considered to be the result of the diminishment of its economic strength in the changing world economy as well as its relative disinterest in the LAC region (compared to other areas in the world such as the Middle East), and not a result of the growth of Chinese influence in the region. Thus, US policy analysts such as Evan Ellis of the Center for Hemispheric Defense Studies believe China's involvement in the LAC region is not a serious threat to the USA and he predicts without concern that "the PRC's economic presence in and political impact on Latin America will remain a permanent fixture of the hemisphere, alongside that of the European Union, India and a host of other extra-regional actors" (Ellis, 2012: 13). In a report to US Congress, another US analyst Frank Sullivan (2014:1) has stated: "U.S. policy toward the region is conducted in the context of a Latin America that is becoming increasingly independent from the United States" but the USA "remains the single largest trading partner for many countries" in the region (page 8):

Latin American and Caribbean countries have diversified their economic and diplomatic ties with countries outside the region. China, for example, has become a major trading partner for many countries in the region, ranking as one of the top two export and import markets. Total Chinese trade with the region grew from almost \$18 billion in 2002 to about \$259 billion in 2012. Nevertheless, the United States remains the single largest trading partner for many countries; total U.S. trade with the region amounted \$845 billion in 2012, more than three times that of China's trade with the region.

And Ellis (2012:5) notes that "while the purchase of goods from China has, to some degree, displaced the Latin American purchase of products from US companies, in many cases US-registered companies actually produce part or all of their products in the PRC or they

source components there, increasing the competitiveness of those goods as they sell them to Latin America and other markets.” In November 2013, US Secretary of State John Kerry made clear in his address to the Organization of American States that the “Era of the Monroe Doctrine is over,” and the U.S. will not try to prevent the sovereign states of Latin America and the Caribbean from developing relationships with the PRC (Ellis, 2014). In fact, the Chinese government’s official position on this question is: “China understands the sensitive character of its deepening ties with Latin America, a region traditionally perceived as the backyard of the United States, and in no way should China’s growing presence be interpreted as a challenge to U.S. hegemony in the hemisphere” (Jiang, 2008:28).

China and South-South Cooperation

The PRC’s policy paper on its relations with the LAC region states that the primary goal of the PRC’s relations with the LAC countries is to “leverage their respective strengths, tap the full potential of cooperation, and seek to become each other’s partners in economic cooperation and trade for mutual benefit and common development.” In essence, this is consistent with the primary goal of South-South Cooperation as it is officially defined internationally. According to the United Nations Office for South-South Cooperation (UNOSSC, 2016:1) South-South Cooperation (SSC) involves: “collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains,” through sharing “knowledge, skills, expertise and resources to meet their development goals through concerted efforts,” and while it generally “involves two or more developing countries, it can take place on a bilateral, regional, subregional or interregional basis.”

The term “South” in South-South Cooperation refers to the “Global South” and includes all the developing countries, which are for the most part located in the southern hemisphere of the planet (UNDP, 2016). According to the UNOSSC, South-South cooperation is a broad concept and in recent decades it has encompassed an “increased volume of South-South trade, South-South flows of foreign direct investment, movements towards regional integration, technology transfers [and] financial and monetary cooperation and in-kind contributions.” In a complementary manner, the United Nations Industrial Development Organization (UNIDO) has defined SSC as “a methodology of development which facilitates the exchange of knowledge, experience, investment, information and capacity between and among Southern countries through government, civil society organizations, academic institutions, national institutions and networks to accelerate political, economic, social, cultural, environmental and technical development” (UNIDO, 2016). UNIDO also states that SSC has become “a key mechanism for the development agenda of countries in the South and is guided by mutual benefit between countries, respect for national sovereignty and ownership, establishment of partnership among equals, non-conditionality in cooperation and non-interference in domestic affairs” (UNIDO, 2016).

According to the documents of the LAC intergovernmental organization entitled the Latin American and Caribbean Economic System (Sistema Económico Latinoamericano y del Caribe or SELA), SSC should be based on “the basic principles of solidarity,

complementarity, equality, non-conditionality and respect for sovereignty” between the countries involved (SELA, 2016). The Secretariat of the United Nations Economic Commission of Latin America and the Caribbean (ECLAC) points out that SSC has become “an alternative form of international cooperation which operates parallel to the traditional mechanisms of official development assistance” (SELA, 2016). These two conceptualizations of SSC distinguish it from the traditional hegemonic system of North-South international development cooperation, which has been criticized as a vertical, top-down and unidirectional pattern of support in which the advanced capitalist countries in the Global North have granted various forms of assistance to the developing countries in the Global South provided they follow certain political conditions set down by the former that are aimed at shaping the economic, social and political affairs of the recipient countries (Santander Campos, 2012: 1226 and 1229).

This traditional North-South pattern of international development cooperation, often referred to as Official Development Assistance (ODA) is increasingly being offset by SSC and the conditions created by the emerging multipolar international order. China’s leaders believe that the globalization of trade, finance, and communications has produced a more complex and interdependent world economy in which the hegemonic capitalist countries are no longer able to prevent or control the diffusion and redistribution of both economic and political power. As a result, they believe a new multipolar world order is emerging and that it is being shaped by the larger developing countries such as China, Brazil, India and South Africa along with the support of other developing countries in the Global South (Santander Campos, 2012: 1229).

The embryonic emergence of this new international order has given rise to the proliferation of a growing number of regional, sub-regional as well as inter-regional forms of economic and political cooperation such as the inter-regional BRICS coalition (Brazil, Russia, India, China and South Africa), the regional Union of South American Nations (Spanish: Unión de Naciones Suramericanas, UNASUR; Portuguese: União de Nações Sul-Americanas, UNASUL), the sub-regional Mercosur or Mercosul (Spanish: Mercado Común del Sur, Portuguese: Mercado Comum do Sul; English: the Southern Common Market), the inter-regional Community of Latin American and Caribbean States (Spanish: Comunidad de Estados Latinoamericanos y Caribeños, CELAC; Portuguese: Comunidade de Estados Latino-Americanos e Caribenhos) and the new inter-regional cooperation forum that has been established between China and the CELAC nations - the China-CELAC Forum (Foro China-CELAC).

CELAC includes all the countries in the Western Hemisphere, except the USA and Canada, and it was set up in 2011 as an alternative to the Washington-based Organization of American States (OAS). At the Second Summit of CELAC, held in Havana, Cuba in January 2014, the creation of the China-CELAC Forum was proposed by Cuba and approved by the other CELAC members (McKelvey, 2014). On July 17, 2014, after the conclusion of the Sixth Summit of the BRICS coalition in the Brazilian city of Fortaleza, the heads of state of China and the leading quartet of the CELAC countries formally established the China-CELAC Forum. The first ministerial meeting of this forum was held in Beijing on January 8-9, 2015 and it produced a comprehensive 5 year plan for cooperation between China and the

CELAC countries over the period 2015-2019. This comprehensive cooperation plan involves trade, investment, finance, infrastructure, energy, natural resources, industry, agriculture, science and people-to-people exchanges (China-CELAC Forum, 2015). This new inter-regional forum represents an important development in the strengthening of economic, social and political relations between China and the nations of Latin America and the Caribbean and represents a major development in South-South cooperation between China and the LAC countries (McKelvey, 2014).

At the first ministerial meeting of the China-CELAC Forum held in Beijing in January 2015, President Xi Jinping gave the opening speech entitled "Jointly Writing a New Chapter of the China-CELAC Comprehensive Cooperative Partnership" (MFAPRC, 2015). In this speech he stressed that the convening of the first annual ministerial meeting of the Forum marked the translation from conception into reality of comprehensive region-wide effort at cooperation between China and the CELAC countries. He also said it sent the world a positive signal of the deepening cooperation between their nations for their joint development, and that this undertaking would exert "significant and profound influence on the promotion of South-South cooperation as well as world prosperity and progress." In addition, President Xi put forward four principles for the future development of the China-CELAC Forum. They are as follows (MFAPRC, 2015):

First, adhere to the cooperation principle of equal treatment as well as the idea of friendly discussion, joint construction and achievement sharing, so as to lay a solid political foundation for overall cooperation. Second, adhere to the cooperation objective of mutual benefits and win-win results, firmly hold onto the main theme of common development, and strive for early harvest as well as realization of the effect of 1 plus 1 becomes greater than 2. Third, adhere to flexible and practical approaches of cooperation and carry out various forms of cooperation through bilateral and multilateral channels to achieve mutual supplementation of advantages. Fourth, adhere to the open and inclusive spirit of cooperation and take into full consideration different interests and demands of relevant parties.

Xi also welcomed other regional organizations and multilateral institutions in Latin America and the Caribbean to actively participate in the regional cooperation between China and the CELAC countries.

As Ellis (2014) has noted it is likely that the China-CELAC Forum will operate in a manner similar to the FOCAC (Forum on China-Africa Cooperation), which was established in 2000. In this regard, Ellis suggests it will most likely serve as a vehicle for advancing Chinese economic relations within the LAC region through multilateral loan funds, agreements in areas such as finance, phytosanitary certifications, investments, and that it will give high-level political attention to important commercial projects. To the extent that the new China-CELAC Forum follows in the footsteps of FOCAC and the objectives of China's own 2008 White Paper toward Latin America and the Caribbean, it is also likely to create a region-wide framework for educational and cultural exchanges, including the establishment of Confucius Institutes and scholarships for LAC students to study in the

PRC, and expand cooperation in science and technology, telecommunications, space, military and other areas between China and the LAC countries.

It is important to note that from the Chinese perspective these forms of cooperation contribute to transforming the international order and promoting the independent economic, social and political development of all the countries involved. Most of these efforts are basically anti-neoliberal in orientation and based on various forms of South-South cooperation. These forms of cooperation go beyond neoliberal trade liberalization measures and seek to intensify South-South relations and consolidate strategic partnerships between China and the LAC countries (ECLAC, 2015a; Fernandez and Hogenboom, 2010). They seek to not only promote the mutual development of the countries involved, but also increase the power of the developing countries in general in regulating the increasingly globalized world economy and laying the foundations for a new non-hegemonic and multipolar international political order (Santander Campos, 2012: 1229-1230).

The China-CELAC Forum reflects the strategic nature of the PRC's cooperative relations with the LAC countries and specific objectives for guiding China's official relations with these countries specified in the 2008 Policy Paper on Latin America and the Caribbean. Thus, in the domain of political relations, the policy paper states that the PRC's specific objectives are to promote high-level exchanges with the leaders of the LAC countries, as well as the establishment and maintenance of political and business consultation mechanisms, and efforts at cooperation and coordination aimed at making the international order more just and equitable by upholding the legitimate rights and interests of developing countries, and by supporting a greater role for the Latin American and Caribbean countries in international affairs (SCPRC, 2012). These last objectives are directly related to the PRC's strategic goal of enlisting the cooperation of the LAC countries in reforming the present international order, dominated by the United States of America (USA) and the other members of the Group of 7 countries (i.e., Canada, France, Germany, Italy, Japan and the United Kingdom). This is an important goal of the PRC's foreign policy, and the Chinese leaders frequently make this clear in their foreign policy announcements, overseas media communications and in most international political venues (Zhu, 2014).

South-South cooperation is a strategic goal of the PRC's foreign aid policies. Thus, in the preface of the PRC's white paper on China's Foreign Aid (Lu, 2014), issued by the State Council of the PRC in July 2014, the opening paragraph of the preface states:

China is the world's largest developing country. In its development, it has endeavored to integrate the interests of the Chinese people with people of other countries, providing assistance to the best of its ability to other developing countries within the framework of South-South cooperation to support and help other developing countries, especially the least developed countries (LDCs), to reduce poverty and improve livelihood. China has proactively promoted international development and cooperation and played a constructive role in this aspect.

The second paragraph of the preface sets forth the principles guiding China's foreign assistance. It states: "When providing foreign assistance, China adheres to the principles of not imposing any political conditions, not interfering in the internal affairs of the recipient countries and fully respecting their right to independently choosing their own paths and models of development," and it also states "the basic principles China upholds in providing foreign assistance are mutual respect, equality, keeping promise, mutual benefits and win-win" (Lu, 2014).

This important policy document as well as many others issued by the PRC reveal that the PRC's leaders see China as a developing country² and they want its relations with other developing countries to be based on South-South and win-win cooperation rather than a Chinese version of hegemonic North-South win-lose relations, which the PRC explicitly and repeatedly repudiates. In this regard, China has taken a leading role in the efforts of the BRICS coalition (Brazil, Russia, India, China, and South Africa) to advance their common strategy of changing the existing international order and promoting the equitable development of the developing countries (Mishra, 2014).

While the Marxist political ideology of China's leaders profoundly influences their worldview and their political strategies (see Harris, 2015a), the Chinese government does not draw strict ideological lines in the PRC's trade relations and the assistance it gives to other countries. The PRC's official position is "various social systems and development models should coexist harmoniously in the world," and as a result "China is committed to developing friendly relations and cooperation with all countries on the basis of sincerity, friendship, equality, mutual respect, and their common development" (Aho, 2011).

Nevertheless, in Latin America and the Caribbean (and elsewhere), it is clear the PRC has friendlier and more cooperative relations with the countries that have leftist and center-left regimes with political ideals that are closer to those of China's leaders (Alvaro and Minay, 2015), such as Bolivia, Cuba, Ecuador, Nicaragua and Venezuela, and somewhat less friendly but still respectful cooperative relations with countries such as Colombia and Mexico, which are led by more conservative, pro-US regimes. While the PRC does not have diplomatic relations with the countries in Central America and the Caribbean that continue to maintain diplomatic ties with Taiwan (Jiang, 2008:36-37), in certain cases it does have favorable commercial relations with some of these countries such as Nicaragua (which has a leftist regime). Since 2008, both the PRC and Taiwan have suspended their previous efforts to change the diplomatic posture of the states recognizing the other. This tacit diplomatic truce has kept Beijing from acting upon the interest expressed by certain Central American and Caribbean governments in changing their diplomatic ties from Taiwan to the PRC (Ellis, 2014; Tiezzi, 2016).

The best example of China's relations with leftist regimes in the LAC region are its relations with Cuba. Sino-Cuban relations have deepened rapidly since the beginning of the twenty-first century, propelled by both their shared political ideology and economic interests. According to Mao, Hearn, and Liu (2015), a shared commitment to socialism with 'local characteristics' has enabled the pursuit of an unusually broad range of cooperative ventures between the PRC and Cuba. These initiatives include Chinese investments in

Cuba's nickel and oil sectors, educational and medical exchange programs, the development of tourism, and engagement with the Chinese diaspora in Cuba. These areas of cooperation reflect a combination of both state and market forces.

Sino-Cuban relations reflect their strong ideological affinities, which is revealed in their intergovernmental accords and diplomacy, and the fact that the leaders of these two countries view their cooperation as basically socialist in character (Mao, Hearn, and Liu, 2015:140-141). In this regard, it is important to note that "China has taken concrete steps to provide Cuba with new technology so that it can develop its own industries rather than simply importing Chinese manufactured goods" (page 141). According to Mao, Hearn and Liu:

Although nickel is China's main import from Cuba, the bilateral trade profile differs from that of other countries. China has taken concrete steps to provide Cuba with new technology so that it can develop its own industries rather than simply importing Chinese manufactured goods and simultaneously avoid becoming dependent on resource exports. Avoiding the "resource curse" is a common topic of discussion between Cuban and Chinese officials and researchers, who have developed programs for industrial diversification through light manufacturing, pharmaceutical production, tourism, and educational exchange.

In fact, avoiding the "resource curse" is a common concern among both the Cuban and Chinese officials who have "developed programs for industrial diversification through light manufacturing, pharmaceutical production, tourism, and educational exchange." According to Mao, Hearn and Liu (2015:150-151), the intensification of Sino-Cuban relations over the past decade appears to have not posed a challenge to the United States, and the renewal of diplomatic relations with the US government has opened the possibility of new opportunities for trilateral cooperation.

In the larger global context, China's relations with the developing countries and the increase in SSC between the developing countries has become a major factor in contemporary international relations and this is closely linked to the increasing flow of trade, investments, loans, economic cooperation and technical assistance taking place between the developing countries. For this reason, the "phenomenal rise of the South and the surge in South-South cooperation" have increasingly become the subject of contemporary research and analysis (UNGA, 2014, :8). According to a report prepared for the 2014 session of the United Nations General Assembly by the Secretary General (UNGA, 2014:11), the value of South-South cooperation was estimated to be between US\$16.1 billion and US\$19 billion in 2011. However, this figure seriously underestimates the importance of SSC and in this regard the United Nations Capital Development Fund has stated "the value of South-South cooperation and assistance is enormous when we consider the 'bundling' of financial assistance with trade, investment and (often trade-related) technical cooperation" (UNCDF, 2016).

South-South Trade between China and the LAC Region

The economies of the developing countries, the Global South, now produce nearly half of the world's economic output measured in terms of Gross World Product (GWP), which represents the combined total of the gross domestic products of all the countries in the world (UNGA, 2014:2). The developing countries share of the GWP jumped remarkably from 23 to 40 per cent between 2000 and 2012, and their share of total world trade increased from 39 percent to 52 percent during this period (WTO, 2014:60). According to the 2014 Report of the Secretary General of the United Nations on the State of South-South Cooperation (UNGA, 2014:2) predicted the following:

By 2025, the South is likely to account for 600 million households with incomes of over \$20,000 and an overall annual consumption of \$30 trillion. All regions of the South have experienced growth and they have done so during the most severe recession in the North since the Great Depression. Those unprecedented achievements and prospects, in combination with the rapid spread of electronic connectivity across the South, point to a new strength and effectiveness for South-South cooperation.

South-South development cooperation is directly linked to the growing trade and flows of foreign direct investment (FDI) between developing countries, and both of these factors are transforming the world economy. In addition, since 2009, the developing countries have exported more to each another than to the developed countries; and since 2011, their total trade has been over US\$4 trillion (UNGA, 2014:2).

By 2020, the economies of the three largest developing countries – China, India and Brazil-- are projected to produce a greater share of the Gross World Product (GWP) than the six largest developed countries of Canada, France, Germany, Italy, the United Kingdom and the United States of America (UNGA, 2014:2). Table 1 shows the annual “regional” percentages of GWP growth between 2006 and 2016 based on data from the International Monetary Fund (IMF)'s World Economic Outlook database.

Table 1

Region	Gross world product growth rate by region (%)										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 (est.)
World average	5.5	5.7	3.1	0	5.4	4.2	3.4	3.4	3.4	3.5	3.8
Advanced economies	3.1	2.8	0.2	-3.4	3.1	1.7	1.2	1.4	1.8	2.4	2.4
Eurozone	3.2	3	0.5	-4.5	2	1.6	-0.8	-0.5	0.9	1.5	1.7
Developing countries	8.2	8.7	5.8	3.1	7.4	6.2	5.2	5	4.6	4.3	4.7

Source: Data from the IMF, World Economic Outlook database (April 2015)

As Table 1 indicates, since 2006 the average annual growth of the gross domestic product of the developing countries has been considerably higher than the rate of growth of the so-called advanced economies (i.e., the economies of countries such as Australia, Canada, France, Germany, Italy, Japan, the United Kingdom and the United States of America) and most of the economies of the Eurozone (i.e., the group of countries which use the Euro as their currency). The rate of economic growth in the South has also been higher than the average growth rate of the GWP (i.e., the world average in Table 1).

Much of the increase in the South's share of the world's economic output has been due to the economic growth of the larger G-20 developing economies such as Brazil, China, India, Mexico, South Africa, etc.. These G-20 developing economies account for over 60 per cent of the world's population (WTO, 2014:40). They have helped stimulate economic growth and increased income in the rest of the developing countries, including the least developed countries (LDCs). For example, China's increasing demand for imported commodities during the 2000s contributed to higher commodity prices in the world market, and these higher prices "boosted incomes in the resource-exporting developing countries," including many of the Latin American countries (WTO, 2014:5).

As a recent WTO report (WTO, 2014:5) indicates, the development of the G-20 developing economies has transformed the distribution of the world's income. More specifically, this report indicates the development of the G-20 countries has narrowed the gap in incomes between the rich and poor nations and reduced the income inequality between countries. According to this report (WTO, 2014:5):

The distribution [of the world's income] has become more equal overall through decreases in inequality between countries. Until 2000, the distribution was characterized by two peaks, one representing poor developing economies and the other corresponding to rich developed economies. Thereafter, the developing economies' convergence has narrowed the gap between rich and poor nations. Most notably a third peak has emerged in the middle, reflecting the higher growth of many G-20 developing countries, such as China, relative to other developing countries.

This shift in income distribution is related to the increasing exports of the larger G-20 economies, such as China, which appear to "have helped the entire group of developing countries to increase their share in world exports from 25 per cent to 36 per cent between 2000 and 2012" (WTO, 2014:60). Actually, China more than doubled its share of world exports from 7 per cent to 15 per cent during this period, while India recorded a substantial but more modest increase of its share of world exports from 4 to 6 per cent of world exports. However, despite Brazil's and Mexico's substantial amount of economic growth between 2000 and 2012, Brazil's share of world exports remained 3 per cent during this 12 year period and Mexico's share of world exports dropped from 3 to 2 per cent by the end of this period (WTO, 2014:60). Furthermore, even though the G-20 larger developing economies have reduced their income gap with the advanced economies, these larger developing economies still have a long road ahead of them to catch up to the incomes of the advanced economies (WTO, 2014:60).

It is highly significant that in recent years many of the developing countries have increased their trade with China and other G-20 larger developing countries relative to their trade with the developed/advanced economies in the Global North. This is particularly the case in Africa, where the share of African exports to the developed/advanced economies fell from 70 percent in 1995 to 53 percent in 2012 (WTO, 2014:70). A similar but less pronounced trend has taken place in Latin America, South and Central Asia and the Middle East. Significantly, for most of the developing countries, the expansion of their trade with China and other G-20 larger developing countries has resulted in an increase in the total volume of their exports and the diversification of their trading partners, while not diverting to a great extent their trade away from the developed countries (WTO, 2014:70).

Increasing trade with China and other G-20 larger developing countries has reduced what the WTO economists call the “output volatility” of the developing countries (WTO, 2014:70). This concept (see Gounder and Saha, 2007:4) refers to the vulnerability of these countries to the impacts of “external shocks” on both the prices and the demand for their exports (output). That is to say, increased trade with countries such as China has in general helped to reduce the vulnerability to external shocks of the developing countries that export commodities (WTO, 2014:173), even though in the last few years China’s demand and the demand of other large developing economies for their commodity exports has declined or stopped expanding as much as it did during the first decade of the 2000s.

For example, in Latin America and the Caribbean, the rapid growth in exports of commodities to China from the region between 2000 and 2012 contributed to the accelerated economic growth of most of the countries in the region and enabled these countries to diversify both the destination of their exports as well as the suppliers of their imports, thereby reducing their traditional economic dependency on the USA and Europe (see ECLAC, 2013a:41-42 and Harris, 2015b:169-172).

However, the slow-down in China’s economic growth since 2012 and the new economic strategy it is now following have contributed to a relative decline in both the quantity and prices of most of the commodities that China imports from Latin America and the Caribbean (ECLAC, 2015). Other important factors responsible for this decline include a continuing over production and supply of export commodities, relatively weak global demand for these commodities, the strengthening of the dollar and the declining exchange rates of the currencies in many of these countries (UNDESA, 2015: 3 and 9).

It is important to emphasize that China’s new economic strategy - which involves shifting the emphasis of the development of its economy away from producing manufactures for export to promoting increasing domestic consumption of services as well as consumer goods produced in China - provides an opportunity for the Latin American and the Caribbean countries to diversify their exports to China and thereby offset the decline in their export of primary commodities to China. In particular, the region has a opportunity to diversify its exports by producing more agricultural and food products for export to China, which according to forecasts will double its imports of these kinds of products by 2020 (ECLAC, 2015b). In this regard, Davidson (2012: 199-201) has argued that: “Brazil’s

natural endowment of fresh water, in combination with China's receding ability to feed itself, guarantees a deepening of the trade ties between the two countries, since no other country in the world has both the freshwater and the farmland to convert water into food at the scale Brazil can," and as evidence of this Davidson points out that "Brazil produces a quarter of the world's soybean exports on just 6 percent of the country's arable land."

A recent World Bank forecast contends that although China's "managed slowdown of its economic growth "may dampen growth and pose policy challenges" for the Latin American and Caribbean countries, the "structural changes underway in China's economy may provide opportunities for the region" in the form of rising demand and rising prices for the region's food commodities as well as certain types of manufacturing products, and tradable services. It also suggests there will be an increase in Chinese investments in the LAC region and an improvement in the "relative competitiveness of the Latin American and Caribbean countries as Chinese labor costs rise" in tandem with the growth of per capita incomes in China (World Bank, 2015). And Elson (2014) suggests China's rebalancing of its economy "should present opportunities for growth in the region's manufactured exports given the anticipated strengthening of the Renminbi [China's currency] and a rise in [China's] domestic wages and consumption." This International Monetary Fund publication also suggests that the "Latin American governments should take advantage of the new joint China-CELAC [Community of Latin American and Caribbean States] forum to seek ways to diversify the region's export trade and increase its foreign direct investment with China" (Elson, 2014).

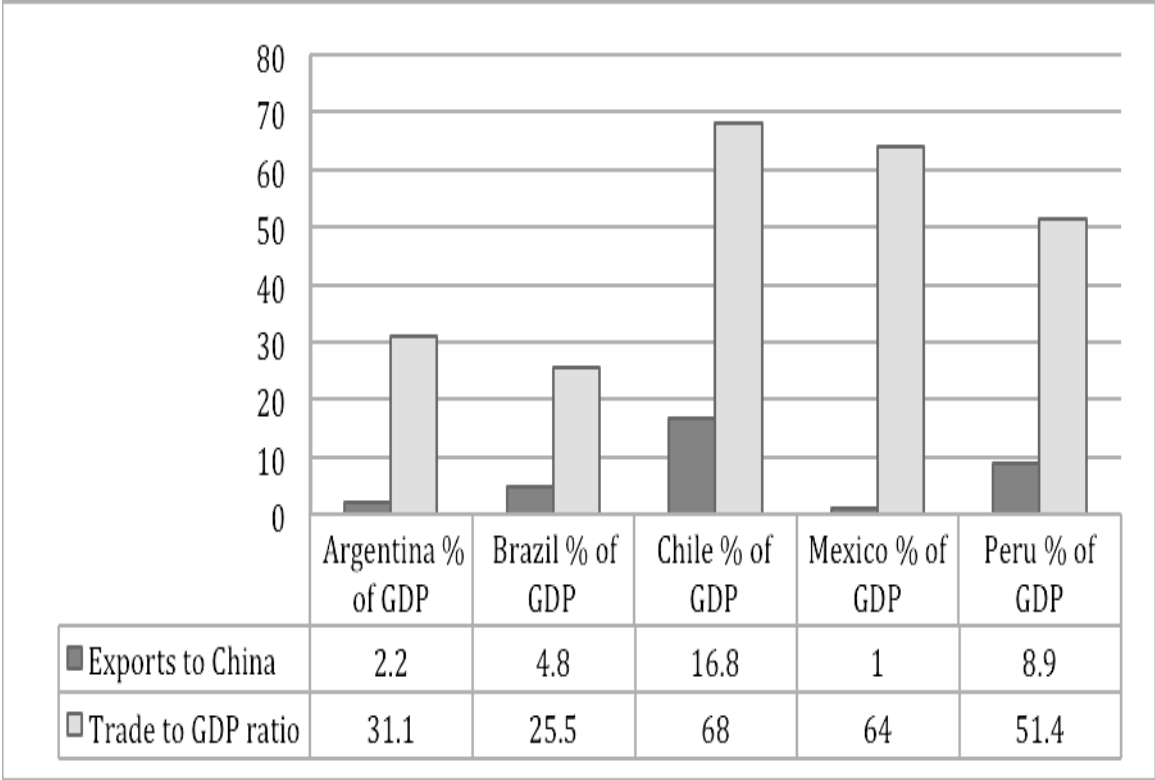
As Matt Ferchen and Alicia Garcia Herrero (2011) have demonstrated, even though particular Latin American commodity exporters have become increasingly dependent on the Chinese demand for their agricultural, fuel and/or mining products, e.g. Brazil's huge mining multinational corporation Vale S.A. sold 47.7% of its Brazilian iron ore and pellets to China in 2013 (Gilroy, 2014), the Latin American economies themselves are not significantly dependent on their trade with China. As Table 2 reveals, in 2013 the total commodity exports of Argentina and Brazil to China accounted for less than 5% of the GDP of these two countries, which are China's largest trade partners in Latin America. This data shows the relatively modest contribution to their GDP made by their commodity exports to China and it also shows the relatively reduced role their total foreign trade plays in their economies (see their trade to GDP ratios), compared to the economies of countries such as Chile and Peru. The economies of these two smaller Pacific Rim countries have a much higher trade to GDP ratio and their exports to China contribute more to their GDP than is the case in Argentina and Brazil. Nonetheless, the exports of these two economies are quite diversified between China, the USA and Europe (need citation here).

Note that Mexico has a high trade to GDP ratio similar to that of Chile, but its exports to China are relatively insignificant in terms of their contribution to the country's GDP. However, it does have an extremely high export dependency on the USA. Almost 80% of Mexico's merchandise exports go to the USA and it is the third-leading supplier of exports to USA after China and Canada (Villarreal, 2015 :2). Indeed, Mexico's heavily USA-dependent trade profile helps to place the scale of Latin America's trade with China in proper perspective. Mexico's export dependency on the USA provides a sharp contrast to

the other four Latin American countries mentioned above, which have a relatively diversified trade profile with China, the USA, Europe and other Latin American countries. Mexico’s trade profile reflects the high level of economic dependency on the USA and Europe that has historically been the dominant North-South pattern of trade for most of the Latin American and Caribbean countries.

Based on the present scale of China’s trade with Latin America and the Caribbean, the fears of a new pattern of Sino-dependency replacing the historical pattern of economic and political dependency upon the USA and Europe appear exaggerated to say the least. The present scale of the trading relations between Latin America and China falls far short of the scale of the region’s historical pattern of trade dependency upon the USA and Europe. Although China has become an important trading partner with an increasing number of Latin American countries, its scale of trade with these countries does not justify the fears of Sino-dependency that have been raised by certain critics of China’s increasing economic relations with Latin America and the Caribbean. To the contrary, trade with China has diversified both the region’s sources of imports and its export destinations thereby reducing its historical economic dependency upon the USA and Europe (Harris, 2015b).

Table 2. Exports to China as a Percentage of the GDP and the Trade to GDP Ratios of 5 Latin American Countries (2013)



Source: Data from World Trade Organization. Statistics Database, Trade Profiles (2013); Author’s Calculations.

Mexico has a high trade to GDP ratio similar to that of Chile, but its exports to China are relatively insignificant in terms of their contribution to the country's GDP. However, in sharp contrast to the lack of Sino-dependency in its exports, it does have an extremely high export dependency on the USA. Almost 80% of Mexico's merchandise exports go to the USA is the third-leading supplier of U.S. imports after China and Canada (Villarreal, 2015 :2). In fact, Mexico's heavily USA-dependent trade profile helps to place the scale of Latin America's trade with China in proper perspective. Mexico's export dependency on the USA provides a sharp contrast to the other four Latin American countries mentioned above, which have a relatively diversified trade profile with China, the USA, Europe and other Latin American countries. Mexico's trade profile reflects the high level of economic dependency on the USA and Europe that has historically been the dominant pattern of trade for most of the Latin American and Caribbean countries.

Mexico is the only country in the LAC region that has a large trade imbalance with China. In fact, according to a recent ECLAC report Mexico's trade deficit with China accounts for approximately 85% of the entire trade deficit of the LAC region with China (ECLAC, 2015:25). Actually, Mexico's trade imbalance with the PRC consists largely of imported capital goods, raw materials and intermediate goods. These are what are called goods for processing and they are used by Mexican producers as important inputs for the manufactured products Mexico then exports to the USA (Miroff, 2013). In recent years Mexico has regained much of the market share in the USA it previously lost to cheaper Chinese imports. In fact, an International Monetary Fund report, which is entitled Mexico's "Comeback" (Kamil and Zook (2013) provides statistical data that shows Mexican manufacturing products have won back a good portion of the US market they previously lost to direct imports from China.

The failure to provide comparative information about the LAC region's trade relations with the USA and Europe when criticizing China's trade relations with the region is a common bias of omission in the academic literature and media coverage that is critical of China's economic relations with Latin America (Harris, 2015b). In most of this literature and media coverage, the region's traditional trade imbalance with the USA and Europe is ignored, down played or viewed uncritically, while the region's relatively small trade imbalance with China is exaggerated and misinterpreted so the PRC can be portrayed metaphorically as a voracious dragon eating up Latin America's minerals, petroleum and agricultural products (such as soy beans and beef from Argentina and Brazil) while dumping cheap manufactured goods on the LAC countries that supposedly undercut their own manufactured products and industries. Ignored is the indisputable fact that export dependency and a trade imbalance with the USA and Europe have been the historical pattern of the LAC region's trading relations long before China became an important trade partner for many of the countries in the region (e.g., see Chilcote et al, 2003; and Harris and Nef, 2008:49-95).

The trade in intermediate goods or goods for processing is a major activity within the increasingly globalized world economy. The growing global trade in intermediate goods is connected to the increasing globalization of production, which has been made possible by

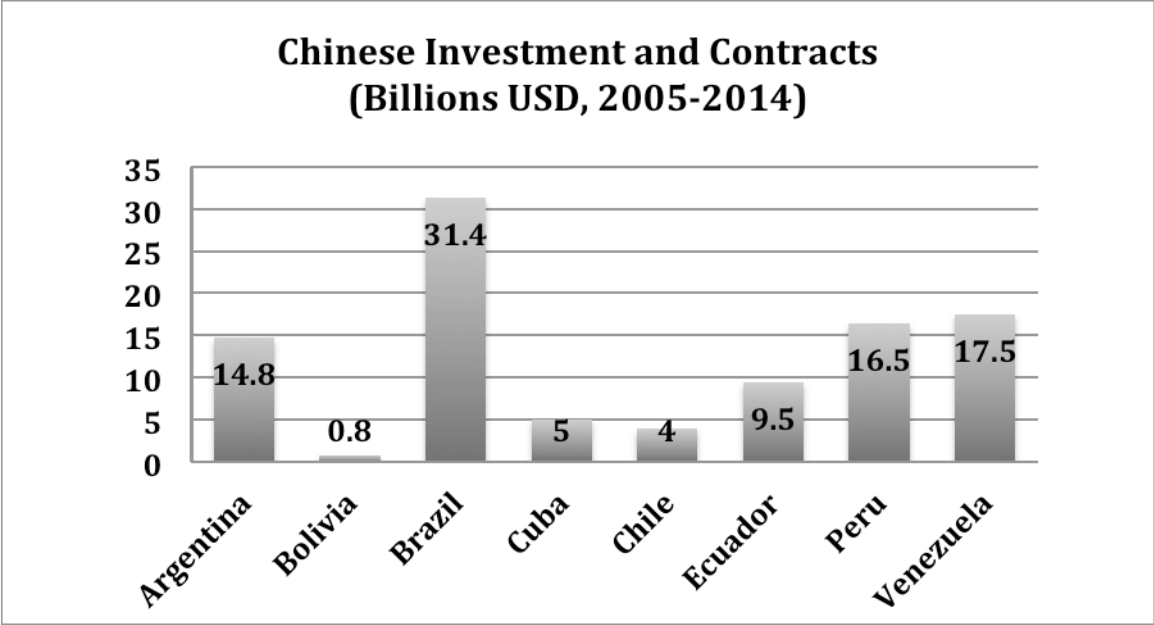
the lowering of trade barriers, organizational innovations, large scale container shipping, the expansion of foreign direct investments, new information and communication technologies and the outsourcing of key production functions and services – all of which have facilitated the increasingly interconnected transnational production and distribution of manufactured products (e.g., see Ali and Dadush, 2011; and Maurer and Degain, 2010). The popular perception of Chinese products is often of cheap consumer goods, but this is not in fact the case. The majority of Mexico’s and Brazil’s imports from China are classified as capital goods and their parts and accessories, and approximately one quarter of the imports are classified as industrial supplies. Consumer goods made up only some 15 to 17 per cent of total imports (for example, see Jenkins, 2012). Rather than being a competitive threat in the market for consumer goods, most of the imports from China may be a source of increased profits for LAC manufacturers by providing them with cheaper equipment, intermediate inputs, and parts and components than either the USA or Europe.

Certainly not an apologist for the trade practices of the PRC, China specialist Evan Ellis at the National Defense University in Washington, D.C. has concluded that this type of trade activity (dumping) is not widespread and not supported by the Chinese government (Ellis, 2013:16). In fact, it appears claims of dumping are generally made by local companies to pressure their governments into applying measures that will protect them from having to compete with imported products. Indeed, in many cases the local manufacturers are already protected by high tariffs and other protectionist trade barriers. This is particularly the case in Brazil, which has one of the strongest protectionist trade regimes in the Americas (e.g., see The Economist, 2011; and Camargo Mendes, 2012).

Chinese Investments in the LAC Region

Not surprisingly, Brazil, the LAC region’s largest country (both in size and population) with the biggest economy, has received the largest amount of Chinese investments and contracts—US\$31.4 billion between 2005 and 2014. To put this quantity into perspective, the estimated global total of all Chinese investments and contracts for this 10 year period is US\$870.4 billion (Heritage Foundation, 2015). Thus, Brazil’s share represents one-twenty-eighth of the total. Mid-sized Venezuela, which has the largest oil supplies and reserves in Latin America and arguably the most leftist government, received the second largest amount of Chinese investments and contracts, approximately US\$17.5 billion between 2005 and 2014, Bolivia, which has the smallest economy, received the smallest amount of investment—US\$840 million. The somewhat larger economies of Cuba and Chile received US\$5 billion and US\$4 billion respectively. The larger economies of Peru and Argentina received the third- (US\$16.5 billion) and fourth- (US\$14.8 billion) largest amounts of Chinese investments and Ecuador, which has a small economy but sizable oil supplies and reserves received the fifth-largest amount (US\$9.5 billion). These loans and investments have helped sustain the Ecuadoran economy in recent years, especially with the dramatic decline in international oil prices (Smith, 2015).

Table 3. Chinese Investment and Contracts in 8 LAC Countries



Colombia and Mexico (not included in Table 3) received only US\$1.7 billion and US\$530 million respectively in Chinese investments and contracts between 2005 and 2014 (Heritage Foundation, 2015). These large Latin American countries, which have more politically conservative and pro-USA governments received about the same amount as the much smaller Central American countries of Costa Rica and Nicaragua, which have left-of-center governments. Costa Rica received US\$710 million and Nicaragua US\$530 million respectively.

There has been about US\$450 million in private Chinese investment so far in Nicaragua’s interoceanic canal project, and the private Hong Kong company involved in the development of this massive project plans to raise between US\$40–50 billion in international investment to cover the costs of the project, including the construction of new ports at either end of the canal (Carvalho, 2016; Reuters, 2014; 2016; teleSUR, 2014). The executive vice president of the canal company has recently stated: “The project will be funded from the huge pool of international funding that is dedicated to this sort of infrastructure project” and that it “will be a combination of equity, debt, export credit, derivatives, construction finance, and project finance” (Carvalho, 2016). The well known consultancy firm McKinsey & Company has carried out a study on the project’s financial feasibility and confirmed the it is indeed feasible.

The conservative Heritage Foundation’s senior analyst Derek Scissors (2013) says that the Chinese investment and contract amounts in the foundation’s data bank are very similar to those published by the PRC’s Ministry of Commerce even though they have been compiled from different sources. He also says that “the tidal wave of Chinese investment around the world predicted by some and feared by others has not materialized.” Instead, he contends the growth of Chinese investments “has been slow but steady.” Scissors predicted in 2013 that China’s annual overseas investments in the LAC region “could breach \$100 billion by about 2016,” but in fact they passed this figure in early 2015. In addition, he predicted

“setbacks will continue to occur due in part to foreign suspicion of [Chinese] state firms,” and he notes the foundation’s data reveal that these “state entities account for over 90% of investment by volume.” However, other observers note that China’s state-owned enterprises tend to have a better reputation than most Chinese private companies because they are targeted by the China Banking and Regulatory Commission, the Ministry of Commerce, and the Ministry of Environmental Protection to make sure they follow the central government’s guidelines for overseas investments concerning environmental protection and cooperation with local communities (Hu, 2013).

Chinese banks have provided an important alternative source of financing for countries such as Argentina, Ecuador, and Venezuela, which because of their large foreign debts have found it difficult to obtain loans from the World Bank, the Inter-American Development Bank, and private lenders in the USA, Europe and Japan (Rapoza, 2015). But some of the opponents of Chinese involvement in the LAC countries have critically characterized Chinese loans and investments in these countries as a Chinese “bailout” of the leftist governments in these countries. For example, one critical observer (Durdin, 2015) has criticized China because it has become “the global lender of last resort” for many of these countries. Another critic objects to the China Development Bank’s “bailout” of Brazil’s weakening economy because it has offered US\$3.5 billion in financing for Brazil’s deeply indebted and scandal-ridden oil company Petrobras (Spinetto, 2015). There is also an article in the MercoPress entitled “Beijing to the rescue of sliding Brazil” (MercoPress, 2015), which provides a disapproving view of the May 2015 visit of Chinese Prime Minister Li Keqiang, who announced during his visit that the Industrial and Commercial Bank of China would set up a US\$50-billion fund for infrastructure projects in Brazil and other LAC countries.

These Chinese financed projects are expected to include the proposed transcontinental railway link between Brazil’s Atlantic coast and Peru’s Pacific coast, which is expected to slash transportation costs for Brazil’s exports to Asia and Peru’s exports to Europe (MercoPress, 2015). But China does not get any real credit for offering to finance these projects or for its so-called financial rescue of Brazil, Ecuador and Venezuela. The US\$50 billion fund announced by Prime Minister Li is regarded by China critics as just “another sign of China flexing its financial might in Latin America, a region that used to be dominated by the United States but where China lent more than the World Bank and the Inter-American Development Bank combined last year” (MercoPress, 2015). The implication in this criticism is that this fund is not a positive development for Brazil and that US hegemony is no longer a problem in the region now that China has supposedly taken its place as the new regional hegemon. However, there is no evidence given for this view other than the unsupported assertion that this generous Chinese offer to finance large scale infrastructure projects is “another sign of China flexing its financial might.” There is also no evidence given to support the assertion that the region is no longer “dominated by the United States” (MercoPress, 2015).

In his speech at the January 2015 meeting of the China–Latin America Business Council, Costa Rica’s President Luis Guillermo Solis, said “Chinese investments have entered more sectors, such as infrastructure, agriculture, digital television, mobile technology, and clean

energy in Latin America,” than the investments made by companies from the USA, which he said have focused largely on the energy sector (Zhong, 2015). And at the 2015 ministerial meeting of the China-CELAC Forum in Beijing, Costa Rica’s foreign minister said that his country, which held the rotating chair of the forum in 2015, would work closely with the other CELAC governments to facilitate Chinese trade and investments in the region by “cutting tariffs, eliminating antidumping measures, and simplifying the visa procedures for Chinese business executives” (Zhong, 2015). In return, China’s President Xi told the LAC delegates at this meeting that they could expect China’s investments in Latin America and the Caribbean to more than double, reaching at least US\$250 billion, over the next decade (Durden, 2015).

As the Chinese see it, the nature of their investments, loans and contracts as well as their scientific and technical assistance are very important aspects of their South-South cooperation strategy. By establishing win-win forms of cooperation (rather than competitive, win-lose relations) in their trade, investments and contracts in the Latin American and Caribbean countries, they contend these relations should be taken into account in assessing the nature of the PRC’s relations with the Latin American and Caribbean countries. The cooperative and unconditional nature as well as the scale of Chinese investments and loans in Latin America and the Caribbean provide no evidence of Sino-hegemony or dependency. In Venezuela and Ecuador, recent Chinese investments and loans have helped to shore up these oil-export-based economies, which have been hit hard by the sharp decline in international oil prices (Tiezzi, 2015).

But in neither case is there any evidence that these Chinese loans and investments have given the Chinese government or Chinese enterprises and investors undue influence over the governments and economies of these two countries. There are no Chinese military bases in these countries (or any where else) and there is no evidence that either the Chinese government or its companies have tried to interfere in or influence the domestic politics of these countries. As a 2013 report by ECLAC on Chinese foreign direct investment in Latin America and the Caribbean has noted, “most Chinese direct investments in the region date only from 2010, and many of them have encountered implementation problems due to the great differences in business environments between the two regions” (ECLAC, 2013: 17). This report also indicates that while “Chinese companies have invested heavily in oil and mining extraction in Latin America they are not the largest transnational corporations in the region, nor do they dominate any particular industry or country” (ECLAC, 2013: 14; see also Hogenboom, 2014).

Based on Brautigam’s and Gallagher’s (2014) preliminary estimates of Chinese development finance in both Africa and Latin America since 2003, it appears that Chinese banks provided approximately US\$132 billion in financing to African and Latin American governments and state-owned firms since 2003. Just over half of this financing or US \$75 billion took the form of commodity or resource-secured finance. Contrary to the claims in the popular press, Brautigam and Gallagher found that Chinese financing in both Latin America and Africa was generally in line with the interest rates in the global capital markets. They also found that the Chinese did not make large windfall commodity profits,

and that with few exceptions they did not require the use of Chinese workers in the projects they financed (Brautigam and Gallagher, 2014).

Based on their analysis, Brautigam and Gallagher (2014) drew five lessons from their research. First, Chinese banks have become major financiers of development projects in both regions, but the lack of transparency associated with these projects has left many policy makers and observers understandably uneasy about the size and the exact nature of the Chinese loans involved in the projects. Second, the international development community which includes intergovernmental organizations such as the OECD and the World Bank need to recognize that China's financial institutions are not like Western development donors. The majority of Chinese finance in Africa and the LAC countries is not subsidized and should be viewed as export credits rather than official foreign assistance. Third, there is no evidence the countries who receive these credits have to lock in low commodity prices as repayment or are forced to use Chinese workers in the projects that are financed. Fourth, the Chinese rarely provide package loans, but when they do they are attractive to the recipients. Brautigam and Gallagher suggest policy makers in other countries might want to explore how they can use this model of project finance to reduce payment risks for their own loans. Finally, they found that the local decision makers who negotiate these loans generally seem to have some leeway to negotiate employment, training and local content conditions with the Chinese financiers, and that they should make the most of this opportunity.

Inter-American Development Bank researcher Richard Bernal (2013) has found that Chinese investments in the Caribbean are somewhat similar to those studied by Brautigam and Gallagher. Bernal found that over the past decade Chinese financiers "have become an increasingly important source of investment" in the Caribbean, but he contends that "China's investment in the Caribbean is still minimal" and it is "largely directed toward securing supplies of raw materials and developing infrastructure, including the construction of buildings, stadiums, and roads." For example, in the Bahamas the China State Construction Engineering Corporation has been involved in the construction of the new Baha Mar mega resort, which is composed of four large luxury hotels and a casino (Whitefield, 2015). This Chinese state-owned company has a US\$150 million investment in the resort and the Export-Import Bank of China has financed US\$2.4 billion of the total US\$3.5 billions dollars that have been invested in this huge project. In this case, however, 4,000 Chinese workers have been involved. Additional Chinese involvement is planned in the construction of another large hotel complex as well as an indoor stadium in the Bahamas. It is interesting to note that the marketing for the new Baha Mar resort is focused on attracting tourists from key cities in the USA and Chinese tourists from mainland China as well as "high-net-worth Chinese" residing in Vancouver, Toronto, London and New York (Whitefield, 2015). This reflects the fact that according to the United Nations World Tourism Organization (2015), China is now the number one source of international tourists in the world. In fact, Chinese tourists spent an estimated US\$129 billion on international tourism in 2013, and they made 109 million trips abroad in 2014 (UNWTO, 2015).

Closer examination reveals that the Chinese investors and companies who are involved in these countries are newcomers who have invested in existing enterprises and they have

frequently been blindsided by the anti-extractivist protests against these enterprises (see, e.g., Hogenboom, 2014). However, the Chinese government is now trying to address the environmental and local social issues associated with its trade in commodities and investments in the LAC countries, and it has begun to regulate the environmental and social impact of Chinese investments and projects overseas under its new Green Credit Policy initiative and Green Credit Guidelines for Chinese banks (CBRC, 2012), which are the PRC's main investors overseas (IFC, 2015). This initiative is being implemented by the central government's powerful China Banking and Regulatory Commission, and, according to none other than the World Bank's International Finance Corporation (IFC), "China's groundbreaking Green Credit Policy [has] encouraged Chinese banks to lend more to energy efficient and environmentally sustainable companies." The PRC's Green Credit Guidelines actually "show the banks how to integrate sustainability thinking into their lending cycle and [the guidelines] will be applied to all lending—both domestic and overseas" (IFC, 2015).

There is very little coverage in the Western and Latin American and Caribbean media of China's Green Credit Policy and the related efforts of its financial institutions to reduce or eliminate the adverse ecological impacts of the companies they finance. There is even less information about the fact that, in response to increasing public concern and international criticism about its enormous dirty energy system and widespread pollution, the PRC "is building a renewable energy system that is now the largest in the world" (Matthews and Hao, 2014). Some international environmental organizations, e.g., the Climate Group (Wu, 2014) and the World Resources Institute (Hu, 2013) have started to give the Chinese government encouragement and limited praise for these initiatives. In an influential opinion essay posted on the World Economic Forum's web site (He and Stern, 2014) Lord Nicholas Stern, one of the world's leading climate economists, has acknowledged that China "is emerging as a global leader in climate policy," and he contends "China's efforts to curb pollution and environmental destruction, while shifting to a more sustainable growth model, can provide valuable lessons for governments worldwide."

As Matthews and Hao (2014) point out: "the most revealing sign of the renewable energy revolution in China is from the investment data." Since 2007 when China adopted a lower carbon emissions strategy of domestic development, they point out "the share of investment in renewable electric energy generation has increased steadily from 32% of the total in 2007, passing 50% in 2011, and reaching 52% in 2013...while investment in thermal power plants has declined from 62% to 25%." These statistics reveal a dramatic and encouraging transformation in China and they give grounds for considerable optimism. As Matthews and Hao indicate: "China is clearly shifting towards greater independence of extractive activities" and towards renewable sources of energy, which "is good for China, and for the world." Furthermore, China is on target to reduce by 2020 its carbon emissions as a proportion of its GDP (carbon intensity) by 45% (Matthews and Hao, 2014).

As China specialist Nick Young has stated with regard to what he calls self-righteous Sino-phobia: "the Western trend towards vilification of China is both crass and unfair because it glosses over the depth and complexity of the social transformations under way there and the staggering difficulty of managing them; and it is also injudicious, because it is likely to

strengthen precisely those forces that are most opposed to political reform” and environmental protection (Young, 2008). Young criticizes “the chorus of international voices pointing to the environmental and social costs” of China’s rapid economic development and its trade and investments overseas, “especially when emanating from countries with plenty of industrial filth and social injustice in their own relatively recent histories.” He says this vilification of China “is heard by China’s leaders as evidence that, rather than accommodating China’s rise, many people in the West want to slap China down and pull up the ladder” so the Chinese people are left permanently behind the West (Young, 2008).

This “West-centric viewpoint” has been criticized in the Chinese media for its Sino-phobia and myopia with regard to the historical record of the Western countries on environmental degradation. For example, in an article several years ago in China Daily (Nalapat, 2009), the author criticized the Western media for its biased coverage of China’s and India’s environmental problems. This article says: “Watching some of the most prominent international TV channels [such as CNN and the BBC] one would get the feeling that the horrors of climate change have been caused by the economic growth of China and India, when the truth is that 87% of the damage is the direct consequence of human activity in the US, the EU and other developed countries.” To counter this biased coverage, the author suggests: “what the developing countries like China, India, Brazil and South Africa need to do is to publish a joint white paper detailing the origins of environmental degradation over the past couple of centuries and giving the per capita greenhouse gas emissions of every country in the developed world” (Nalapat, 2009). In fact, the current data (see COTAP.org, 2016) on the greenhouse gas emissions of Carbon Dioxide in Tonnes per capita of the various countries in the world reveal that China (6.18 Tonnes per capita) and India (1.64) are considerably lower than those of most of the advanced economies such as the USA (17.5), Canada (14.67), Germany (9.06) and Japan (9.25).

Nevertheless, the Chinese people and their leaders realize they need urgently to make far reaching changes in their energy system, economy and life styles to clean up their environment and improve their protection of it to end the devastating pollution of their air, water and soil and address the accompanying adverse effects on their health, the global climate and their country’s precious ecosystems. This does not mean, of course, that all the Chinese companies in the Latin American and Caribbean region and around the world are following the government’s new sustainable and socially responsible development guidelines. As the World Resources Institute’s Hu Tao (2013) points out, “these guidelines seem to mainly target the big State-Owned Enterprises (SOEs), which have done much better in addressing social/environmental impacts than small and medium-sized private companies—not only in their overseas business, but within China.” According to Hu’s research, the Chinese companies that have “the worst social/environmental footprint are the small and medium-sized private companies that invest in Africa or in the ASEAN [Association of Southeast Asian] countries.” As previously mentioned, these SOEs tend to have a better reputation than Chinese privately owned companies because of their closer ties to the central government of the PRC and because they are more closely scrutinized by the China Banking and Regulatory Commission, the Ministry of Commerce, and the Ministry of Environmental Protection, which are increasingly trying to make Chinese companies

both in the PRC and overseas follow the government's guidelines concerning environmental protection and socially responsible cooperation with the local communities where they operate (Hu, 2013).

In this regard, it should be noted that China has given technical and financial assistance for building green energy types of mini electric power plants in Cuba, Ecuador, Guyana and Brazil, and it has helped Cuba build a production line of solar photovoltaic panels using Chinese photovoltaic technology (Sun, 2013). In 2009, a joint Center for Climate Change and Energy Technology Innovation was founded in Brazil by the Chinese and the Brazilian governments to develop renewable sources of energy and other methods of reducing carbon emissions. At the third China-Caribbean Economic and Business Cooperation Forum in 2011, the Chinese government announced it would provide financial and technical assistance for the Caribbean countries to build new small-scale renewable energy projects, using solar energy and wind turbines, which it has been doing (Sun, 2013). The Chinese government also has invested in a pilot Lithium-ion battery factory in Bolivia, which is now being used to train Bolivian technicians for a much larger manufacturing complex that will build both Lithium-ion batteries and electric cars starting in 2019 (Sagárnaga López, 2015). And since 2011, China Xinjiang Gold Wind Science and Technology Corporation has exported wind energy equipment to Ecuador (Sun, 2013).

China has also "become an important ally in Chile's goal of diversifying its energy matrix away from fossil fuels" following Argentina's decision to stop its natural gas exports to Chile in 2008 (Borregard et al, 2015:1) Facilitated by the Free Trade Agreement between China and Chile (established in 2006), China has provided low-cost solar PV panels to Chile and has made sizeable investments in several major solar power projects (Borregard et al, 2015:1). As a result, a promising relationship has developed between Chile and China in this important area of green energy development (Borregard et al, 2015:1). As a final example of Chinese-Latin American cooperation in green energy development, the Chinese company Yingli Green Energy was one of the sponsors of the 2014 World Cup international football championship games held in Brazil. Yingli received considerable favorable publicity during the games, because the company installed solar electric lighting at all the stadiums involved and provided public information on its solar energy products at each of the 64 games played throughout Brazil (CEBC, 2014:5).

The Future of Chinese – LAC Relations

The public in China has become increasingly concerned about the impact of environmental degradation on their health. As a result, environmental protection and the development of a low-carbon economy are among the top priorities in the government's 13th Five Year Plan (2016-2020). Under this plan (SCPRC, 2016), companies operating in China will face stricter environmental regulations in areas such as carbon emissions and wastewater treatment. This will be accompanied by major investments in energy-efficient and environmentally friendly machinery, technological innovations and low carbon production processes. The Plan will give rise to important investment and business opportunities in green industries, renewable energy, fuel-efficient automobiles, environmentally friendly materials and recycling. The Economist's Intelligence Unit (EIU) has generally given high

marks to the PRC's 13th Five Year Plan. According to their assessment (The Economist, 2016): "Plans to raise the urbanization rate to above 60% by 2020, from 56.1% in 2015, should be easily achievable, as is decreasing energy consumption and carbon emissions per unit of GDP by 15% and 18% respectively in 2016–20." According to the EIU "the inclusion of a target for a reduction in air pollution (as indicated by PM2.5 levels) for the first time is also encouraging." Nevertheless, the EIU argues that "with coal consumption falling, the government could have been bolder with its environmental targets." They also note approvingly that: "there is also a greater emphasis on deepening trade, investment and financial flows with the international economy" compared with the previous five year plan (The Economist, 2016).

The PRC's new development strategy, which is enshrined in the 13th Five Year Plan (SCPRC, 2016), will slow down and redirect the growth of China's economy in a more environmentally sustainable direction, and this will undoubtedly have an important impact on the Latin American and Caribbean countries that trade with China. If the Chinese economy stagnates and fails to achieve the new goals set by China's leaders, this will of course have adverse effects on China's trade and investments in the LAC countries. However, if the PRC's new strategy of growing its economy through increasing domestic consumption, the development of green energy and wide scale technological innovation succeeds there will be new opportunities for the LAC economies to export a more diversified basket of goods to the Chinese market and attract Chinese investments and loans into new sectors such as renewable energy. This should benefit the LAC countries more than the past super cycle of rising commodity exports stimulated by China's rapid economic growth (ECLAC, 2015:6).

As already indicated, the Government of China recognizes the strategic importance of its links with Latin America and the Caribbean and has accordingly made it a priority to find institutional mechanisms for dialogue with the region. Thus, in January 2015, at the first meeting of the China-CELAC Forum, President Xi proposed a five-year cooperation plan for the period 2015-2019 (China-CELAC Forum, 2015) with the members of the Community of Latin American and Caribbean States. This plan is structured around a "1+3+6" framework, which signifies a "single" plan to achieve inclusive growth and sustainable development through "three engines" (trade, investment and cooperation) in "six" fields: energy and resources, infrastructure, agriculture, manufacturing, technological innovation and information technologies. The plan provides an appropriate institutional framework to make significant progress in all the areas of mutual interest. Both sides must now agree upon mutually beneficial actions in order to give this cooperation concrete form. In this regard, it is important to note that Chinese Premier Li Keqiang in his May 2015 visit to Brazil announced that the PRC plans to transfer industrial technology and fund industrial joint ventures overseas on a large scale. Li also said the PRC will provide approximately \$70 billion USD in special funds for this purpose (Gan, 2015).

The PRC's new emphasis on creating a sustainable and inclusive economy through increased domestic consumption, nonpolluting sources of renewable energy and clean high-technology industries offers the prospect of creating new opportunities for a more diverse mix of exports to China from the Latin American and Caribbean countries. It will

probably also stimulate increasing Chinese direct investment in environmentally sustainable and socially responsible manufacturing, infrastructure, and renewable energy projects in the LAC region (see ECLAC, 2015a). The PRC's goals for the future as set down in the 13th Five Year Plan include greening its overseas investments and diversifying its trade with developing countries to support the technological scaling up of their industries and the diversification of their economies. Chinese companies are already playing an active role in providing green technologies to the LAC countries, but the PRC will need to strengthen the enforcement of its Green Credit Guidelines to improve the performance of its companies in Latin America and the Caribbean. The pursuit of these future goals will foster long-term South-South economic cooperation and political solidarity with the LAC countries, especially with regimes that share similar economic, social and political interests with the PRC such as Cuba, Bolivia, Ecuador and Nicaragua.

The joint OECD, CAF and ECLAC report entitled Latin American Economic Outlook 2016: Towards a New Partnership with China makes a number of important suggestions about what the LAC countries should do to deepen and improve their cooperative partnership with China (OECD/CAF/ECLAC, 2015:162-167). As this document indicates, the relations of the LAC countries with China have become and will continue to be important to their development. This report acknowledges that over the last two decades the center of gravity in the world economic system has shifted away from the advanced OECD economies towards China and the other emerging economies. This evolving transformation in the world economy has given rise to what the report calls a process of “shifting wealth” to the emerging economies and to a lesser extent to the developing countries as a whole. The relations between the LAC countries and China are evolving in this transformational period and the report predicts they will continue to evolve beyond the existing patterns of trade and investments.

This report argues that the changing nature of their relations with China will challenge the LAC countries to adopt specific policy reforms that will contribute to their development through a mutually beneficial South-South partnership with China. These suggested reforms include establishing the appropriate conditions for Chinese investments that will close the region's large infrastructure gap, diversify the region's exports and encourage Chinese banks and firms to invest in developing important regional manufacturing networks in the automotive and electronics sectors, which would strengthen both the regional value chains in these industries and increase intra-regional trade (OECD/CAF/ECLAC, 2015: 164-165). As this report suggests, the future of the LAC countries relations with the PRC will depend upon how well both the Chinese and the LAC economies meet their respective development challenges and strengthen the South-South partnership they have established over the course of the last decade.

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Endnotes

1. China's political leaders believe that the country is in a "primary stage of socialism," which requires both private and public ownership of the means of production and both market relations and centralized state planning to regulate the "socialist modernization" of the country. This is the essence of China's "socialist market economy." China's socialist state encourages "market forces to play a decisive role in resource allocation" but maintains "the dominance of the public sector and continues to strengthen the economic vitality of the state-owned enterprises" so that the state controls the economic, social, and political development of the country (China Daily, 2013).

Derrick Scissors (2009) of the conservative Heritage Foundation clarifies the nature of privatization in China in his article entitled "Liberalization in Reverse", where he states: "Examining what companies are truly private is important because privatization is often confused with the spreading out of shareholding and the sale of minority stakes. In China, 100 percent state ownership is often diluted by the division of ownership into shares, some of which are made available to non-state actors, such as foreign companies or other private investors. Nearly two-thirds of the state-owned enterprises and subsidiaries in China have undertaken such changes, leading some foreign observers to re-label these firms as 'non-state' or even 'private.' But Scissors argues this reclassification is incorrect. The sale of stock does nothing by itself to alter state control: dozens of enterprises are no less state controlled simply because they are listed on foreign stock exchanges. As a practical matter, three-quarters of the roughly 1,500 companies listed as domestic stocks are still state owned." Scissors (2009) also notes that "no matter their shareholding structure, all national corporations in the sectors that make up the core of the Chinese economy are required by law to be owned or controlled by the state," and he adds top "Chinese officials routinely bounce back and forth from corporate to government posts, each time at the behest of the CPC."

2. The leaders of the PRC consider China to be the world's largest developing country and the crowning achievement of its state-planned economic development is that it pulled 680 million people out of poverty between 1981 and 2010 and reduced the percentage of the population living in poverty from 84 percent in 1980 to 10 percent in 2013 (The Economist, 2013). However, as the State Council's white paper on China's Peaceful Development (SCPRC, 2011) indicates:

China has a large population yet a weak economic base. It has to feed close to 20% of the world's population with 7.9% of the world's farmland and 6.5% of the world's fresh water. What has been achieved in its social and economic development must meet the need of 1.3 billion people, which presents a great challenge to China. China's per capita GDP in 2010 was about US\$4,400, ranking around the 100th place in the world. Unbalanced

development still exists between the urban and rural areas and among different regions; the structural problems in economic and social development remain acute; and economic growth, which excessively depends on resource input, is increasingly constrained by resource shortages and environmental problems. All this has made the shifting of the growth model a daunting task.

Because of these conditions, the PRC's leaders believe the country's "modernization will be a long-term process" and "China will remain a developing country for a long time to come." This is clearly stated in the white paper (SCPRC, 2011:Section IV):

China's modernization involves one fifth of the world's population and will be a long-term process. The scale and magnitude of the difficulties and problems involved are unprecedented in the present world and rare in human history. China will remain a developing country for a long time to come, which means that China must dedicate itself to advancing its modernization drive, promoting development and improving its people's livelihood. This calls for maintaining a peaceful and stable international environment and conducting international exchanges and cooperation. China could become strong in the future. Yet peace will remain critical for its development, and China has no reason to deviate from the path of peaceful development.

Note that China's leaders believe that the country's continued development depends on "maintaining a peaceful and stable international environment." This is not propaganda (although it can be used as such), rather it is one of the regime's most important strategic goals and it is constantly mentioned as such by the country's leaders in a wide variety of official statements, documents and venues.