China's Geopolinomic Goals in Argentina, Chile, and Ecuador

How Chinese Resource Extraction is Reinvigorating the Debate on Dependency

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ABSTRACT

The purpose of this study is to identify signs of economic dependency China creates in South America. The study builds on dependency theory by challenging China's self-categorization as a periphery nation. Using the mixed-methods case study approach, this study explores the effects of China's going out policy in South America. Specifically, the focus in the study is on asymmetric trade, increased debt, and economic dependency in the context of Argentina, Chile, and Ecuador. One of the study's significant findings is that *dependency begins with access*. China is efficient at securing access to natural resources through its trade arrangements, which seem to have a de-industrializing effect. Another major finding is that although China is not the main variable in South America's economic status, China holds an essential role in the region's quest for economic and social development.

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List of Abbreviations:

Argentina, Chile, Ecuador (ACE)

Banco Central de Chile (BCC)

Banco Central del Ecuador (BCE)

Belt and Road Initiative (BRI)

China Export-Import Bank (China Ex-Im)

China Machinery Engineering Corporation (CMEC)

China National Petroleum Corporation (CNPC)

Chinese Development Bank (CDB)

Coco Codo Sinclair (CCS)

Copper Partners Investment Company Limited (Cupic)

UN Economic Commission for Latin America and The Caribbean (ECLAC)

Free on Board (FOB)

Free Trade Agreement (FTA)

Instituto Nacional de Estadística y Censos (INDEC)

Kilo Metric Tons (KMT)

Observatory of Economic Complexity (OEC)

Overseas Foreign Direct Investment (OFDI)

People's Republic of China (PRC)

CHAPTER ONE: INTRODUCTION

Background of the Study

United Nations economic outlook reports in 2013 maintained a positive consensus for South America. They noted stable inflation rates, modest but steady GDP growth, and historic lows for unemployment (World Economic Situations and Prospects, 2013). Seven years later, these same reports paint a divergent picture. The region regressed economically following a rapid recovery from the 2008 financial crisis (Figure 1). High levels of debt also re-emerged in the region (Figure 2). Downward growth, stagnant GDP, increasing poverty rates, rising government debt-to-GDP ratios, and uneven growth are all terms used to describe current conditions in the region (World Economic Situation and Prospects, 2019).

Sino-Latin American trade has grown significantly and must be accounted for in any study of South American economics. Over the past decade, Chinese policy banks have provided more finance to Latin America than the World Bank and International American Development Bank combined for a total of over $131 billion in loans since 2009 (China-Latin America Finance Database, 2020; Gallagher & Irwin, 2015, p. 101; Liang, 2019, p. 437). China is now the top trading partner for several South American states to include Chile, Brazil, and Peru (Observatory of Economic Complexity (OEC), 2019). Chinese economic and political activities in the region center on distinct extractive industries and massive infrastructure projects. The region is potentially developing a reliance on China as a source of finance and as a destination for exports.

While many studies have identified the growing geopolitical influence of China in South America, few have quantified economic data on individual states and specific economic sectors. Research focuses on China's growth, but then devolves along political divides, focusing not on data, but the problem set of a communist nation exporting manufactured goods in return for massive amounts of natural resources. This thesis seeks to fill that research gap and contribute to the academic conversation on Chinese activities in South America.

Three South American States provide a multi-layered perspective of Sino-South American relations: Argentina, Chile, and Ecuador (ACE). The research portion of the thesis is conducted in the context of ACE and China. ACE provide qualitative and quantitative data on China's multifaceted approach to regional engagement.

Statement of the Problem

China is suspected of creating trade dependency, increasing debt, and encouraging de-industrialization in South America (Giraudo, 2019, p. 74; Gonzalez-Vicente & Annita, 2020, p. 233). China is a primary export destination for South America creating the potential for trade dependency (Barton & Rehner, 2018, p. 82; Laufer, 2013, p. 127). States remain focused on primary goods by exporting raw material for processing elsewhere and losing the opportunity to add value to their resources. This can lead to de-industrialization as the production of commercial or consumer goods is overshadowed by the opportunity to export massive amounts of raw material. The study intends to examine these trends within the context of ACE and China's increasingly significant role in the region.

Purpose of the Study

The purpose of this study is to identify signs of economic dependency China creates in South America. The study measures economic indicators of South American states which have had a consistent economic and political relationship with China in the last ten years. Qualitative and quantitative data on trade, financial flows, and infrastructure projects in ACE are used to investigate trade dependency and asymmetry, debt, and de-industrialization in South America. Exploring the nuances in the economic ties between China and ACE can inform the overall economic performance in South America.

The region is aware that development is needed. During a recent UN Economic Commission for Latin America and The Caribbean (ECLAC) forum the Executive Secretary of ECLAC, Alicia Bárcena, stated, "We have to go to a different future. Latin America and the Caribbean cannot continue to tolerate the structural injustice that distinguishes it" (ECLAC, 2021). Chinese interactions are very structured and will have significant impacts on the economies of the developing states that comprise South America. The thesis seeks to inform on this phenomenon in the context of Sino-ACE relations and illuminate if China offers a different future.

Significance of the Study

China is at a historical juncture; in 2013, China began its Belt and Road Initiative (BRI). China advertises the BRI as an opportunity for developing an economic and political community apart from the traditional western models (Barton & Rehner, 2018, p. 81). In the context of South America, the BRI is best described as a long-term plan to

create social and political connections while securing access to the region's natural resources (Hiratuka, 2018, pp. 8-9). The BRI is arguably the political manifestation of China's massive need for natural resources. China's growth outpaces its domestic resources and has forced the nation to acquire them elsewhere (Oviedo, 2013, p. 14).

Chinese economic statecraft in the Western Hemisphere is still developing; now is the time for early analysis. Economic statecraft is the influence of a state's economic activities by an outside party to achieve a political end (Liang, 2019 p. 434). China uses its economic power on both developed and underdeveloped nations when Beijing feels its national interests are at stake (Kwon, 2020, p. 104). This study illuminates economic statecraft and its effects on sustainable development. Specifically, it informs on relationships and outcomes between the primary product-based economies of South America versus China's consumer-based economy. China insists it is helping nations develop and providing an alternate to western sources of capital and western destinations for exports that kept developing regions marginalized. State and industry-focused analysis builds on a growing literature that seeks to explain persistent problems in developing regions and measure the validity of China's claims as partner in development.

Figure 1

Rate of Growth as a Percentage of Annual GDP in Latin America and ACE

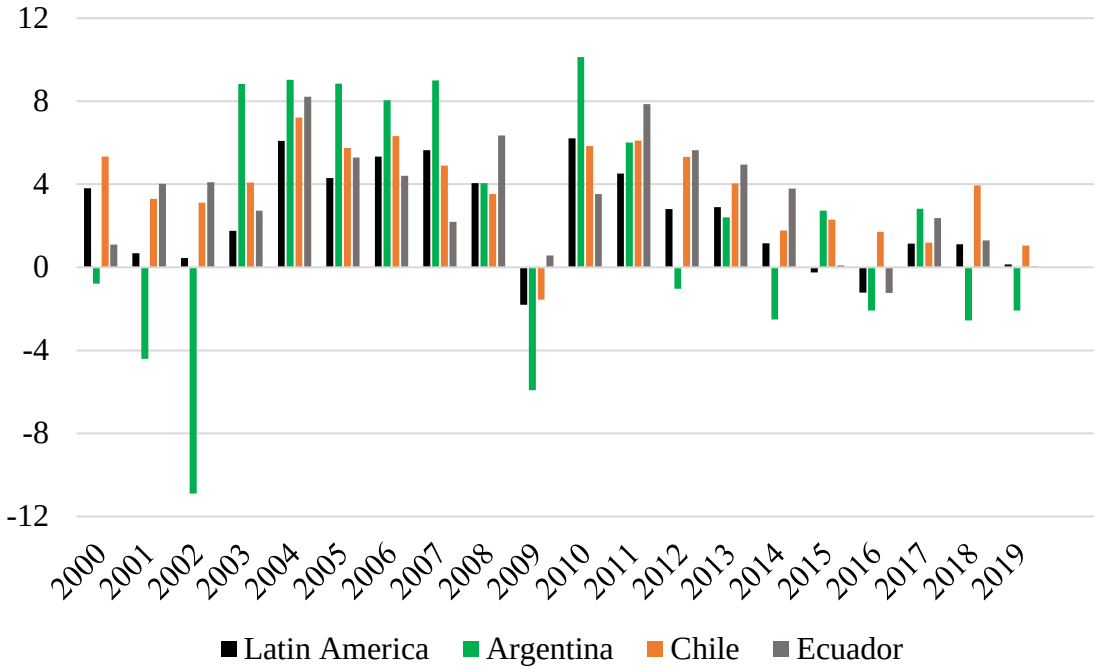
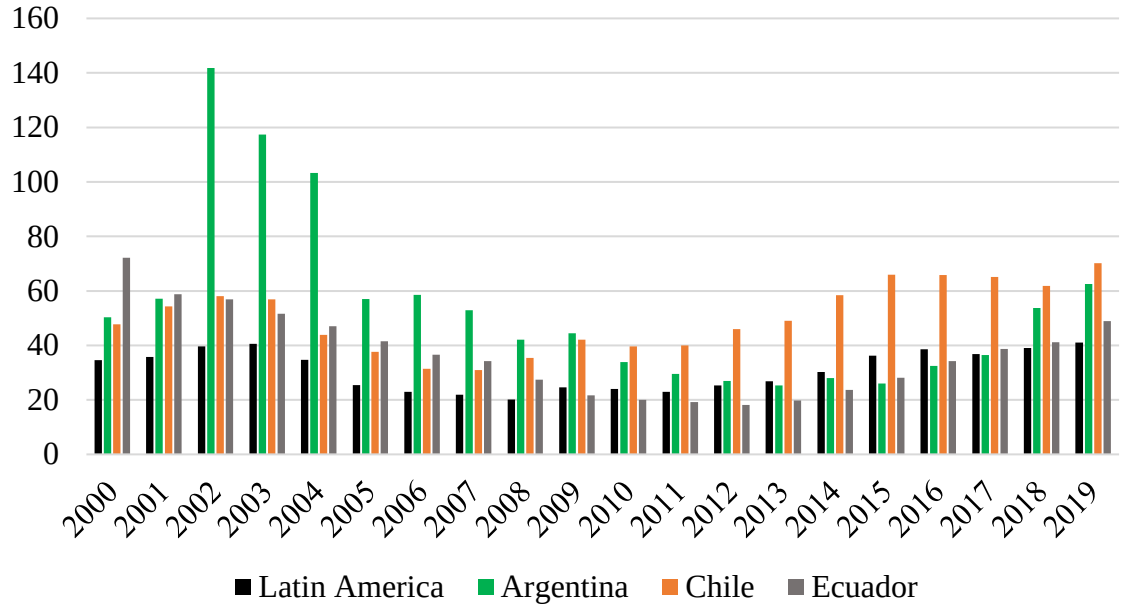


Figure 2

External Debt as a Percentage of GDP



Figures by author, data collected from Economic Commission for Latin America and the Caribbean, CEPALSTAT: Databases and Statistical Publications)

CHAPTER TWO: LITERATURE REVIEW

Asymmetric trade, increased debt, and de-industrialization are all concerning characteristics of Sino-South American relations. This chapter explores trade, debt, and prospects of industrialization through the lens of dependency theory. The first section details the historical context of the theory. Second, the review notes the gaps which exist in the literature on Sino-South American relations under the emergence of two dominant schools of thought. The chapter then proceeds into current trends and themes before concluding with areas for continued research.

Historical Context of Dependency Theory

Dependency theory has been used to explain the historic and persistent inequalities which exist between the Global North and Global South. The colonial history and economic dichotomy between "core" and "periphery" states is the foundation of the theory (Farny, 2016). The Global North or core states represent economically developed states with strong manufacturing sectors and diverse export profiles. Periphery states are underdeveloped with export-driven, commodity-based economies, reliant on specific industries or products. The theory focuses on "center-periphery dynamics" (Milani, 2021). These dynamics include asymmetric trade relationships, reliance on the core for capital flows, and narrow domestic production capabilities in the periphery (Farny, 2016).

The development of dependency theory is uniquely intertwined with South America. Raúl Prebisch, one of the theory's most important scholars, served as the chief trade diplomat for Argentina during the 1930's. While in position, Prebisch witnessed a British market crash adversely affect Argentina's export sector. Prebisch realized

Argentina's narrow economic focus on exporting primary products left the country dependent on the markets of wealthy nations. Prebisch would move on to serve on the ECLAC and continue to build upon dependency theory. He would progress the theory away from Neo-Marxist tendencies, which promoted centralized socialist economies, towards a more neo-liberal perspective. The neo-liberal ideology Prebisch advocated for suggested protectionist policies should be used to prevent mass imports of manufactured goods. This in theory would allow domestic markets to develop (Schmidt, 2018).

Gaps in Literature

Dependency theory is a useful theoretical framework for discussions on South America's economic relationship with developed nations. There is not a consensus on whether China can be categorized as core or periphery or if the relationship with developing regions can be labeled as dependent. Dependency theory is normally a critic of western capitalism and the Global North (Giraudo, 2019, p. 63). China's status as a communist nation challenges the traditional narrative of the theory. There are two competing theoretical perspectives: south-south cooperation and western perspective. Both diverge on how China should be viewed through the lens of dependency.

The south-south cooperation perspective argues China should be categorized as part of the Global South or periphery. China's rise has the potential to pull other southern nations upward in tandem. Liang (2019) compared the effects of Chinese Overseas Foreign Direct Investment (OFDI) in Brazil and Mexico to show that a win-win relationship is attainable if the right domestic conditions are met. China played a role in cushioning the 2008 financial crisis in Latin America by increasing the demand for raw

materials and maintaining the value of goods. (Hiratuka, 2018, p. 6; Myers & Gallagher, 2020). Chinese investments have a larger impact on infrastructure development and regional connectivity than resource extraction (Hiratuka, 2018, pp. 8, 20).

China consistently self-categorizes itself as a member of the Global South. Remarks by the President of the People's Republic of China (PRC), Xi Jinping, in 2021 at an anniversary meeting for the South-South Cooperation Assistance Fund and the Institute of South-South Cooperation and Development reiterated the south-south theme. During the meeting, the United Nations Secretary General, António Guterres, commended China's efforts and noted China's ability to help developing countries attain self-sufficient and sustainable development (Jin, 2021).

An increased tendency in the academic literature is to give specific attention to Chinese policy bank loans in the extractive industries, megaprojects, and uneven trade. Ellis (2018) studied Chinese-Ecuadorian relations and concluded that China used Ecuador's poor credit ratings and weak domestic politics to seize upon high-interest, oil-backed, loan agreements (p. 84). Western scholars repeatedly identified asymmetric trade relationships (Ellis, 2018; Laufer, 2013; Oviedo, 2013). Argentina's soy exports highlight the issues surrounding asymmetric trade. China is the main consumer of Argentina's soy yet only allows imports of raw soybean while exporting commodities and manufactured goods. This creates an imbalance not just in value, but in industrial development as well. The research suggested this was part of a larger trend that mirrored the region's history with colonial powers (Laufer, 2013, p. 127). Puyana and Constantino (2015) in their study of Chinese land acquisitions in South America, concluded China's objective is the

production and export of raw materials and food. In Brazil, the study noted the use of a Chinese "enclave" that used Chinese labor and therefore had no positive impact on the local economy (p. 112-113).

China's ability to serve as a lender of last resort, makes a compelling case for placing China into the core nation category. Beijing has created a massive trade deficit in South America and incentivizes states to focus on primary product exports while allowing China to send manufactured goods into their markets (Giraudo, 2019, p. 64). Western schools of thought insist these factors create dependency and dismantle China's narrative of southern cooperation.

Although the tenets of dependency theory help explain the current economic struggles of the region, the theory's application to China-South America relations is incomplete. Some tend to view China as predatory; scholars who focus on south-south cooperation acknowledge troubling trends but place the onus of success on South American policies (Ellis, 2018; Liang, 2019, p. 447). Analysis of trade asymmetry and financial flow helps bridge gaps in literature and come to a more nuanced understanding on dependency in South America.

Trends and Themes

Dependency theory has been used to frame the problem of Chinese resource extraction in developing regions (Abdenur, 2017, p. 4; Barton & Rehner, 2018, p. 82). Given the recent nature of the issues, a limited body of literature explores this phenomenon. There are several trends and themes which inform Sino-South American relations and dependency theory in South America.

Gonzalez-Vicente and Montoute (2021) used dependency theory to assess current Chinese-Caribbean relations. They noted: “The continued dependence on the plantation sector and other similarly foreign-controlled, natural resource-based and export-oriented sectors provided a good explanation of the external underpinnings of postcolonial underdevelopment” (p. 222). Gonzalez-Vicente and Montoute concluded economic relationships with China often reinforce a propensity for developing nations to self-categorize themselves into periphery countries by setting themselves on a narrow development trajectory.

Giraudo (2019) in her study of the Chinese soybean trade in South America built on the concept that nations are obstructed from determining their development paths. She found China’s economic influence manipulates entire portions of a state’s market. In the case of soy, China influences the production matrix to encourage only production and exportation of unprocessed beans. This diverts states away from industrializing around their primary products, in this case, the production of soy oil and meal (Giraudo, 2019, pp. 61, 64). More than simple trade imbalance, dependency theory predicts an industrial regression. The trade structure between Latin America and developed nations causes a net loss of capital for Latin America. The added value of manufactured goods Latin America imports outpaces the value of the primary products the region exported.

Financial dependency is a major theme in current literature. The Chinese Development Bank (CDB) and China Export-Import Bank (China Ex-Im) play a significant role in enabling Chinese firms to gain access to South American markets. The CDB and China Ex-Im have historically been used as policy banks, meaning their main

purpose is financially supporting the PRC political and economic goals (Gallagher & Irwin, 2015, pp. 101-102). Naturally, these banks also provide loans to South American states. The loans provided to South America often function to ensure the proper equipment and infrastructure is available for resource extraction and exportation (Laufer, 2013, pp. 137-138).

Large loans often follow debt crises and debt restructuring in South America. Argentina defaulted on over $100 billion in 2001 (Luque, 2018, p. 606). In 2008, Ecuador defaulted on over $3 billion, citing predatory debt holders (Eugina, 2008). Venezuela's state-controlled oil company defaulted on all bonds in 2019, effectively baring itself from the global market (Cohen & Oatis, 2020). These three states are among the top destinations for Chinese loans (The Inter-American Dialogue, 2020). Debt defaults isolate countries from external capital markets causing them to look towards China. This pattern earned China a reputation as the lender of last resort, which helps explain the high-interest rates associated with their loans (Stanley, 2018, p. 79).

There is also a social context behind South American states and their appetite for Chinese lending. International Monetary Fund (IMF) loans in Latin America have created social unrest in the past. Protests usually focused on austerity measures linked to IMF loans. In Argentina and Bolivia, protests against IMF loans resulted in the resignation of the countries' presidents (Ortiz & Béjar, 2013, p. 496). IMF loans have historically led to upheaval in the region because the population views these loans as an afront to national sovereignty (David & Béjar, 2013, pp. 493, 496). These factors make many states in the region dependent on Chinese financing.

China is a core country in bilateral trade. Chinese investments in resource extraction ensure a reliable supply of South American raw material in exchange for manufactured goods. The commodification of resources, however, slows industrial growth (Oviedo, 2013, pp. 14-15). China's high purchasing capacity combined with a growing demand for raw materials placed many South American states on a narrow economic development path. This is exacerbated by Chinese imports of basic goods to the region which can stifle domestic production (Barton & Rehner, 2018, p. 82). The nations positioned to provide long-term natural resource access have undergone a sharp increase in manufactured imports from China. These same states' exports did not increase accordingly and led to a growing import coefficient. Apart from monetary differences in trade flow, China restricts imports to specific commodities while exporting a wide array of manufactured products to the region (Hiratuka, 2018, p. 11).

While trade profiles between China and South America follow a core-periphery model, not all states experience a trade deficit with China. Brazil, which has the highest level of OFDI from China, enjoys a trade surplus (Hiratuka, 2018, p. 14; Liang, 2019, p. 441). Chile, which was the first in the region to sign a free trade agreement (FTA) with China, has historically enjoyed a trade surplus as well (Gachúz, 2012, p. 143). South American states do use legislation and diplomacy to curb Chinese imports. Latin America has more anti-dumping laws than any other region, and the main target of the regions' laws is China (Facchini, Olarreaga, Silva, & Willmann, 2010, pp. 447-448). Despite protectionist policies and promising results in Brazil and Chile, the region suffered a $67 billion trade deficit with China in 2019 (Liang, 2019, p. 446).

Trends point to a dependent relationship where China enjoys core-nation status and South America acts as a periphery region. This claim seems to hold under an analysis of both debt and trade. The existence of states who do not have a trade deficit with China, however, suggests that domestic policies do play an important role.

Continuing Research

It is difficult to conclude Chinese OFDI and trade create a wholistically dependent relationship in South America. Loans and trade arrangements come with unfavorable characteristics to include high-interest rates, trade deficits, and trade dependency. Yet the correct way forward for Sino-South American relations is in the early stages of development. More research is needed especially on the megaprojects China is undertaking in the region (Abdenur, 2017, p. 16). It is too early to determine if China's engagement is sustainable and beneficial (Shapiro, Vecino, & Li, 2017, p. 34).

South-south cooperation scholars argue the region needs a better understanding of China's strategy. With a better understanding and improved domestic policies, the economic relationship can produce a beneficial south-south partnership (Barton & Rehner, 2018, p. 86; Hiratuka, 2018, p. 21; Liang, 2019, p. 447). This perspective points to success in Peru and Chile who de-industrialized and negotiated FTA's with China, accepting their roles as periphery states rather than competing with Chinese exports (Oviedo, 2013, p. 24).

The assertion that China's involvement is both a challenge and an opportunity faces significant hurdles. There is little evidence China has produced economic development in the region (Laufer, 2013, p. 140). There is compelling evidence of China

creating economic dependency in South America (Puyana & Costantino, 2015, pp. 115-116). The only win-win relationships are for China and South American political elites, at the expense of the host nation (Ellis, 2018, p. 95).

Both perspectives share common ground and have strengths and weaknesses. The south-south cooperation perspective accurately predicted positive results in Sino-Chilean relations and negative results in Venezuela. Yet, this theory struggles to come to a consensus on how smaller commodity-driven economies can shield themselves from Chinese imports and develop their manufacturing capabilities. The western perspective can explain trade asymmetries and the risks of heavy state involvement. It fails, however, to address the failings of western institutions, provide evidence that South America can find an alternative development path, or address domestic roadblocks. Therefore, deeper analysis is needed to determine if Chinese economic engagement is beneficial and sustainable.

CHAPTER THREE: METHODOLOGY

China's geopolitics are analyzed in ACE using the case study approach. The three states were purposefully selected for several reasons. ACE give a diverse assessment of Chinese OFDI for the region. They represent varied political backgrounds. Chile has the most neo-liberal market in the region and was the first to sign a free trade agreement with China (Gachúz, 2012, p. 143). Ecuador remains left-wing yet has distanced itself from the most leftist regimes in the region (González, 2018). Argentina has historically varied on the political spectrum, yet following Chile, is one of China's oldest partners in South America (Luque, 2018, p. 608).

All three states have economically engaged with China in different ways and their case studies detail the methods of Chinese economic statecraft. Despite political and economic differences, China is invested in extractive industries in each: oil in Ecuador, agriculture in Argentina, and mining in Chile. They also share the similarity of having a core-peripheral model; their exchange structure with China is mainly raw materials for manufactured goods (Oviedo, 2013, p. 9).

The method explores a wide range of variables between Chinese economic statecraft and dependency in South America. This diverse case selection and analysis approach is exploratory and illuminates the relationship between China and dependency. The research is discriminant because Chinese statecraft as a variable is more continuous than the outcomes in South America. The level of variation allows the selected cases to provide representation of the region (Seawright & Gerring, 2008, p. 300).

Data Collection

Data for these case studies were taken from each states' central bank, trade bureau, or government agency responsible for a given commodity. This mainly includes Banco Central de Chile (BCC), Banco Central del Ecuador (BCE) and Argentina's Instituto Nacional de Estadística y Censos (INDEC). Data consistency is limited by differences in each states' method of recording, including level of detail, categorization, and time frame covered. For industry-specific quantitative data, the research uses publications from the respective state-owned enterprises such as Chile's Copper Partners Investment Company Limited (Cupic) as well as other news sources. China does not regularly publish loan data (Gallagher & Irwin, 2015, p. 103). The study relies on the host nation or press releases for most information regarding policy bank loans and investments.

Data Analysis

Each case study analyzes extractive industries, trade, industrialization, and debt in ACE. Key portions of the studies include the terms of loans and trade agreements, how these affected production and export of raw materials, and the profits or debt facilitated by the arrangement. Qualitative analysis of the cases highlights important distinctions, similarities, and patterns throughout the region and in China's economic statecraft. While commodities and modes of Chinese entry into the market vary for each case, one common metric is each state's respective level of industrialization for the commodity being studied.

Conclusion

The case studies and their respective data cover many of the key indicators of dependent relationships. This includes foreign finance, trade profiles, and industrialization. The cases cover the region's diverse array of natural resources. Although obstacles and gaps existed in data collected, the following case studies add to the growing body of research that seeks to understand the economic conditions in South America and China's emerging role as a global economy.

CHAPTER FOUR: CASE STUDIES

This thesis presents three case studies devoted to analyzing China's economic and political activities in South America. The case studies are relevant because each state has historic ties to China. Far from a completely new phenomenon, there is a depth of data that illuminates economic and political trends in each state. Each state has experienced some type of political friction with China yet has chosen to retain China as an economic partner. The case studies begin with contextual data before analyzing state-specific industries, finances, megaprojects, and trade relationships.

Two contextual data sets for the case studies are displayed in Figure 3 and Table 1. First, trade balance varies across the three states. Chile enjoys a large trade surplus, while Argentina has a massive trade deficit. All three states have increased as import destinations for Chinese goods to the point where China is their top importer. This data provides an important perspective for the case studies. Trade asymmetry is not uniform, nor should it be a foregone conclusion. China is growing not only as a destination for ACE exports but as an origin for goods itself.

Figure 3

China's Trade Balance in ACE in USD Billions

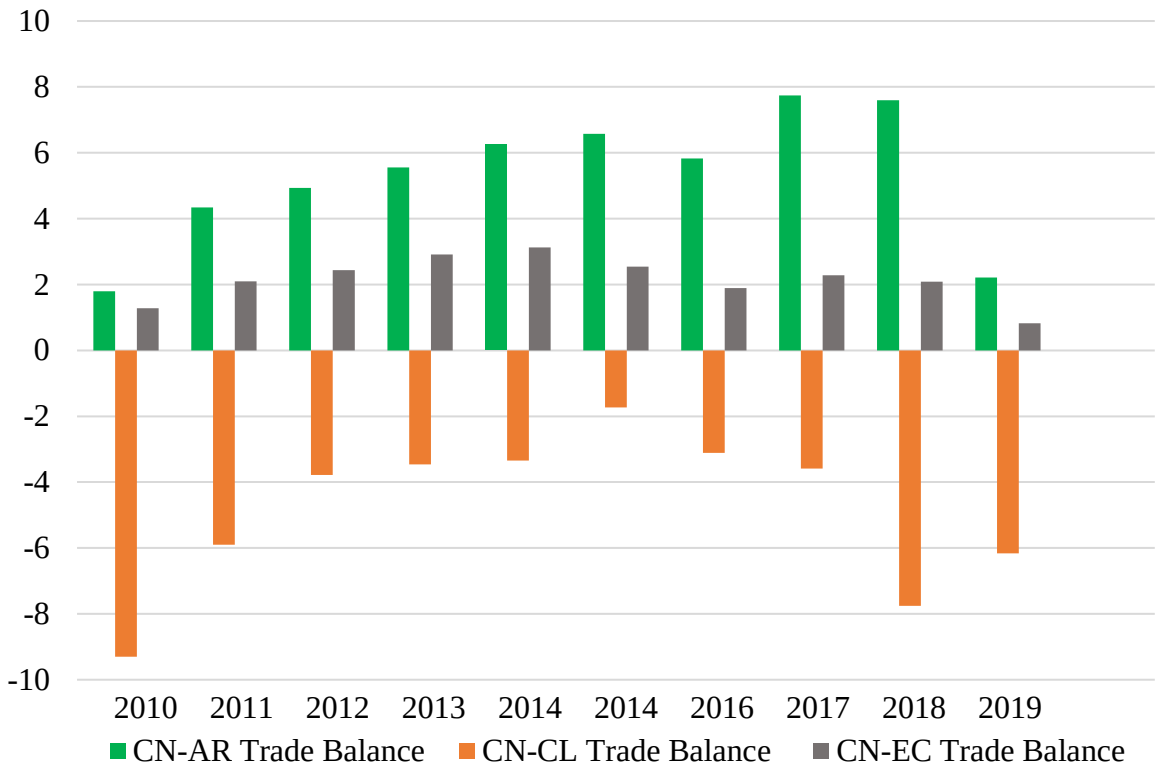


Table 1

China's Share as a Percentage of Value for Total Imports to ACE

Year	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20
Argentina	14%	14%	15%	15%	17%	20%	19%	18%	18%	19%	20%
Chile	14%	17%	18%	20%	21%	23%	24%	24%	23%	24%	N/A
Ecuador	N/A	9%	N/A	13%	13%	15%	16%	15%	15%	17%	18%

(Figure and Table by author; data compiled from Instituto Nacional de Estadística y Censos, 2010-2020) (INDEC): Comercio Exterior, 2020-2011; Banco Central del Ecuador, (BCE): 3.1.4 Annual FOB Exports and CIF Imports by Continent, Economic Area and Country 2010-2019; Banco Central de Chile (BCC): Indicadores de Comercio Exterior, 2010-2020)

Argentina

This case study examines the effects of Chinese investment in rail and Argentina's soy export profile. The study begins with a historical context behind the importance of soy to China and previous Sino-Argentine friction around soy exports. The case study then transitions to the recent development of China investing in Argentina's railway rehabilitation projects. The relation of railways, soy, and ultimately trade is relevant. China has been accused of investing in infrastructure only for resource extraction, with no south-south or positive local impact (Puyana & Costantino, 2015, pp. 113-114). This case investigates this claim while looking for signs of dependency.

China consumes approximately one-third of the world's total soy harvested every year. This consumption far outpaces domestic production. China must import millions of tons, most of which are crushed into meal to feed livestock (Bronstein & Polansek, 2019). China's main soy exporting partners are the United States, Brazil, and Argentina, however, China has recently begun reducing its imports of U.S. soy. In 2010, China imported nearly 50% of its total soybean from the United States, in 2019 that number had been cut to 24% (Observatory of Economic Complexity (OEC): China, 2020). Argentina offers a natural trade partner to diversify China's pool of soy-producing states in South America.

Sino-Argentine soybean trade relations have existed on a pendulum swinging from restrictive to cooperative over the last decade. Trade relations were stressed in 2010 due to the "soybean crisis." China banned soy imports from Argentina following Argentina's anti-dumping laws. China claimed Argentina was not complying with sanitation requirements. At the time, Argentina was able to weather the crisis because it

had diversified its export partners (Oviedo, 2013, p. 26). Despite these issues, by 2013, Argentina exported 73% of its soybeans to China. Soy and its by-products have historically accounted for one-quarter of all of Argentina's exports. China recently chose to invest billions in Argentina's railway section to connect the grain-producing regions to the Atlantic coast, a key step in increasing access to the crop. (Amendment No 3 Amended and Restated Contract, 2016, p. 2; China-Latin America Finance Database, 2020).

Financing and Executing the Railway Rehabilitation

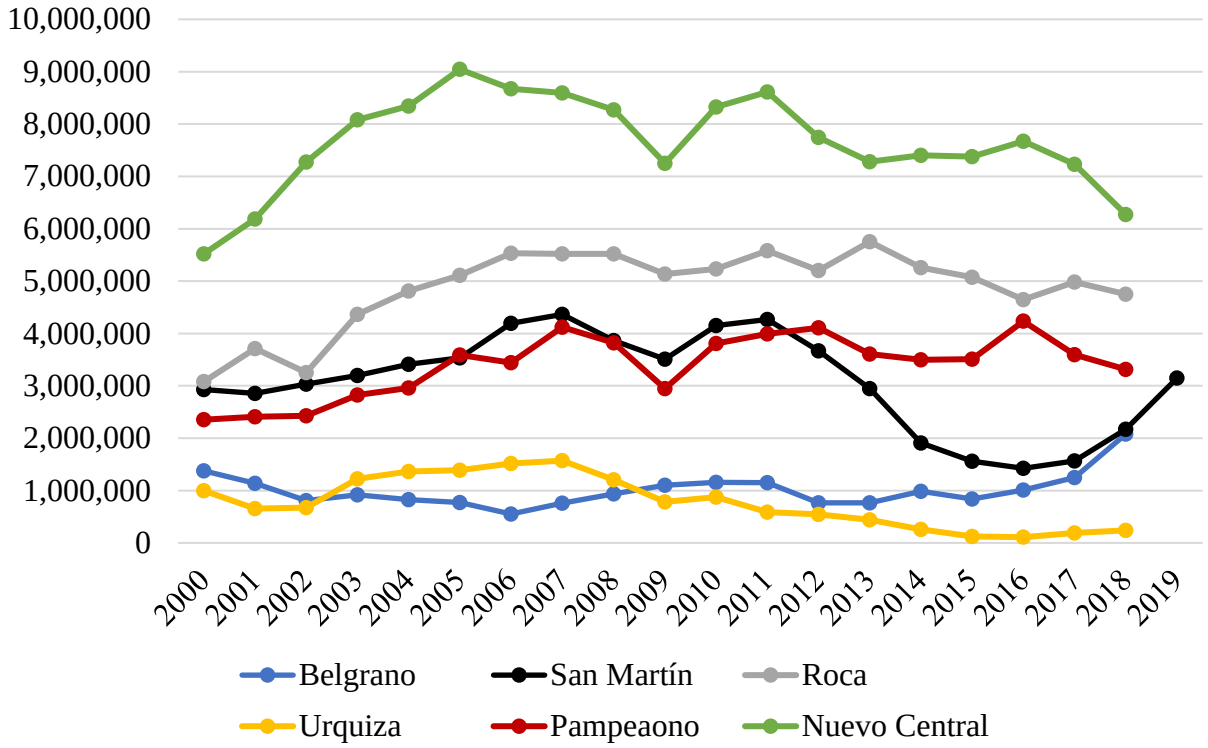
Initial negotiations for rehabilitating the railways occurred in Spring 2010 with dialogues between Argentina's Secretary of Transportations and China Machinery Engineering Corporation. The contract for $2.1 billion was ultimately provided by the CDB and the Industrial and Commercial Bank Limited in 2014 for the Belgrano Cargas Railway Rehabilitation Project (Amendment No 3 Amended and Restated Contract, 2016). The 15-year loan has an annual interest rate of 7.1% or $ 2.1 billion (Dreher, Fuchs, Parks, Strange, & Tierney, 2017). The San Martín railway was financed through the China Ex-Im Bank in 2018 for a total of $1.1 billion (Ray, 2019). Argentina's external debt as of 2017 totaled $214.9 billion. With interest, the total cost of the Belgrano railway at the end of the 15-year loan will be approximately $4.2 billion-roughly 2% of Argentina's total debt.

Belgrano connects Argentina's north and northwest crop regions to the eastern hubs of Buenos Aires, Rosario, and Santa Fe. San Martín has a horizontal orientation connecting western crop regions to Buenos Aires (Argentina Ministry of Transportation:

Maps, n.d.). Rehabilitation is needed for both systems. Belgrano began to experience declines beginning in 2010. San Martín had a sharp decline beginning in 2011 which continued until 2016. The 2015-2016 period were positive years for both these lines and the trend has held. Argentina's railways are divided into six lines; Figure 4 compares the performance of all six. The only recent tonnage increases are in the Belgrano and San Martin railways; others remained static or showed declines.

Figure 4

Tons Transported Through Argentina's Six Main Railways



(Figure by author; data collected from Comisión Nacional del Regulación del Transporte, 2018; Trenes Argentinos Caragas, 2019)

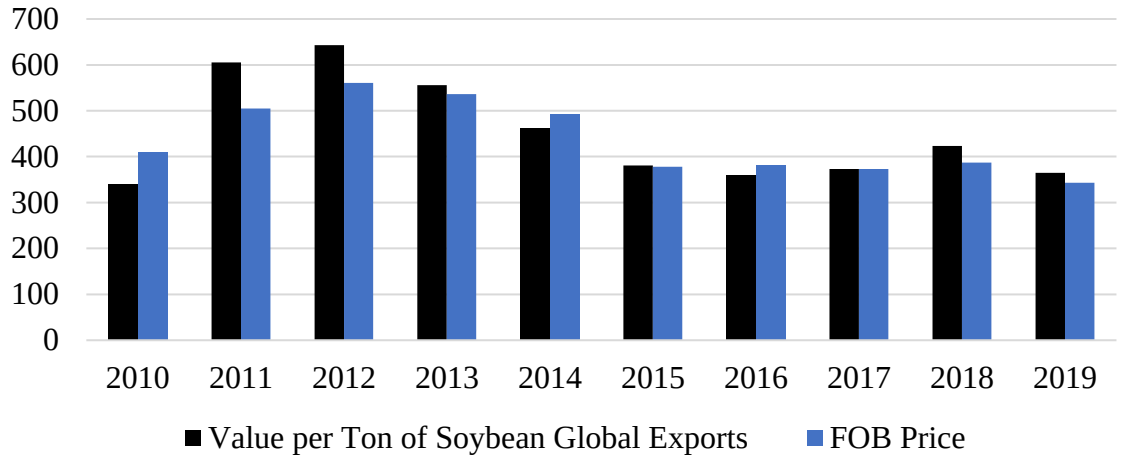
Railways' Impact on Soybean Exports

Soy complex accounted for over 24% of Argentina's exports in 2019 (OEC: Argentina, 2019). Soy complex includes soybeans, soybean oil, and soybean meal. Despite the prominence of agriculture in the state's economy, Argentine farmers have historically struggled to meet production costs. Farmers have historically transported most of their gains to their port destinations by truck. This creates high transportation costs; the average inland transportation cost from 2008 to 2012 accounted for 10% of the total cost of soy production (Meade, et al., 2016, pp. 15, 27).

Free on board (FOB) prices are used to represent the total cost of loading a given shipment of grain from production to port. Historically, Argentine farmers have sold soybeans for negative returns, with the FOB exceeding the value of their products (Meade, et al., 2016, pp. 11, 15, 29). Since 2010, soybean FOB prices were consistently measured by the Rosario Board of Trade. Soybeans present a stable variable compared to other primary products because their export taxes remained fairly constant over the time period used (Boroughs, 2020, p. 4; Buryaile, 2016, p. 4). As Figure 5 demonstrates, in 2010, 2014, and 2016 Argentine farmers sold at below production costs. If 2015 is used as the transition point in terms of when transportation costs should lower overall FOB, then there is no current impact from railway projects on overall FOB prices. From 2010 to 2014 the FOB costs averaged 99% of soybean's value and from 2015 to 2019 it averaged 99%.

Figure 5:

Value of Argentina's Soybeans as Compared to FOB Cost measured in USD



(Figure by author; data collected from Bolsa de Comercio de Rosiario, 2010-2019 and INDEC: Argentine Foreign Trade Statistics, 2010-2019)

China seeks to increase access to Argentina's soy and Argentina hopes to increase soy as a cash crop. China almost exclusively imports soybeans, preferring to crush them into soybean meal upon arrival (Bronstein & Polansek, 2019). Several metrics show how both parties have fared in achieving their respective goals. Despite China's appetite for the beans, Argentina has not reduced crushing operations to provide more soybeans to China. The current soy complex profile in Figure 6 suggests that while there is little diversity in soybean exports, the overall export of soy complex is well diversified (Bolsa de Comercio de Rosiario, 2010-2019). From 2010 to 2019, China gradually consumed higher percentages of Argentina's total soybean output: from 70% in 2010 to a peak of 95% in 2018. There is no evidence China has negotiated for below-average prices of soybeans. From 2015 to 2017 China paid slightly above the average price of Argentina's total soybean exports. In 2017 and 2018, China bought below average by six and two percent respectively (OEC: Argentina, 2019; Bolsa de Comercio de Rosiario, 2010-2019;

INDEC: Complejos Eportadores: 2020-2011). Overall production and exports did not increase during or immediately following the rail rehabilitation (Figure 7) (Bolsa de Comercio de Rosiario, 2010-2019).

Figure 6:

Argentina's Global Soy Complex Export Profile in Percentage of Total Tonnage

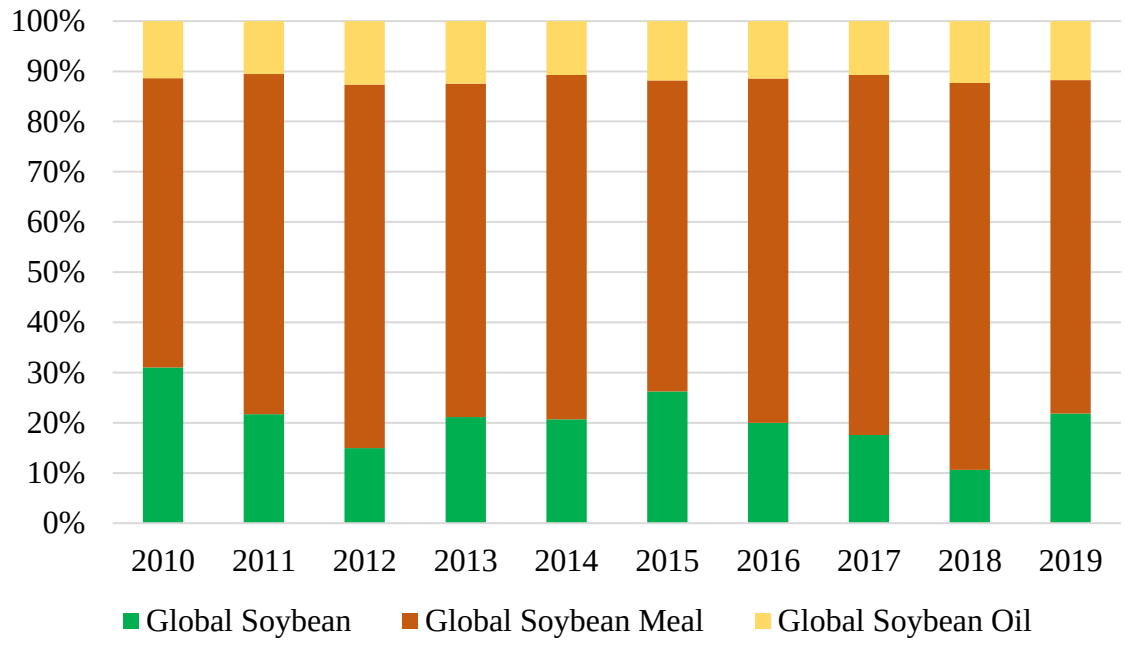
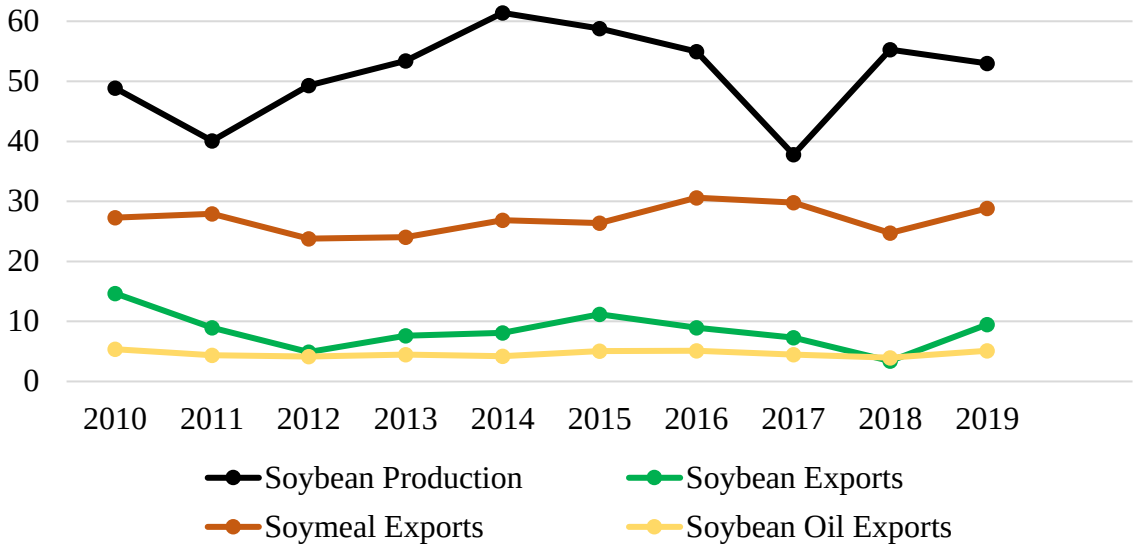


Figure 7

Argentina's Soy Production and Exports in Millions of Tons



(Figures by author, data compiled from Bolsa de Comercio de Rosiario, 2010-2019, OEC: Argentina, 2019, and INDEC: Complejos Exportadores: 2020-2011)

Conclusion

Currently, railways are benefiting from Chinese investment. Soy exports remain diversified, and Argentina is not experiencing industrial regression or progression in this sector. Future data is needed to accurately assess the rail's impacts and China's role as a major export partner. Fortunately, the future appears to hold many developments. In December of 2020, Argentina signed another rail rehabilitation agreement for $4.7 billion with several Chinese rail and engineering firms (Cuenca, 2020). Even bigger news than more railway loans are the negotiations started in late 2019 to allow Argentina to export soymeal to China (Bronstein & Polansek, 2019). If this agreement materializes, it could signal a new chapter in Argentina's soy export profile; one that could benefit domestic

production or create a single export destination similar to the current state of soybean exports.

Chile

This case study analyses the China-Chilean partnership manifested in several free trade agreements (FTA). The case study specifically focuses on the exposure of the Chilean copper market under the FTAs. First, the study discusses the significance of Chile's massive copper reserves. Then it details previous attempts by China to secure access to the semi-precious metal. The study addresses the potential de-industrializing effects of dependent relationships.

Chile is the world's top copper producer, mining over twice the amount of its nearest competitor, Peru. The importance of copper to the Chilean economy is difficult to overstate; in 2019, copper products accounted for over 45% of the total value of Chilean exports (BCC: Foreign Trade Indicators Third Quarter 2020, p. 50). China is currently the leader of copper imports, consuming nearly half of the global total in 2018 (OEC: Copper Ore, 2018). In 2006, China overtook Japan as the top destination for Chilean copper exports and has retained that distinction since (BCC: Foreign Trade Indicators Third Quarter, 2007, pp. 204, 219). Chile's strategic advantage and China's skill for securing resources have created an excellent case study.

The Joint Venture

China has not broken ground in Chile nor pushed OFDI towards resource extraction. The reason for this is simple, Chile enforces stringent anti-trust laws. An excellent example occurred throughout 2018 when the Chinese mining firm, Tianqi, attempted to buy nearly one-quarters worth of the Chilean lithium mining company SQM

through a Canadian company, Nutrien. The deal was highly contested by the Chilean anti-trust court and was only approved after provisions were set to protect SQM's intellectual property (Laing, 2018). For context, lithium carbonate exports totaled $82 million in 2019, only one percent of the value of copper exports for the same year yet was still defended with vigor (Banco Central de Chile, 2020, p. 33). Chile has attracted Chinese investment through various incentives yet has received no significant loans (Gachúz, 2012, p. 141). This helps to explain why Chile-Chinese trade is omitted in some loan-measuring datasets.

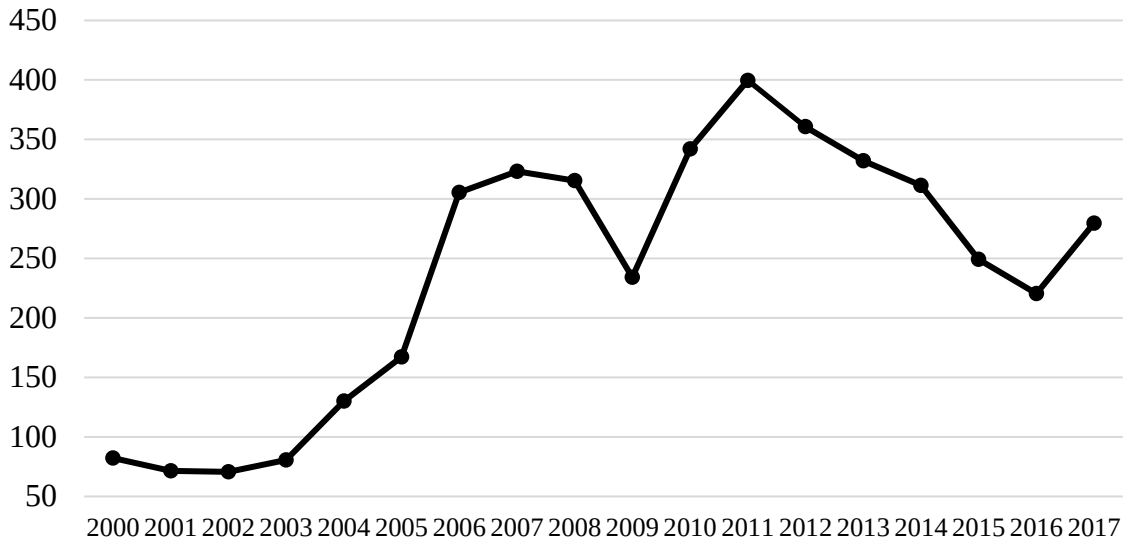
China had previous success in securing access using the joint venture approach. In May 2005, Chinese-owned Minmetals and Codelco entered a 50-50 joint venture to form Copper Partners Investment Company Limited (CuPIC). Through the joint venture, Minmetals could purchase a set tonnage of copper at the 2006 value until May 2021. Minmetals, through CuPIC, made an initial payment of $550 million to Codelco to secure copper and retain an option to purchase a minority share in the yet-to-be-built Gabriela Mistral Mine in northern Chile (Comisión Para el Mercado Financiero, 2019, p. 73)

The agreement stipulated Codelco would deliver 836.25 kilo metric tons (KMT) worth of copper cathodes[1] over a 15-year period, or 55.75 KMTs per year. At the negotiated value, the cathodes would sell at between $2.2 million and $3.3 million per KMT (Minería Chilena, 2016). 55.75 KMTs would account for approximately five percent of Codelco's global cathode shipments per year. Unfortunately for Chile, the global value of Chilean copper cathodes rose sharply in 2006 as displayed in Figure 8.

[1] Copper cathodes are pure sheet-like copper squares, they account for most copper sold in Chile.

Figure 8

Average Global Value of Codelco Cathodes Global in USD Billions



(Table by author; data taken from Comisión Chilena del Cobre: Price of Refined Copper, 2000-2017)

The partnership was fraught with controversy and ended in 2016. The agreement was labeled an Onerous Contract and cost Codelco tens of millions (Minería Chilena, 2016). A Chinese minority share in the Gabriela mine was never realized; the mine is currently owned solely by Codelco (Mining Data Solutions, n.d.). The partnership shows how China used a joint venture to secure access to resources at low cost and low risk. It provides a contextual lens in analyzing the FTAs China and Chile share and the potential impacts on Chile's export profile.

Chile-China FTAs and the Impact on Copper

In November 2005, China and Chile signed their first FTA which also represented the first FTA between a Latin American country and China. Following high-profile negotiations in 2017, the two countries entered the Upgraded Chile – China FTA on

March 1, 2019 (Saarinen, 2019). In the first 2005 trade agreement, under Article 113: Mining and Industrial Corporations, both countries agreed to the "promotion of public/private sector partnerships and joint ventures in the support of the development of innovative products and services specially related to productivity in the sector activities" (p. 58). In the realm of developing services and products, China is progressing as a mining business partner through equipment sales. In fall 2019, Codelco's largest mine, El Teniente Division, began using Chinese load-haul-dig shovels in their operations (Codelco, 2019). Codelco's smallest mine, Salvador Division, began using the same equipment in Spring 2020. Public statements made by Codelco employees speak highly of the economic value of the Chinese equipment which undersells competitors by 20% (Moor, 2020).

More impactful text continues in "Annex 1, China's Import Customs Duties on Imports Originating in Chile." This annex stipulates immediate removal of tariffs only for copper ores and cathodes. Further refined products, to include copper wire, were delayed for a period of ten years prior to having tariff-free status (Foreign Trade Information Systems, 2005). In the updated FTA there are no further tariff concessions that relate to the copper industry.

Chile's copper export profile shows a trend away from intermediate and capital goods. This is true both in terms of exports to China and in the sum of Chile's global copper exports. Figures 9 and 10 show the change in percentage of refined, blistered, and bulk copper out of total copper exports to China and total global copper exports.

Figure 9

Chilean Copper Export Profile to China as Percentages of Total Tonnage

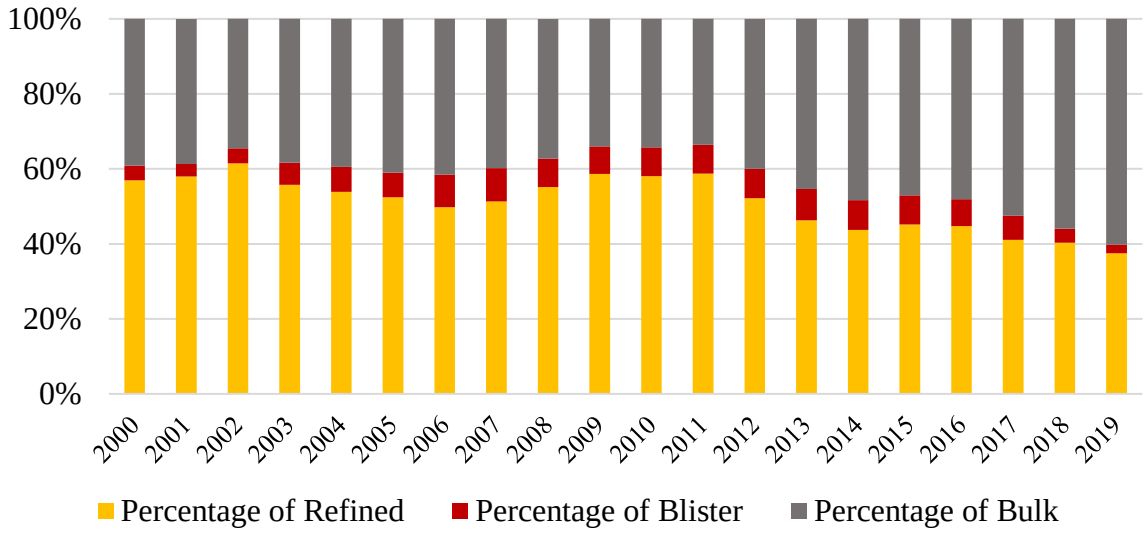
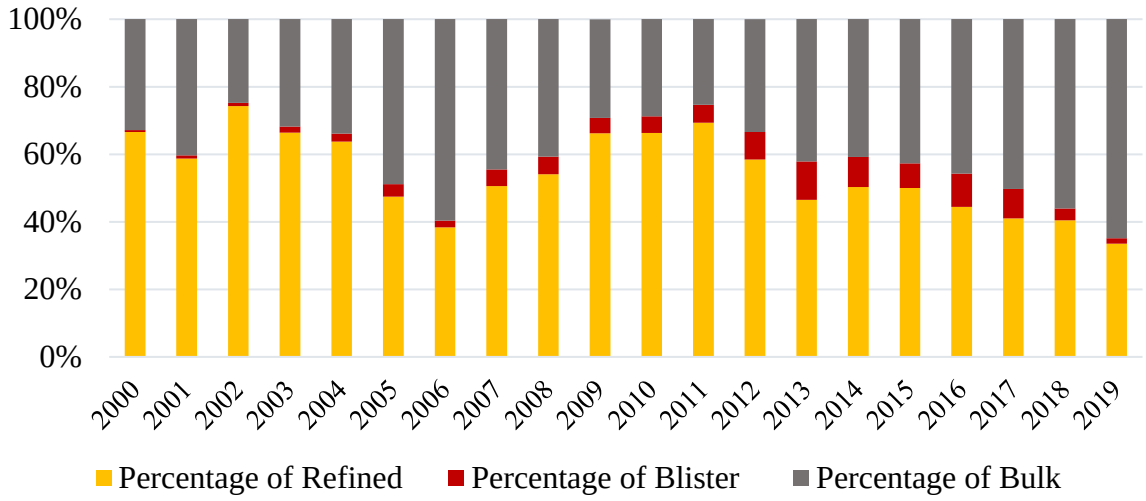


Figure 10

Global Trend of Chilean Copper Export Profile as Percentage of Total Tonnage

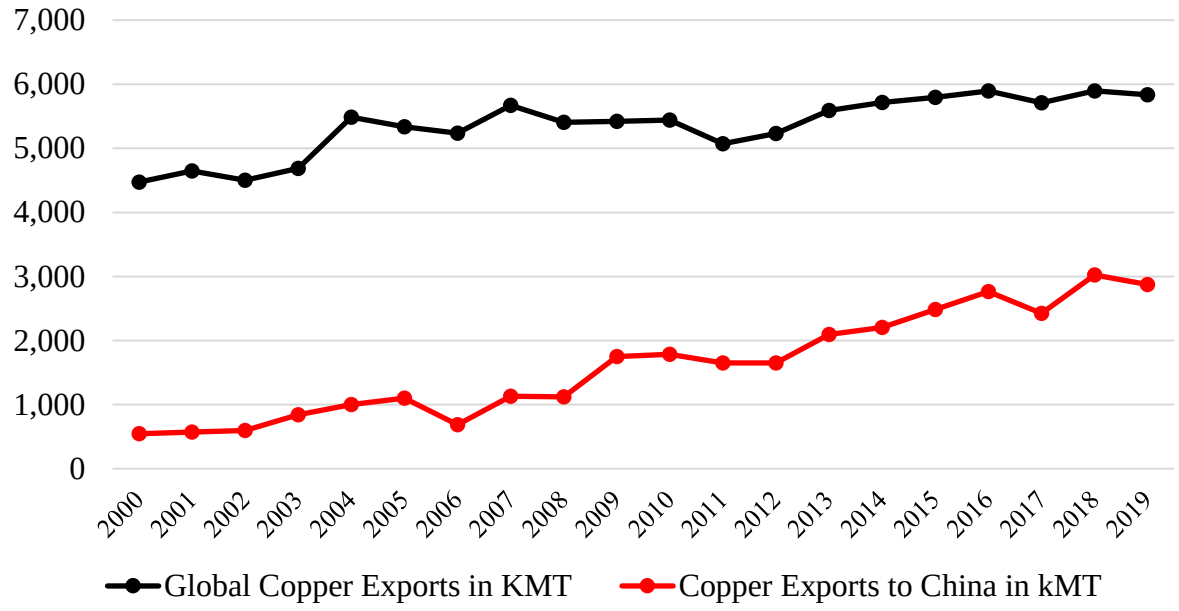


(Tables by author, data taken from Comisión Chilena del Cobre: Anuario de Estadísticas del Cobre y Otros Minerales 2000-2019)

Export diversity is another concern. While Chilean copper mines show growth, China's share of total Chilean copper has gradually increased as shown in Figure 11. In 2000, China consumed 12% of all Chilean copper exports. By 2019, that percentage had grown to 49. In official reports, Codelco reaffirms the industry is comfortable with the current level of diversification (Comisión Para el Mercado Financiero, 2019, p. 1).

Figure 11

Chilean Copper Global Exports Compared to Copper Exports to China in KMT



(Table by author, data taken from Comisión Chilena del Cobre, 2020)

Figures 12 and 13 show two important trends. First, China as a buyer provides financial consistency when compared to the fluctuation of global export values. Second, China currently pays close to the average market value for their copper. The tables make a case for an effective use of Chile's comparative advantage as they avoid selling to China at markedly low prices and maintain a stable capital flow with a major trading partner (Comisión Chilena del Cobre, 2020).

Figure 12

Comparative Value of Copper Exported to China and Average Global Value in Millions USD per KMT

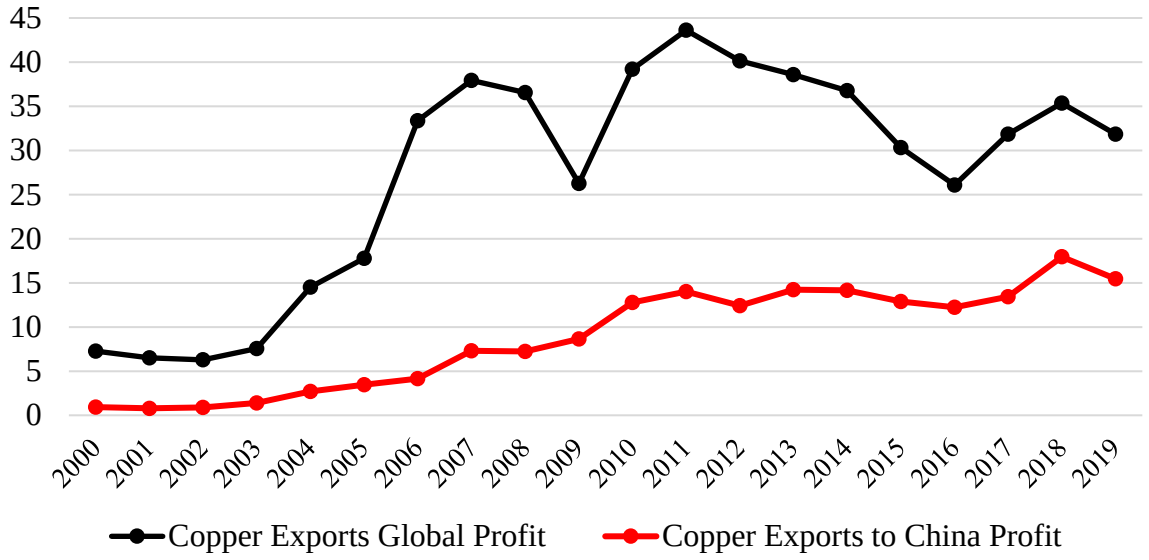
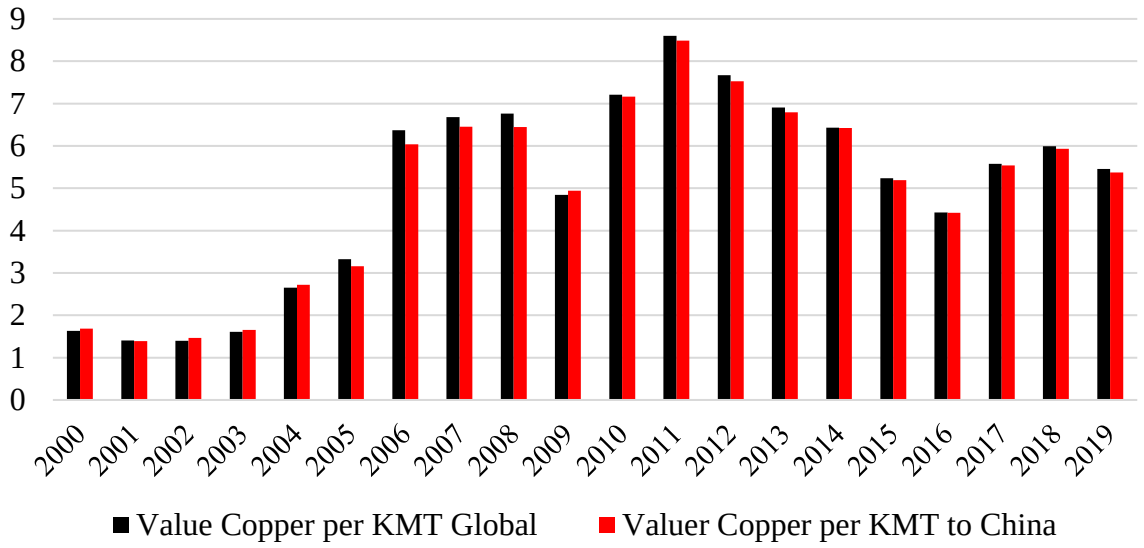


Figure 13

Global Copper Profits Compared to Profits from Exports to China in Billions USD



(Figures by author, data taken from Comisión Chilena del Cobre, 2020)

Conclusion

Sino-Chile trade relationship shows troubling trends that could lead to a dependent relationship. These are China's rapid ascent to main export destination for Chile's copper and shifting of Chile's copper away from refined products. Ultimately, State-controlled and private mining companies are responsible for negotiating and executing their copper export profiles.[2] Nonetheless, the 2005 FTA reiterated China's prejudice towards raw materials. Current trends show the Chilean copper industry regressing towards a primary product focus while Chile's export profile is experiencing de-diversification.

Ecuador

This case study examines financial flows from China to Ecuador. The finances are analyzed in terms of debt creation, use towards infrastructure projects, and effects on Ecuador's energy sector. The case study first details a political shift in Ecuador which resulted in China becoming their main source of finance. It then measures the volume of China's loans and their effects on Ecuador's debt. The case study transitions to a discussion on the Ecuadorian oil industry and infrastructure projects, both sectors heavily influenced by China.

Beginning in 2007 with the election of Rafael Correa, Ecuador set itself on a political-economic pathway which made it the ideal state to receive massive amounts of Chinese OFDI. First, in 2008, Ecuador defaulted on over $3 billion in foreign debt,

[2] The country's copper mining sector can be roughly divided between the state-owned Codelco mining company, which accounts for most copper produced, and several private mining companies.

tarnishing its international financial standing and isolating itself from traditional lending sources (Snell, 2015, p. 27). Second, Correa re-oriented Ecuador's foreign and domestic policies. Verbalized clearly in the "National Plan for Good Living 2009 – 2013," Correa's policy stipulates, "The state rejects international relations of submission…Foreign policy also shifts its focus and gives due importance to South-South relations" (The Republic of Ecuador National Planning Council, 2009, p. 79). Politically, economically, and even geographically, Ecuador offered an ideal location for China to exercise the BRI initiative in South America.

Chinese Loans to Ecuador

From 2010 to 2018 China issued at least 26 loans to Ecuador for a cumulative value of over $24 billion. China Ex-Im and CDB issued most loans with an average interest rate of 5.3% and an average duration of 12 years. (Garzón & Castro, 2018, pp. 28-29; Ministerio de Economía y Finanzas, 2018). These loans mainly funded infrastructure projects through public debt loans directly issued to Ecuador's central government. Non-traditional loans, such as advanced sales of oil, were also used. These are typically difficult to measure because they are not recorded as foreign debt but rather private transactions between China and Ecuador's national oil company, Petroecuador (Garzón & Castro, 2018, p. 26).

The following tables and figures capture the value of Chinese loans, their co-occurrence to a decline in global oil prices, and their effect on the debt to GDP percentage. 2014 – 2016 saw a sharp increase in Ecuador's debt to China (Figure 14)[3].

[3] Outstanding debt over time was calculated by taking loan amount with interest minus the yearly payment times the number of years since the start date.

This occurred at the same time as falling oil prices which was a global phenomenon at the time (Figure 15).

Figure 14

Outstanding Balance of Ecuador's Debt to China in Billions USD

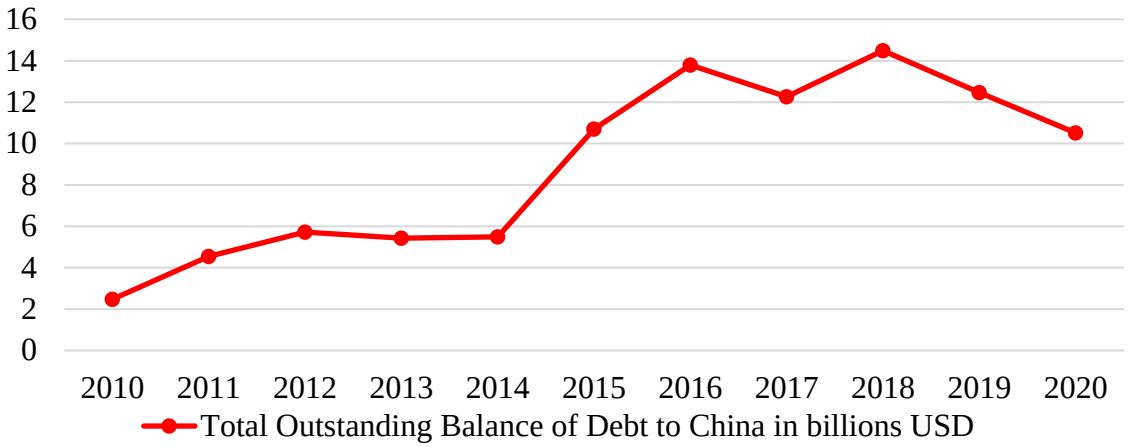
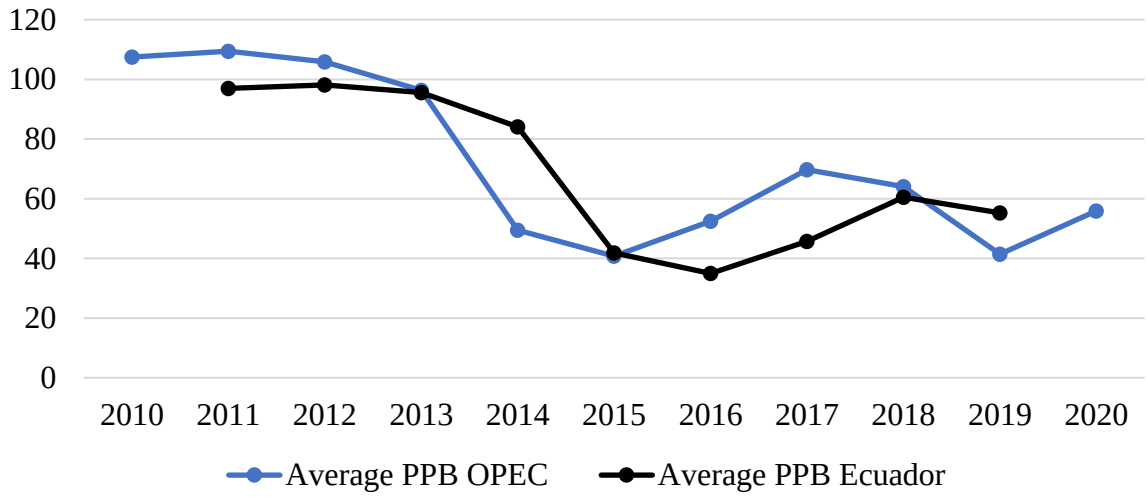


Figure 15

Price Per Barrel for Ecuador and OPEC 2010 – 2020 in USD



(Figures by author, data taken from Garzón & Castro, 2018, pp. 28-29; The Inter-American Dialogue, 2020; OPEC, 2021 and BCE: Crude Oil Exports, 2011-2019)

China is by far Ecuador's largest lender, owning on average over 40% of the total debt during the period measured (Table 2). Ecuador also cumulated debt from other sources.

Table 2

Ecuador's External Public Debt in Billions USD

Table 2: Ecuador's External Public Debt in Billions USD										
Year	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20
Debt from China	4.6	5.7	5.43	5.5	10.7	13.8	12.3	14.5	12.5	10.5
External Public Debt	8.6	10	10.8	12.8	17.5	20.1	25.5	31.6	37.5	41.3
% Owned by China	45%	53%	42%	31%	53%	54%	39%	41%	30%	23%

(Table by author, data taken from BCE: Movement of External Public Debt, 2011-2019)

Oil for Loans: Separating Fact from Fiction

One of the most controversial and widely mentioned factors of Chinese loans to Ecuador is the link to repayment via oil. Some claim as much as 90% of all Ecuadorian oil exports are destined for China because of lending agreements (Ellis, 2018, p. 87). There are two loans publicly released by Ecuador's ministry of finance that recorded such a transaction. The first was signed in August 2010 for $1 billion towards various infrastructure projects. The loan included a "Sales and Purchase Contract" which stipulated PetroEcuador would supply thirty-six thousand barrels of crude oil a day and one-hundred and ninety thousand in bulk per month for purchase by PetroChina for a duration of four years (Ministerio de Economía y Finanzas, 2010). The second loan, dated June 2011, includes a $5.4 billion loan over eight years. The oil transaction tied to this loan stipulates 123.48 million barrels of crude oil must be delivered for purchase over a six-year period, from June 2011 to December 2016, and 6.84 million barrels of refined fuel oil for the entire year of 2016 (Ministerio de Economía y Finanzas, 2011).

During the years when loans overlapped, 2011-2014, China consumed between 30-35% of Ecuador's crude oil exports. In 2016, 6.84 million barrels of refined fuel would have accounted for roughly 60% of all refined fuel exports. From 2007 to 2020 there was no significant change to Ecuador's oil export profile. It remained approximately three-fourths crude, one-fourth refined (Banco Central del Ecuador, 2009-2019). China is an important destination for Ecuadorian oil and has used oil-backed loans. There is no evidence, however, that China is using loans to consume most oil exports on a recurring basis or that China is shifting Ecuador away from refined oil production. In 2019, China accounted for only 3.4% of all crude oil exports (OEC: Ecuador, 2020).

Infrastructure Investment: Targets, Goals, and Outcomes

Most of the loans are generically earmarked for investment plans or economic infrastructure. One of the best-known exceptions to this trend is the City of Knowledge project funded by the China Ex-Im Bank in 2016 for $200 million. Improper construction, especially electrical, plumbing, and structural flaws hamstrung the project almost immediately. The Correa administration seized over ten thousand acres of productive land which it retained even after the project's failure (Quiroz, 2017). Current imagery shows dozens of empty lots and fields and numerous incomplete concrete structures.

Two hydroelectric dam infrastructure projects are especially informative for this case study: Coca Codo Sinclair (CCS) and Sopladora. Both projects received large amounts of funding at high interest rates, $1.7 billion at 6.9% interest and $570 million at

6.35% interest, respectively. Both were 15-year loans from the China Ex-Im Bank. One of Correa's goals for the hydroelectric projects was to reduce oil imports (The Republic of Ecuador National Planning Council, 2009, p. 64).

Data from the International Energy Association shows positive results. Ecuador grew by over fifteen thousand gigawatts from energy generated by hydropower 2010 to 2019 and increased its volume of hydro produced energy by almost a thousand kilotons of oil equivalent (International Energy Agency, n.d.). This is significant considering that in 2018 Ecuador consumed approximately twenty-five thousand gigawatts of electricity. In terms of oil imports, there is no evidence hydropower has drastically reduced Ecuador's intake nor freed surpluses of domestic oil for export. From 2013 to 2020 oil imports remained virtually static with an average change of under one percent; oil exports during the same period decreased an average of two percent. (BCE: Oil and Non-Oil Products-Exports and Imports (FOB) by Economic Area, 2009-2019).

The gains in hydroelectric power are not without caveat. During the construction of CCS in 2014, an infrastructure collapse killed 14 workers. There are structural concerns as well with cracks developing in water distributors as the dam settles (Lozano, 2019). During the spring of 2020, the Coco River, on which the CCS dam resides, began to show signs of serious erosion which geologists linked to poor sediment management at CCS. In April 2020, erosion in the river caused the rupture of an oil pipeline (Cardona, 2020). In sum, more time is needed to assess the quality of construction and the longevity and utility of the dams.

Conclusion

A dependent relationship between China and Ecuador is beginning to establish itself. Ecuador is reliant on oil and when the value fell it had to look to China as a lender of last resort. China was willing to oblige yet used the loans to force production and exportation of oil. Loans from China have also been used in highly inefficient ways, as shown in the City of Knowledge project. Ecuador demonstrates why domestic policies and economic diversification matter. It would be false to assert Ecuador is reliant on China for oil exports. Nonetheless, their reliance on oil exports left them vulnerable to Chinese loans at high-interest rates during a drop in oil prices. China-Ecuadorian trade agreements demonstrate China can and will use OFDI as a means of securing access to natural resources.

CHAPTER FIVE: SUMMARY, DISCUSSION, AND CONCLUSION

Summary of the Study

Using dependency theory, this thesis attempts to identify cases of debt, dependency, and trade asymmetry China creates in ACE. The cases do not definitively demonstrate China is creating dependency in ACE. The case studies do point to several important trends. China employs trade agreements, loans, and infrastructure projects to secure access to natural resources. In each case study we see China using financial might or trade agreements to ensure that the resource flow is uninterrupted and expanded. Access, flows of capital, and prejudice towards raw materials are potentially the first step in the neo-colonial process. China is prejudiced towards raw material. This potentially sets states on a narrow development path as they forgo the opportunity to add value to their products. Although the relationship is not one of immediate or total dependency, China offers no incentives for industrialization or development.

Discussion of the Findings

Debt

Financial flows in the Argentina and Ecuador case studies mainly targeted large infrastructure projects. These projects funded by Chinese banks produce positive yet limited results. These results are specific to the industry they support but failed to create broader change. Argentina's Belgrano and San Martín railways are successes. The success has not, however, paid for itself by reducing the overall cost of production or increasing exports of soy complex. Similarly, Ecuador has not achieved a surplus of crude oil following infrastructure investments in hydropower. The OFDI did not

significantly increase debt in Argentina. Debt dependency is the greatest concern for Ecuador. Chinese loans have certainly added to the national debt, but it is clear Ecuador is still willing and able to take loans from other sources. China represents a large percentage, at times accounting for the majority. Currently, Ecuador seems to be distancing itself from China as a lender.

Dependency

When viewed through the lens of dependency theory, China's trade relationship in ACE would produce undesirable second and third-order effects. These could include an increased reliance on China as a trade partner, reduction of domestically produced capital goods for primary products, and increased debt. A heavy concentration of trade with China did affect commodification and de-industrialization yet did so in a more nuanced manner than most literature describes. Existing literature views domestic production and industrialization in black and white terms. ACE's products exist on a broad scale, from raw goods to more finished capital or consumer goods. Trade with China in Chile's case has regressed its resources on this scale. China's consumption of almost all of Argentina's soybean exports has not resulted in Argentina reducing its soymeal or soy oil exports, which hold higher per-ton value and provide thousands of jobs to Argentinians (INDEC: Índice de Producción Industrial Manufacturero, 2019).

Implications for Theory and Policy

ACE and Latin America as a region must weigh the cost-benefit of deliberate development path selection. Chile seems to be accepting its role as a primary product economy. Argentina is resisting the temptation to divert energy from processing soy to

provide raw beans. The decision is a delicate one. Factors such as China's continued economic growth and the value of raw material remain uncertain. There are also domestic implications for reducing the creation of capital goods and allowing Chinese financing to dictate infrastructure development.

Ecuador highlights a crucial decision point other South American states must come to terms with: do they reject western sources of finance to avoid austerity measures in exchange for Chinese lending? Adaptation of financial reforms that removed barriers to loans and investments are viewed positively. Yet, even before Chinese investments, large flows of capital and imports were adversely affecting the balance of payments in periphery countries (Lampa, 2021, pp. 121-122).While Chinese lending at the surface level respects national sovereignty, the quality of infrastructure projects, mandated use of Chinese labor, and ties to repayment via natural resources possess financial and political risks. In sum, policymakers in South America must carefully navigate their role in China's international division of labor.

Recommendations for Further Research

Further research is needed in several areas of study. Chinese-funded infrastructure projects in ACE need more time, both for their completion and for measuring their utility. This study did not conduct in-depth analysis of the local impact of megaprojects. This is an important step forward, especially regarding the use of domestic labor versus imported labor.

Continued measurement of production profiles is key. The region's resources exist on a spectrum from raw to refined and the added value of refined products is a

crucial step in developing an economy. The impacts on domestic employment, to include per-capita income, when resources shift on this scale is a key factor future research should address. Subsequent studies should better isolate other variables that affect the cost of production and potentially impact a state's decision to adjust its level of refinement for a given commodity.

Further theoretical analysis using development theory will enhance future research. Specifically, is the concept of western, capitalism-driven development possible in periphery states (Antunes de Oliveira, 2019, p. 1146). The study should challenge the basic tenet of economic development, that job creation and an expanded tax base underpin any measurable progress. Future research can add to development theory by analyzing the successes of policies that maximize a state's comparative advantages and the consequences for economic development (Currid-Halkett & Stolarick, 2011, pp. 143, 151). The Argentina case study suggests that small developmental gains are possible. Chile's positive net trade balance argues that leveraging comparative advantages can yield positive results, yet the question remains: does partnership with China present an opportunity for the region to overcome underdevelopment?

Conclusion

Trade with China does not fit neatly into a dependent or non-dependent category. China certainly influences the value of South American commodities simply by the sheer volume in which China consumes them. Strength of influence and heavy use of capital infer China is a core nation whose relationship with ACE fits the core-periphery model. The Western Hemisphere must accept that China offers market diversity to a region typically denied this luxury. Economic and political interaction will continue. How the

region chooses to rise to the occasion will determine the future of the South America's development.

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