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**DUSSEL PETERS, ENRIQUE, ARIEL
C. ARMONY, Y SHOUJUN CUI,
EDITORES. BUILDING DEVELOPMENT
FOR A NEW ERA: CHINA'S
INFRASTRUCTURE PROJECTS
IN LATIN AMERICA AND THE
CARIBBEAN**

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Since at least the middle of the last decade, scholars and journalists have been writing about the ‘new’ phenomenon of Sino-Latin American relations. Overwhelmingly, this research has focused on questions of how Chinese relations with Latin America either challenged US influence or aided left-leaning governments in the region. The available data itself was and remains somewhat problematic and, with few exceptions, scholars rarely had expertise in the languages and regions involved. What we *know* about Chinese loans and investment in Latin America is almost exclusively a compilation of officially reported plans for projects. This is problematic for many reasons. For example, one of us was told in 2008 by someone who had interviewed high-level Chinese businessman in Venezuela that the several year multi-billion dollar joint Chinese-Venezuela project (the Heavy Fund) had yet to disburse any Chinese money. A greater challenge is that scholarly evaluation of the respective influence of the US is often assumed to be self-evident from a comparison of long-term stock investment and more recent trends in capital flows. Can we assume that if Bolivia opens two or twelve Confucius Institutes, this means that China has more influence on

the Bolivian government, that the US has lost influence, or that the Chinese government is opening such institutes because of a commitment to a socialist government in the ‘backyard of the US’?

Of course, public intellectuals and think-tanks need to respond to actual phenomena and to make sense of them, when appropriate, in narratives and trends that will be meaningful to politicians, economic actors, and citizens. Social scientists have the luxury of stepping back and being more cautious about responses and it is in such a context that Dussel Peters, Armony, and Cui’s book should be read. This book does exactly what research in social science ought to do: it does careful case study analysis, investigates broad claims, and makes conclusions and recommendations based on such claims. The book is part of a long term research project of the respective editors who have assembled experts in the field from various disciplines (economists, political scientists, anthropologists) and from different parts of the world (Latin America, China, the US, Europe). Despite the diversity, the book is a cohesive collection of essays which are invaluable to students and practitioners of relations between China and Latin America.

In establishing the context for the book the authors follow a general trend in the field which is to emphasize the decision-making in Beijing which produced the specific contours of China’s Go Out Policy (走出去战略, 1999), identifying, not inappropriately, the starting point with the financing partner rather than the receiver (often the case in studies of US-Latin American relations as well). Unlike most work in Sino-Latin American relations, however, the editors emphasize the announcement of the One Belt One Road project (一带一路, 2013) in China in 2013. This multi-billion dollar collection of infrastructure projects, which tied together the Economic Silk Road and Maritime Silk Road projects (丝绸之路经济带和21世纪海上丝绸之路), aims at connecting China more directly to European and Asian partners. As of 2018, after much lobbying and trepidation waiting on the part of Latin American countries that had faced declining economic fortunes since commodity prices began to decline in 2011, One Belt One Road (hereafter OBOR) was extended to Latin America. Of course, Chinese state-owned and private firms had already announced scores of projects and billions of dollars of investments prior to Latin America’s inclusion in 2018. As per Dussel Peters, “until 2016, Latin America and the Caribbean (LAC) had accounted for 107 projects and almost \$60 billion; and Venezuela, Argentina, Ecuador, and Bolivia have participated significantly in these projects” (p. 63, citing the “China Global Investment Tracker, CGIT 2017”). Yet the official announcement put Latin America on the Chinese map. As it is noted, during the One Belt and One Road Initiative Summit in Beijing (2017), Latin America was

lauded as the “natural extension of the maritime Silk Road” by President Xi Jinping (p. 148).

The decision to emphasize OBOR is a critical one. Most previous research on Sino-Latin American relations focused on either the exponential rate of trade growth since the late 1990s or its content. Simply put, China became the largest oil importer in the world, as well as first or second trade partner for almost every country in the region. The composition of such trade could be characterized as Chinese exporting industrial goods and Latin America exporting commodities. Scholars pointed to an imbalance in trade which heavily favored China and that Sino-Latin American relations were largely conditioned by Resource Diplomacy. In that context, infrastructure projects and other investments were seen as supporting the broader resource economy: China’s need for commodities and Latin American countries’ need to sell such resources. Given this focus on the asymmetry of these relations, less attention was given to the question of whether the investments and trade in commodities and other sectors were part of a sustainable, more holistic pattern of relations nor whether the infrastructure projects had stand-alone value in terms of bilateral relations or Latin American development.

Dussel Peters, Armony, and Cui (2018) look at a range of infrastructure projects throughout Latin America giving particular attention to mega-projects in Costa Rica, Ecuador, Mexico, Brazil, Nicaragua, and the Caribbean. There is variation in the incentives for China to invest and engage. For instance, more so than in South America, the importance of countries like Nicaragua and Costa Rica in Central America is essentially geographic since projects here could potentially yield Special Economic Zones for the Chinese markets as well as facilitate passage to the Atlantic and Pacific oceans, thereby expediting trade. Most importantly, the book explores these projects given the context of a pressing, long-term infrastructure gaps in Latin America and a moment when Chinese companies (usually state-owned) are global leaders in infrastructure provision. The authors see Chinese investments as being driven by pragmatic decision-making, rather than ideology, confirming the consensual position in the field.

The authors highlight the learning on the part of Chinese companies, which has been essential because previous investment experiences had either been in wealthy democracies (US, Europe) or in poor countries with weak democratic structures (Sub-Saharan Africa, Pakistan). Latin American democracies presented unanticipated challenges with vociferous and politically impactful protests of certain projects largely for environmental reasons or effective demands for the use of local labor. In failed or protracted projects, Chinese companies did not respond effectively to the *modus operandi*

of local/state authorities and interest groups (p. 71). The importance of such groups varied considerably within Latin America. Mexico has been able to cancel potentially lucrative deals and Chinese companies often subcontract to Mexican companies, which is less common in smaller countries. The construction of highway expansions may jumpstart goodwill for China but has not given Chinese companies a pass with the Costa Rican regulatory and legal system. In Ecuador one of the lauded accomplishments of President Rafael Correa's government, (the Coca Codo Sinclair hydropower project), became operational after six years because Ecuadorian negotiators were refusing to accept the harsh conditions of the China EximBank, including the type of trusts and guarantees that were against the Constitution of Ecuador. Ironically, while Chinese companies can provide infrastructure projects that are cheaper and more quickly completed than similar projects financed by the Inter-American Development Bank or World Bank, the less substantial regulatory framework for the deals provides greater opportunities for corruption and has opened up space for serious legal, managerial and operational challenges. In countries with important democratic traditions this can involve not *ex post* scrutiny by courts and legislative bodies, even when regulatory hurdles had been cleared under a previous administration.

Moreover, however long-term the outlook for infrastructure projects are, timing is always critical in decision-making. The payoff for infrastructure projects in Latin America was more obvious when the region was growing robustly and commodity prices were high (2003-2011) but is less so in a period of greater austerity (since 2012). Austerity in Latin America has moved governments more towards the political center or right and has increase political contention and empowered many courts and other political actors to challenge previous and current office-holders on the basis of alleged corruption. This has made the general environment for infrastructure projects more difficult. Here the case of Ecuador is interesting as political scandal (the involvement of the Vice President in the Odebrecht bribery scheme), economic recession, and crisis (after the country endured a massive earthquake in 2016) have placed the country in a precarious situation. Given the "deceleration" of its own economy, Garzón and Castro note that China has become a "more cautious lender" (p. 48). Nevertheless, what remains consistent is that China is non-ideological and does not walk away from projects when leftist governments are replaced with rightist ones. Moreover, on the Latin American side, even Argentina's Mauricio Macri – who had been very critical of Chinese investments during his campaign – has been very practical and has sought to deepen relations with China. President Macri's position on nuclear power reactors and dam-building is telling. In the former,

high-level agreements may have been initially postponed but ultimately ended with an official understanding between both countries during President Macri's trip to Beijing in 2017. In the latter, President Macri's government renegotiated details with Chinese firms and consistently backed the controversial dam project in Santa Cruz River irrespective of opposition from conglomerate newspapers, environmental groups and imposed delays set by the Supreme Court. This is currently no less true of Brazil whose shift to the right, first with Michel Temer's ascent to the presidency and now with the election of Jair Bolsonaro, has brought critics of China to head governments that have complicated the deepening of relations with China and its companies. Currently, President Bolsonaro has noted that he would allow the Belo Monte hydroelectric dam in the Xingú river in the state of Pará to come to full fruition and would additionally consider allowing stagnant projects in the Amazon basin to takeoff. Indigenous communities who would be displaced have already previously challenged these developments in federal and international courts. Still, environmental licensing for the transmission lines from the Belo Monte dam to the Brazilian Southeast were approved. Similar battles have been fought in Ecuador in which environmental groups have taken issue with mega "Pacific-Refinery" as well as the exploitations of the Yasuní National Park.

Subsequent chapters systematically unpack to what extent certain institutions have aimed to close the infrastructure gap. Mueller and Li's chapter is unique in its evaluation of the efforts taken by the Inter-American Development Bank as well as China (as a non-regional donor member) to improve the quality of investments and address infrastructure needs. Among these efforts are the opening of a cooperation fund called IntraFund (2006), the establishment of the Sustainable Energy and Climate Change Initiative (SECCI), and the establishment of the China Co-Financing Fund (pp. 165-167). Each of these has yielded different results but what is valuable about this chapter is that it integrates these and smaller initiatives with case studies (Mexico, Costa Rica and Trinidad and Tobago) to offer readers concrete perspectives. The final -and what we can assume is the concluding- chapter seems more tailored to practitioners, decision makers, investors, and Chinese firms as it takes on a "strategic" analysis and informs readers on the controversy increasingly attached to "infrastructure investment" and makes recommendations to enable collaboration and cooperation between China and Latin America.

What emerges from the analyses of these various cases is that Sino-Latin American economic relations are deep and involve multiple actors with overlapping and different interests. The aforementioned relationships

are mature and permanent (meaning they are not wholly contingent on one political party being in office), have long-term relations with domestic political and economic actors, and are based on pragmatic interests of the parties involved in the deals (Chinese firms – again, mostly state-owned –, the Chinese government, Latin American governments and companies, among others). They are increasingly susceptible to challenges from civil society actors in Latin America who can use political pressure and the legal-regulatory environment to challenge projects (in part or *in toto*), and they are increasingly vulnerable to an ‘implicit conditionality’, whereby Chinese companies or state-financing might pull out if it is sufficiently displeased by local or legal challenges. Importantly, the authors make a very strong case that Resource Diplomacy is no longer a sufficient lens to use to characterize Sino-Latin American relations, nor can scholars simply assume that more trade means more or less influence for China, the US, or any other. At the same time, the chapters through their detailed description of successful and failed projects nod to the perennial issues that prevent the region from developing the competencies to secure a path out of dependency. The anxiety around access to quick capital to both assuage infrastructural deficits and maintain a popular following compels Latin American leaders to embrace projects that may not necessarily help in the long-term. The Costa Rican discussion surrounding the National Stadium (gifted to Costa Rica by China when bilateral relations begun), calling it a “Nido Tico” (Costa Rican Nest), and a “Chinese Trojan Horse,” is instructive of the different opinions. Such statements allude to the potentialities of this relationship as well as the extant public ambivalence that remains even after projects are inaugurated. In assessing these complex empirical realities, this book is a product of a research program of which the editors and contributors have been leaders. It is a major contribution towards understanding a new generation of Sino-Latin American relations that allows us to rethink some of the new challenges and opportunities that these bring for Latin American development.



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