

Argentina Facing China: Modernization, Interests and Economic Relations Model

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Abstract The article explains the Argentine-Chinese economic relations and identifies the interest's network with the ongoing modernization processes in both countries. It can be observed that harmony is more important than discord when Argentina accepts the new China's international division of labor, but when Argentina tends to consolidate the process of economic *de-primarization*, tensions between both countries tend to emerge. The crisis about crude soybean oil in 2010 is the clearest example to illustrate that trade tensions between both countries will be most frequent if Argentine industrialization continues and the process of policy coordination fails.

Keywords Core-Periphery relations · Clash of modernizations · Interest · Harmony · Discord · De-primarization

Introduction

Trade exchange, different economic capacities and positions in the international structure have shaped an asymmetrical relation between Argentina and China. This asymmetrical relation has created an interest network at the start of the second decade of the twenty-first century and this is the subject of study in this article.

The article is structured in three parts. First, it examines the economic capacities, position in the international economic structure and the terms of trade interactions to argue that the core-peripheral scheme predominates in Argentine-Chinese relations. Second, it points out that the Chinese export model and its vast internal market have generated a new economic coalition of interests, called by the Chinese government as *strategic partnership*. In front of this, Argentina and the other Latin American countries have two policy options toward the new Chinese international division of

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labor: 1) to deploy relations with China according to a core-periphery scheme and adapt their economies to the demands of Chinese international specialization or; 2) to recognize the real economic situation and simultaneously support the *de-primarization*¹ of their economies to surpass the core-periphery model. Third, in the context of harmony generated by the Chinese model, it attempts to determine the complementary interests and the collision points as regards the modernizations in Argentina and China. These complementary interests emerge on Argentina's renewable resources, Chinese manufactured goods and Chinese investments in Argentine economic sectors. Simultaneously, opposite interests and tensions appear on non-renewable resources; protectionist measures; rivalry in third markets and other emerging problems that arise when Argentina seeks to develop its process of economic *de-primarization*.

The hypothesis affirms that harmony is more important and predominates over discord in the Argentine-Chinese economic relations. In fact, when the Argentine government accepts the Chinese international division of labor, the complementation of interests with China is feasible and stable; but, when Argentina deepens its process of *de-primarization*, several discord points arise in bilateral trade. The crisis about the crude soybean oil in 2010 is an example that trade could tend to increase tensions, a situation similar to that found in the Chinese-Mexican case, if the Argentine industrialization continues in the coming years. Precisely, the process of policy coordination seeks to solve these discord points in order to maintain a harmonic relation and consolidate bilateral cooperation.

The Model of Interaction

When we study the Argentine-Chinese economic ties, firstly, we must make clear the kind of interaction both countries have, especially in trade relation.

In economic terms,² the semiperipheral-semiperiferal scheme explains the bilateral relation since the moment in which the Argentine government recognized the government of People's Republic of China in 1972 and until China gained access to the *club* of economic core countries in 1999 [35]. Since China became a great economic power and until the beginning of the second decade of the twenty-first century, both countries formed, *ceteris paribus*, an economic core-peripheral relation³ (see Fig. 1). That is, a great economic power (China) and one country that has not yet become a

¹ According to Pierre Salama, "[t]here is no scientific definition of 'primarization', but we can say that an economy is *primarized* if the exports of primary products dominate their total and it is in process of primarization if this segment tends to increase significantly [41]." Inversely, we can asseverate the concept of *de-primarization*, when the prevalence of primary products decreases their share in total exports in compared with previous times.

² Although the economic factor is not the only element that can be used to estimate national power, this paper will focus exclusively on it for the purposes of the analysis being conducted here, with other factors remaining constant.

³ The German-Chilean economist Ernest Wagemann has used, for first time, the concept of periphery [1]. The Argentine economist Raul Prebisch introduced the core-periphery term in the international economic field and its study was continued by other Latin-American authors. In the 1970s, Immanuel Wallerstein included the concept of semi-periphery as an intermediate force between the core and peripheral countries [45].

1972-1999

• Semiperipheral-semiperipheral relation

1999-.....

• Core-peripheral relation

Fig. 1 Historical scheme of Argentina–China economic relation

middle power from the economic point of view (Argentina)⁴ as can be seen in Table 1.

In the same way, Brazil has been a member of the oligopoly of great powers since 2007, Mexico a middle economic power and China remains constant as a great economic power; the linkage between China and Latin American countries can be classified in three different economic models: a core-core scheme describes the Chinese-Brazilian relation; a core-semi-peripheral model explains the Chinese-Mexican relation and a core-peripheral model defines the relation between China and other Latin American countries. Also, in the terms of exchange, the Chinese-Latin American relation is predominantly core-peripheral. For example, in 2010 Argentine exported 73.7 % of raw materials and 11.7 % of crude petroleum oil to China; and 98 % Chinese manufactured goods had been exported to Argentina in the same year [2]. This situation is similar in Brazil, which exported 78.2 % of primary commodities to China in 2009, and Mexico, because this country exported 56.7 % of primary commodities to China in the same year [2], although the trade with China only represented 0.5 percent of Mexican exports in 2010 [15] and 89.7 percent of bilateral trade corresponded to Chinese sales in 2011 [42].

However, and from an opposite perspective, Jiang Shi Xue affirms that “Latin America’s terms of trade are turning for the better over the last several years”.⁵ Certainly, the prices of raw materials grew faster than manufactured goods and reversed the relative prices. It changed the terms of trade and it has altered the core-peripheral model in favor of Latin American countries in the first decade of the twenty-first century. But the new relative prices did not change the exchange structure, as we have seen in the case of Argentine-Chinese bilateral trade. Chinese scholars also claim that China is a developing country because their economic structure combines the developed Eastern region with very poor Central and Western regions. This argument is partially true, but –with the exception of very few countries- the Wallerstein’s core-semiperipheral-peripheral scheme turns out to predominate in the rest of world [45]. Then, if we select one unit of analysis (the State)

⁴ Argentina clearly is a semiperipheral area in Wallerstein world-system division [45]. But, in this paper, core, semiperipheral and peripheral powers are explained only in economic terms. Argentina increases its power dimensions with addition of political, geographical and social factors, but from an economic point of view, it still remains as a peripheral power. General speaking, it is clear that Argentina is more relevant than Paraguay, Uruguay, Haiti and other small countries, but in economic terms it does not reach the semiperipheral level. In this case, if the G-20 is integrated by the world’s major advanced and emerging economies, the Argentine participation in this group is, at least, questionable.

⁵ Jiang Shi Xue argues that: “Because of the China factor, however, Prebisch’s argument now appears to be incorrect. On the one hand, China’s large imports of resources and raw materials have pushed up prices in the world market, greatly benefiting Africa and Latin America; on the other, due to low labor cost, China’s exports of manufactured goods are relatively cheap. As a result, Africa and Latin America’s terms of trade are turning for the better over the last several years” [22].

Table 1 World economy stratification

Status	Year 2000			Year 2011		
	Countries	GDP	PPP	Countries	GDP	PPP
Great economic powers	United States	1	1	United States	1	1
	Japan	2	3	China	2	2
	Germany	3	5	Japan	3	3
	United Kingdom	4	7	Germany	4	5
	France	5	6	France	5	7
	China	6	2	Brazil	6	9
			United Kingdom	7	8	
			Italy	8	10	
			Russia	9	6	
Middle economic powers	Italy	7	8	India	10	4
	Canada	8	11	Canada	11	14
	Brazil	9	9	Spain	12	13
	Spain	10	12	Australia	13	17
	Mexico	11	10	Mexico	14	11
	India	12	4	South Korea	15	12
	South Korea	13	13	Indonesia	16	16
	Netherlands	14	15	Netherlands	17	19
			Turkey	18	15	
			Switzerland	19	29	
			Arabia	20	21	
			Sweden	21	30	
Pareto real line						
Small economic powers	Argentina	15	29	Poland	22	18
	Turkey	16	15	Belgium	23	28
	Russian	17	10	Norway	24	35
	Switzerland	18	26	Argentina	25	20
	Belgium	19	24	Austria	26	36
	Other small economic countries			Other small economic countries		
Pareto theoretical line						
	Other small economic countries			Other small economic countries		

This table shows the stratification of the countries' economies by size, estimated in terms of Gross Domestic Product (GDP) according to World Bank data. Following the Pareto principle, 20 percent of the economic units, for example 36 of 181 countries listed in the 2000 year report, should have the 80 percent of Gross World Product (GWP). But, this 80 percent was exceeded only by 14 units in 2000 and by 21 in 2011. This criterion is important to separate the great and middle economic powers from the small ones, forming the Pareto real line. In turn, if from the 80 percent of total GWP we, again, take out the 80 percent, we can set other line to separate the great powers from the middle powers. In 2000, the 80 % of GWP has been reached with 14 countries and the oligopoly of great powers corresponded to 6. So from an economic point of view, although that the global trend in the first decade of twenty-first century has been toward economic force de-concentration, also continues the global economic concentration in a few states, because the number of great and middle powers is so far from the Pareto theoretical line. Despite this trend, comparative data from 2000 and 2011 shows the increase of the number of great and middle powers from 14 to 21, and the oligopoly of great nations from 6 to 9. We can see that the trend toward global economic concentration has been reversed toward the trend of de-concentration, as a result of the contraction of the United States, Japan, United Kingdom, Italy, Spain and Canada economies. But it is important to take into consideration that, due to the rise of China, India and Russia, the great powers *club* undergoes an opening that allows the participation of more nations on it, while simultaneously tending to re-concentrate the world's wealth.

Source: The World Bank, World Development Report 2002 and 2010 [47].

Exclude Taiwan. China includes Hong Kong.

we must consider the State data (GDP or PPP) and it is necessary to exclude special domestic situations or those that do not meet the criteria being applied. In fact, from an integral power perspective, and especially in the economic level, since 1999 China is part of the select *club* of great nations [35]. This *club* only includes core powers: members capable of managing global governance and change the international order rules.

Different from the argument expressed in this article (which, needless to say, reflects the author's opinion), Chinese scholars and officials consider that Argentina–China relations are based in a South–South cooperation model, based on the GDP per capita of both countries. But such an approach is highly questionable. For instance, in 2011 China's GDP per capita was US\$ 5,445, while that of Argentina was US\$ 10,941 –over twice as much as China's. In spite of the fact that, according to the World Bank criterion⁶, both nations are considered as “upper middle income” economies in terms of GDP per capita, it becomes evident that Argentina is positioned on the upper border of this category. Furthermore, and if the economies of the two countries are considered in terms of PPP per capita, a remarkably similar gap would be observed: in 2011 China reached only US\$ 8,450, a figure that was more than doubled by Argentina's US\$ 17,250 –again, over twice as much as that of China and even becoming a “high income” economy, having exceeded the criterion of US\$ 12,476 PPP per capita –the division line between “upper middle income” and “high income” economies.

Therefore, and in light of the abovementioned GDP or PPP per capita figures, even the basic claim of the Chinese perspective would be mistaken: the Argentina–China relation would not be a South–South model, but rather it turns out to be a North–South model, with PPP per capita indicators positioning Argentina in the North and China in the South. As aforementioned, such a self-contradictory conclusion would be the opposite of the argument being made in this paper, which considers China as positioned in the North and Argentina in the South. In both the Chinese and Argentine cases, the distortion appears evident because the GDP or PPP indicators would be taken as being distributed between an overpopulated country (China) and another that suffers from subpopulation (Argentina). This mistaken point of view will inevitably disturb the clear understanding of the relation and we must come back to the core-periphery model, according to GDP or PPP data.

As a conclusion of the first part of this article, we can argue that the linkage between Argentina and China after 1999 was framed in the core-peripheral scheme (namely, China–Argentina), according to economic capabilities of the two countries, positions in the international structure, and also by the terms of trade interactions.

The Positions of Latin American Countries Toward the New Chinese International Division of Labor

Since 1978, Deng Xiao Ping's economic reforms removed the traditional isolationism of China and put into practice the export-production model, with gradual integration into the world economy. The Chinese reform created a virtuous circle of investments,

⁶ “Economies are divided according to 2011 GNI per capita, calculated using the World Bank Atlas method. The groups are: low income, \$1,025 or less; lower middle income, \$1,026–\$4,035; upper middle income, \$4,036–\$12,475; and high income, \$12,476 or more” [48].

production and market, under macroeconomic stability and peaceful environment as prescribed by nineteenth-century liberalism (see Fig. 2). These foreign investments were used to build joint ventures or exclusive capital firms to produce several different kinds of goods in China’s special economic zones (SEZ) and export goods abroad. With foreign investments and international market, the Chinese government created the *world factory*. At the same time, it formed the domestic market (and enlarged the civil society) [17], formerly smaller because the planning limited the relation between supply and demand in times of Chairman Mao. The key to the successful reformation has been the fusion between totalitarian regime and the gradual liberalization and marketization of the domestic economy [50], externally oriented toward the open-door policy, manufactured goods exports and international reserves accumulation. After more than three decades of continuous growth, the Chinese state was “deeply embedded in global capitalism [6].”

The export-production model searches economic partners for the normal functioning of the virtuous circle. In this context, the ideology of the model appears in 1993 when the Chinese government included the concept of *strategic partnership relation* in the Chinese–Brazilian joint declaration signed during the visit of President Jiang Ze Min to Brazil. Since then, expressions such as “strategic partnership,” “strategic associations” or “strategic relations” have been frequently used in Chinese books, articles, documents and other publications, which are part of an official classification of China’s international links.

The examination of these documents reveals a certain behavior model, but the Chinese political praxis introduces the concept in a general way to countries at different levels of political, economic and social development; without creating a coherent field of application. In fact, there seems to be no parameter for selecting strategic partners. Superpowers like the United States; organizations like the European Union or the Association of Southeast Asian Nations; developing countries such as Argentina and Brazil; and smaller powers such as the Philippines or Egypt all fall

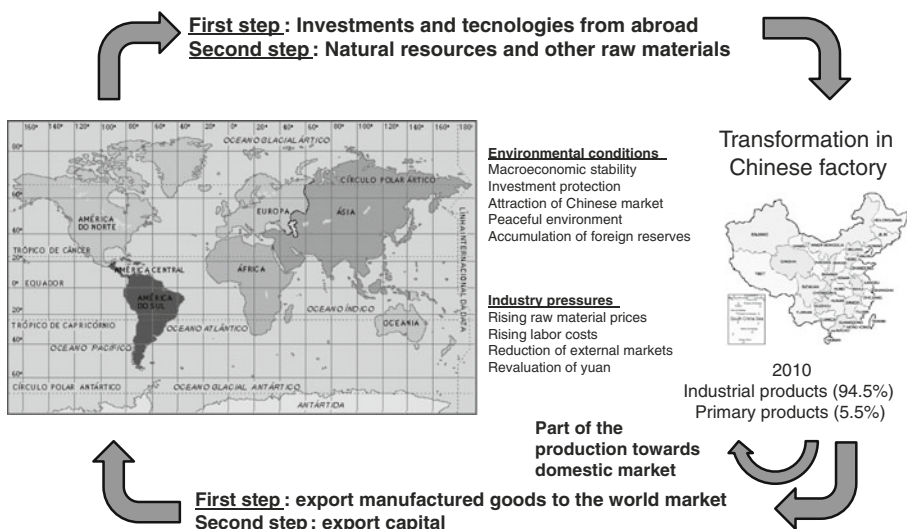


Fig. 2 Chinese export-production model and market creation. Source: author’s elaboration

under the same category. Australia, Italy, Poland, Sri Lanka and other states have a “general associative relation” that seems to fall in the lower range of strategic relationships (see Fig. 3).

States with high level of cooperation and structural conflict with China (such as United States, Japan and India) are strategic partners, the same as Argentina and Brazil, which lack any similar problematic background. Also in South America, six countries have strategic partner status with China: Argentina, Brazil, Chile, Mexico, Peru and Venezuela. Before the visit of Wen Jia Bao to Chile on July 2012, when the relation between both governments was upgraded to strategic relations, there are substantive differences between Argentina and Brazil with Chile because the three countries appeared to differ in the status that China attaches to each of them. China and Brazil maintain a longstanding strategic association; with Argentina the strategic relationship started in 2004 and with Chile, the relationship transited from the concept of “general economic associative relationship [3]” toward strategic partnership. That is, Brazil and Argentina used to be a step forward of Chile, but the Chinese-Chilean economic relation has grown faster than the Chinese-Argentine one in the last decade. Meanwhile, Mexico is a case in the middle, with Chinese trade competition in its domestic market and that of the United States, without reaching the levels of conflict that China had in its political relations with India or the United States in modern history. Interestingly Japan, one of the most important trading partners of the PRC, joined this list later. Both countries that do not recognize China as a market economy, as the United States and European countries, and those that do recognize China as such (i.e., most of the countries in the world) have strategic relations with the PRC. Therefore, it is difficult to perceive a parameter to establish what differences exist between a “strategic partner” and a “non-strategic partner”. In our opinion, the

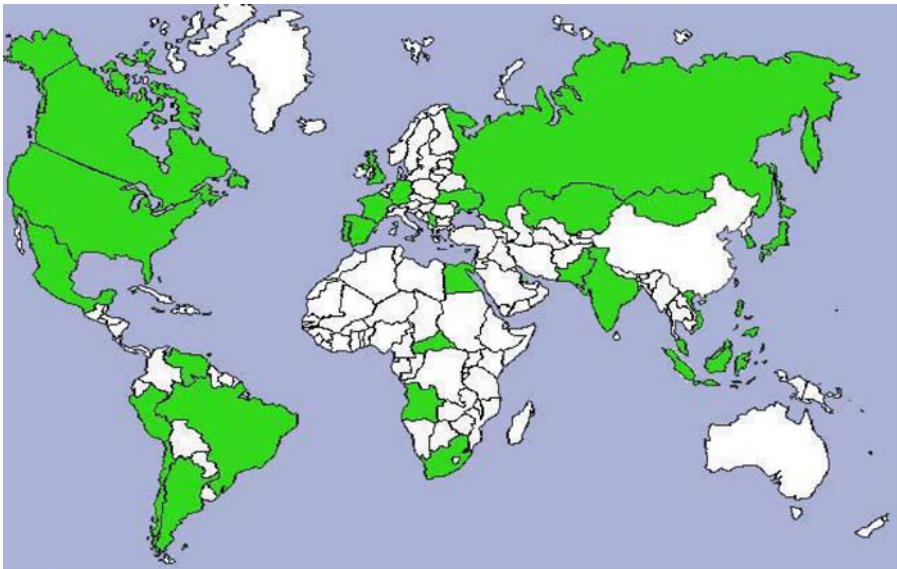


Fig. 3 China's strategic partnerships in the world

strategic partnership is an ideological concept, focuses on the economic interests of the parties that make up the association, positioning China as the axis of a new financial and commercial *entente*,⁷ based on the specialization of functions and connected through a multiplicity of agreements, excluding traditional military aspects; although they form the core content of the concept of strategy, both in China and the West [36].⁸

Latin American countries are not outside of this *entente*. In the more than 30 years of economic modernization, China has used a lot of natural resources and other raw materials. After despoiling its reserves in minerals and energies resources and also due to the fast increase in the demand of renewable resources, China's government had to deploy an economic diplomacy to search for these goods abroad, especially in Africa and Latin America. Jiang clearly asserts: "It is a well-known fact that China's own resources are not enough to sustain high growth rate. For this reason, it is imperative for China to acquire resources from external sources, including Africa and Latin America [22]." This situation has raised the role of Latin American countries in China's foreign policy and this is one important reason why the Chinese government published the first *policy paper* on Latin American and the Caribbean in November 2008 [33].

The bandwagon effect is evident in the relationship being examined. China's interest in raw materials drags Latin American economies and these nations are integrated in the Chinese growth model. This is a good example of what Robert Keohane has called "harmony." According to this author, harmony "refers to a situation in which actors' policies (pursued in their own self-interest without regard for others) automatically facilitate attainment of the other's goals [25]." This concept of harmony is different from the one expressed by President Hu Jin Tao, when in political discourses he repeatedly stated the phrase of "harmonious society" in the sense of maintaining the balance of society, according to Confucian thinking.

Complementary interests appear in the core-periphery model: Latin American countries sell raw materials to China; buy Chinese industrial goods; and China invests more in non-renewable resources of Latin America (and several Latin American firms invert in China). This is the real situation of the economic ties throughout the last

⁷ According to the Oxford Dictionary, the *entente* is "a friendly understanding or informal alliance between states or factions". The *Entente Cordiale* signed in 1904 between France and Britain is the typical example. But, for the purposes of our study, the most important is the *Entente Cordiale* between the same countries in the first middle part of the nineteenth century (1830–1837 and 1844–1847) when there was no formal agreement, but rather a basic consensus in the international politics between the two powers.

⁸ The Chinese dictionary defines strategy as "plan or general direction of the war [7]." As in the West, the term is associated with the tactic, defined as "principles and methods of the battle [7]." The strategy, called in Chinese *zhanlüe* (战略), is composed of two ideograms: *zhan* (战), which refers to war or *zhanzheng* (战争), and *lüe* (略) that means plan, among other uses. The tactic or *zhanshu* (战术) also comprises the ideogram *zhan* (战), to which is added the character *shu* (术), which is understood as art, method or skill. That is, both have the character war as base, but one relates to the general planning, the other is the art or method of struggle, combat or battle.

On the other side, to form a military alliance or aligned in Chinese means *jiemeng* (结盟). Separately, the character *jie* (结) means to unite, bind or form, while *meng* (盟) means alliance. From that China executed a peaceful diplomatic orientation in the early eighties, which was not aimed to unite military allies but partners, and that is *jieban* (结伴), which *ban* (伴) means precisely partner or teammate in Chinese. This is the origin of the concept of strategic associative relationship (战略协作关系) or strategic partner (战略伙伴) in the Chinese language.

decade, a period of time during which “China has become much more important as a trading partner for many Latin American countries [15].” However, discord and tensions emerge in the relationship when these countries expand their industrialization processes; add most value to their exportations or try to ensure local labor. For example, the *dilemma* of non-renewable resources in the rivalry of Chinese and Latin American modernizations; the dispute of investment originated in third regions; the Chinese export competition on third markets; and the protectionist reaction against the offensive entry of the Chinese products in the region, indicate a more contentious relationship than the one that has been maintained until now, except in those countries that are backing the *primarization* of their economy [27]. According to Keohane, policy coordination can lead to cooperation to solve these discord points: “Intergovernmental cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives, as the result of a process of policy coordination [25].” At present, Sino-Latin American economic relations move from harmony toward cooperation through a process of policy coordination (see Fig. 4).

The potential threat hanging over the modernized objectives of both parties’ disturbs harmony and produces discord, and seeks to be solved with the coordination of policies. Because China’s rise in the international economic structure is a contemporary matter, the process of policy coordination has started in recent years. In the case of China, its growth is limited by the lack of natural resources and the government decides to activate the supply channels with foreign investments that allow them to continue the process of modernization. Meanwhile, if Argentina continues in this global circuit, the “invisible hand” of Adam Smith automatically produces the *primarization* of the exports; with goods representing 33 percent of the exports total in 2009 (see Fig. 5), although the industrial sector of the Argentina’s economy remained stable at 31 percent in the last decade,⁹ according to 2010 World Bank data [47]. For that reason, Argentine President Cristina Fernandez de Kirchner’s government (as well as Dilma Rouseff in Brazil) puts the purchase of Argentine manufactured goods by China as a claim on the bilateral agenda. That is, where compatible, policy coordination will lead to cooperation, or in case of incompatibility, will exacerbate discord. In this regard, China has been the initiator of this action, because Keynesian thinking explains that the Chinese demand activates the Latin American economies and their reactions before the stimulus of this exogenous factor. In this sense, nothing has changed the “reactive style” of Latin American policies asserted by Luis Maira in the 1980s [28].

However, according to how Latin American governments define their policies toward China, the harmony of economic exchange could change into cooperation or, on the contrary, into deeper discord. In this sense, the political will of each unit is an important factor and appears as external behavior, expressed through products [12] or political decisions to endorse a relations model. In general, there are two trends in Latin America: 1) the countries that want to deploy relations with China under the core-peripheral scheme and adapt their economies to Chinese international division of labor; 2) those political units that recognize the real situation but support the *de-*

⁹ In 2011, the restrictions to imports applied by the Argentine government and the impact of the world crisis caused the share of the country’s industrial sector to drop from 31 to 26 percent.



Fig. 4 From harmony to cooperation

primarization of their economies to surpass the traditional core-peripheral model. In the first case, complementary interests will be greater than conflictive interests; in the second, tension will clearly coexist with complementary interest and would increase at the same rhythm of the *de-primarization* process advance [27]. Nevertheless, it must be kept in mind that the *primarization* of the economies is only one among several other discord factors regarding the clash of modernization processes between China and Latin America.

As regards the bilateral aspect of the relation, the consequence of harmony has not been a “win-win” relationship until now. If we compare the last 20 years of GDP figures, the Argentine-Chinese economic ties describe an increasingly asymmetrical relation, similar to that of others Latin America countries. In 1991, Argentina’s economy was 50 percent of Chinese economy; and in 2011 only represented 6.1 percent (see Table 2). This is because even though Latin American economies obtained good benefits from China and experienced fast growth rates, the Chinese economy grew even faster than them.

As a preliminary conclusion of this second section, it can be argued that the Chinese model of growth has created a new international division of labor that produce a bandwagon effect in Latin American economies, which are considered as raw material suppliers by China. Both strategic partners and non-strategic partners in Latin America are inserted in this model. The aforementioned harmony is the main characteristic of the virtuous cycle of investments, production and market, but

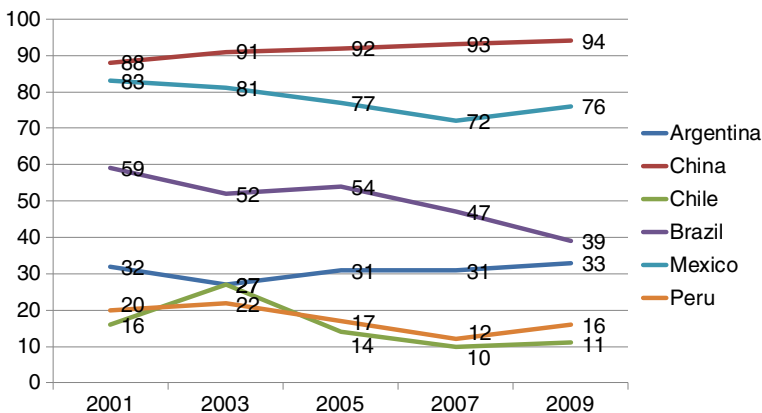


Fig. 5 Share of manufactured goods in the exports of several Latin American countries and China. Source: World Bank, World Development Report [47]

Table 2 Percentage of several Latin American economies' size regarding China In GDP (current US\$)

Countries	1991	2001	2011
Argentina	50.0%	20.3 %	6.1%
Brazil	107.3%	41.8%	33.9%
Chile	9.4%	5.1%	3.4%
Mexico	82.8%	46.9%	15.8 %
Paraguay	1.6%	0.5%	0.3%
Peru	8.9%	4.2%	2.4%
Uruguay	2.9%	1.6%	0.6%
Venezuela	13.6%	9.3%	4.3%

Source: World Bank [46]

several discord points have appeared in the relationship and the process of policy coordination attempting to solve them. In this regard, Argentina and the other Latin American countries would have two diametrically opposed policy options toward the Chinese model of growth: 1) to continue deploying relations with China in accord with core-periphery scheme as well as adapt their economies to the Chinese international specialization or; 2) to recognize the real economic situation and simultaneously support the *de-primarization* of their economies to be able to overcome the core-periphery model. In the more than three decades of Chinese reform, Argentina has obtained advantage in trade; but in terms of Wallerstein's long cycle [45], Argentina is in a more peripheral position with respect to China than it was 30 years ago and the relation has also become more asymmetrical. As can be seen, the consequences of the harmony have not been as beneficial to Argentina and other Latin American economies as is generally believed.

The Case of the Economic Relations Between Argentina and China

The considerable geographical distance, a history characterized by friendship and the absence of serious conflicts, together with the rise of China in the international economic scene make these two countries have common and complementary interests. However, due to the fact that the two nations seek to implement modernization processes, certain contradictory interests also appear in this relation and we must to make clear both aspects of the economic linkage.

The Harmony Level

In the first place, it must be mentioned that Argentina and China have competitive agricultural and livestock production structures, in the same way that Argentina has historically traditional rivalries with the United States, Australia and Canada. However, China's overpopulation, the successful economic reform and China's lack of raw material and food resources, have created temporary complementary interests between the two countries, and that provides the opportunity to build an economic *entente*. This is a *strategic partnership* in the vision of the Chinese

government; a concept that denotes an economic coalition between an important food producer and the world's second largest consumer. The existing harmony in this economic *entente* includes two major aspects: bilateral trade and Chinese investments in Argentina.

a) Complementary Interests in the Trade Relation

Trade is the most important part of this bilateral economic relation. When President Lanusse recognized the government of People's Republic of China in 1972, only 0.12 percent of Argentina's total exportations were sold to China, and 0.02 percent of the Argentine total importations were bought from this country. In 2008, when the economic crisis erupted, the trade relation attained the most important level until the start of the second decade of twenty-first century: 9.06 percent of the Argentine total exportations have been sold to China and 11.38 percent of imports came from this country (see Tables 3 and 4) [37].

In addition to that, the structural change of trade destinations by continent took place during the presidency of Néstor Kirchner. The decline in sales to Europe and the rise of exports to Asia had its turning point in 2007, when for the first time exportations to Asia exceeded those destined to Europe. Because of this situation, Argentina needed to open new commercial offices in the Orient (such as the new consulate in Guangzhou) while preserving the existing one in Europe, with the consequent expansion of the Foreign Ministry bureaucracy. Obviously, this transformation was promoted by trade with the PRC, which represented almost 50 percent of sales to Asia in that year. On the other hand, while Argentina continues to complain in international forums about trade restrictions on agricultural goods applied by the European Union and other nations, it has found a new trade partner in China, since not only did Chinese food demand raise international prices but mitigated the lack of markets that Argentina suffered, for example, in the 1980s.

The bilateral exchange shows high concentrations of Argentine sales in a few products and the preponderance of raw materials in its components, particularly from

Table 3 Ten main Argentina's export partners (2000–2010)

	2000	2002	2004	2006	2008	2010
1	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil
2	United States	Chile	Chile	Chile	China	China
3	Chile	United States	United States	United States	United States	Chile
4	Spain	Spain	China	China	Chile	United States
5	Uruguay	China	Spain	Spain	Netherlands	Netherlands
6	China	Netherlands	Netherlands	México	Spain	Spain
7	Netherlands	Italy	Mexico	Netherlands	Uruguay	Germany
8	Italy	Mexico	Italy	Uruguay	Italy	Italy
9	Paraguay	Germany	Germany	Alemania	Germany	Uruguay
10	Germany	Uruguay	Uruguay	Italy	Venezuela	Irán

Source: National Institute of Statistics and Census of Argentina (INDEC)

Table 4 Argentine–Chinese trade (2001–2010)

Year	Exports	Imports	Total	Balance
2001	1.224	1.113	2.337	+ 111
2002	1.177	342	1.519	+ 835
2003	2.581	742	3.323	+ 1.838
2004	3.055	1.737	4.792	+ 1.318
2005	3.336	2.270	6.489	+ 1.066
2006	3.646	3.153	6.799	+ 493
2007	5.166	5.092	10.258	+ 74
2008	6.397	7.104	13.501	− 707
2009	3.698	4.823	8.521	− 1.125
2010	5.858	7.648	13.506	− 1.790

Source: National Institute of Statistics and Census of Argentina (INDEC), 2002–2011. Unit: US million dollars. Excluded: Hong Kong, Macao and Taiwan

the soybean sector. In 2010, five products concentrated 90 percent of Argentine total exports to China (see Fig. 6). Four of them were renewable resources or its by-products and accounted for 78.1 percent of the exported total values (soybean, crude soybean oil, sunflowers oil and chicken scrap or offal); while crude petroleum oil, as a by-product of non-renewable resources, only accounted for 11.5 percent [2].

The Chinese exports to Argentina are highly concentrated in industrial goods (98 percent of the total) and the primary sector products are almost nonexistent, without exceeding 2 percent of total imports in 2010 (see Fig. 7). Different from Argentine sale figures, the top ten products imported from China only accounted for 22.4 percent.

It is noteworthy that Sino-Argentine trade relations have a special problem: both countries differ on their trade statistics, as measured by the National Bureau of Statistics of China (NBSC) and its Argentine counterpart, the National Institute of Statistics and Census (INDEC). According to the data provided by NBSC, the Chinese government sees Argentina as the only “winner” in the trade relation (see Table 5). In contrast, and according to INDEC data, the Argentine government

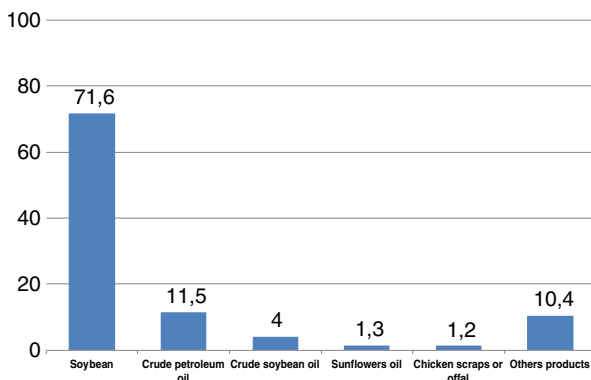


Fig. 6 Five main Argentine products exported to China in 2010. Total exports: 5.794 US million dollars. Source: National Institute of Statistics and Census of Argentina (INDEC)

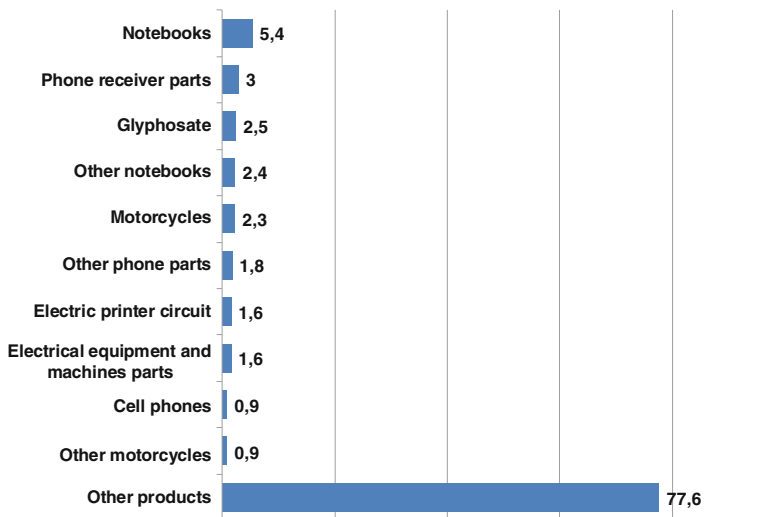


Fig. 7 Ten main Chinese products exported to Argentina in 2010. Total imports: 7.648 US millions dollars. Source: National Institute of Statistics and Census of Argentina (INDEC)

perceives China as the “winner” or, at least, has a vision of a “win-win” relationship¹⁰ (see Table 4).

Indeed, while Argentina accumulated surplus recorded by INDEC reached US\$ 2,113 million between 2001 and 2010, for the NBSC was US\$ 19,222 million, about nine times more than then INDEC figure in the same period. The most controversial year is 2008, when, according to the NBSC, Argentine surplus amounted to US\$ 4,320 million; while, according to INDEC, the Chinese surplus reached US\$ 707 million. As aforementioned, the Chinese government -supported by its official statistical data- demands a “win-win” relation to its Argentine counterpart, who –in turn– considers that such a relation already exists, based on its own INDEC data.

To the historical problem of dissimilar data, it should be added the manipulation of statistics that has taken place in recent years. Since November 2008, the Ministry of Commerce of China has stopped publishing data on foreign trade by countries on its website, which was of free public access in Chinese. The timing was not appropriate, as it provoked uncertainty about the motivation of such a decision. In addition to this circumstantial problem, there was a host of suspicions about the reliability of Chinese statistics that have been shown in several academic papers [8, 29]. According to these authors, trade data appear to be the most reliable in the world of Chinese statistics, but there are overwhelming complaints based on the fact that the values of Chinese exports set by the importing country are always higher than that declared by China.

There are also different amounts in exports to China, probably referring to the commodities (such as soybean, soy oil and so on) sold to China. However, it could be the case that, once at sea, the ship decides to change its destination to one that demands the same product, although it is doubtful that the Argentine government relegates mass money that may fall into the coffers of the national treasury by rights unrecorded exports. However, the

¹⁰ Huang Long Zhi also envisioned this problem, noting that, according to Chinese data, the situation would be unsustainable over time [18].

Table 5 Argentine–Chinese trade (2001–2010)

Year	Exports	Imports	Total	Balance
2001	1.281	573	1.854	+ 708
2002	1.239	185	1.424	+ 1.054
2003	2.729	447	3.176	+ 2.282
2004	3.254	852	4.106	+ 2.402
2005	3.799	1.325	5.124	+ 2.474
2006	3.700	2.003	5.703	+ 1.697
2007	6.335	3.566	9.901	+ 2.769
2008	9.360	5.040	14.400	+ 4.320
2009	4.310	3.480	7.790	+ 830
2010	6.802	6.116	12.918	+ 686

Source: National Bureau of Statistics of China (NBSC) Unit: US million dollars. Exclude Hong Kong, Macao and Taiwan

Argentine Federal Administration of Public Revenue (AFIP) not only investigated sales to China [10] in the past, but also in December 2010 its manager signed in Beijing a tax information exchange agreement looking to detect financial “inconsistencies in trade flows [9].” At the same time, the change in measurement methodology used by INDEC has undermined the credibility and prestige of the institution, even though such change does not seem to be oriented to foreign trade data.¹¹

If there is no concordant vision in the trade data, solving the problem of different governmental perception seems an arduous task. Thus, official statistics provide growing instability in the Argentine–Chinese trade, creating incongruent perceptions between both governments that influence their decision making [37].

b) A Turning Point of the Chinese Investments in Argentina?

Since 2005, the Latin American region is the second largest destination of China’s Foreign Direct Investment (FDI) [43]. In 2010, Latin America received 15.3 percent of Chinese total outward FDI flows, second only to Asia and ahead of Europe and North America (see Table 6).

The 91.2 percent of Chinese investments to Latin America concentrated in two “tax havens”: Virgin Islands and Cayman Islands. The remaining 8.8 percent has been directly invested in the other Latin American countries (see Table 7). However, according to the data of Economic Commission for Latin America and the Caribbean (ECLAC), Chinese investment policy to Latin America made a turning point in 2010, especially in Brazil, Mexico, Chile, Peru, Colombia and Argentina [5]. In contrast, and according to the data of China Ministry of Commerce, there is not any significant change in the investment flows by countries (see Table 7). Clearly these Chinese

¹¹ In recent Argentina trade reports released by the INDEC, the item “China” includes Hong Kong and Macao, a situation that was not previously registered. Although both enclaves are already under Chinese sovereignty, the data inclusion mitigated the impact of the deficit with China, to the extent that sales to Hong Kong had surpluses of US\$ 261 million in 2009 and US\$ 89 million in the first four months of 2010 [19]. While these figures do not substantively alter the values mentioned, the inclusion of both enclaves appeared just since the beginning of Chinese surplus in bilateral trade. Anyway, the “INDEC Informa” report still continues to record disaggregated data from China, Hong Kong and Macao, a practice that should be continued by the institute to maintain the credibility of its records.

Table 6 Chinese investments in the World - 2010

Region and continent	Percentage
Asia	65.2 %
Latin America	15.3 %
North America	3.8 %
Europe	9.8 %
Africa	3.1 %
Oceania	2.7 %

Source: 2010 Statistical Bulletin of China's Outward Foreign Direct Investment [43]. Unit: millions of US dollars. Total: 68.811 millions of US Dollars

investments have come into Latin American countries through Virgin Islands, Cayman Islands, Hong Kong or other “tax havens”.

Originally, the situation of Chinese investments in Argentina is similar to that of other Latin American countries. In fact, and according to Chinese data, the total Chinese FDI in this South American country only reached US\$ 160 million between 2003 and 2010 (see Table 7 and Fig. 8). However, there are two turning points in the bilateral financial relations: the first and less important one took place in 2007, when the totality of Chinese investments in Argentina surpassed the total of Argentine investments in China. The second and most important happened in 2010, when several Chinese firms conducted very significant investment operations through “tax havens”, without registered directly in Argentina. These operations have changed the face of Chinese investments in Argentina and the year 2010 became the turning point in this matter.

Chinese investments have changed the pessimistic expectations that Argentine political leaders and public opinion had since the visit of President Hu Jin Tao in 2004. Two years later, a Chinese governmental consortium acquired the Sierra Grande iron mine in the southern province of Rio Negro, which had been closed

Table 7 Main destinations of non-financial FDI of the PRC in Latin America - 2005–2010

Country	2005	2006	2007	2008	2009	2010
Argentina	0	6	136	10	-22	27
Bolivia	0	18	1	4	18	3
Brazil	15	10	51	22	116	487
Chile	1	6	3	0	7	33
Cayman Is.	5162	7832	2601	1524	5366	3496
Virgin Is.	1226	538	1876	2104	1612	6119
Mexico	3	-3	17	5	0	26
Paraguay	-	-	-	3	6	27
Peru	0	5	6	24	58	139
Venezuela	7	18	69	9	115	94
Latin America and the Caribbean	6.466	8.468	4.902	3.677	7.329	10.538
World Total	12.261	17.633	26.508	55.907	56.528	68.811

Source: 2010 Statistical Bulletin of China's Outward Foreign Direct Investment [43]

Unit: US millions dollars

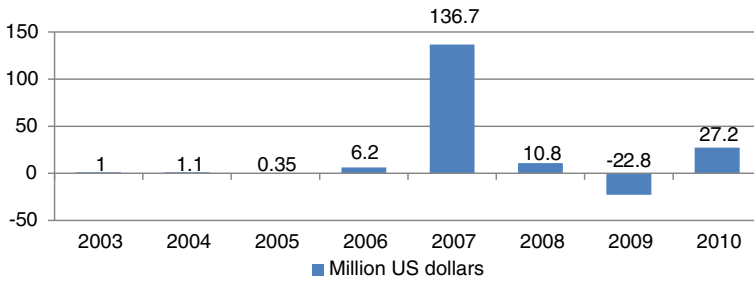


Fig. 8 Chinese investments in Argentina. Source: 2010 Statistical Bulletin of China’s Outward Foreign Direct Investment [43]

since 1991. Subsequently, the China Metallurgical Group Corporation acquired a 70 percent stake of it, with a concession for 30 years. In March 2010, the China National Offshore Oil Corporation (CNOOC) bought 50 percent of the Bidas Energy Holding in US\$ 3,100 million. At the end of 2010 the Chinese state company Sinopec announced the purchase of Occidental Petroleum in Argentina for 2,450 million dollars. In addition, one Shaanxi province firm has invested in the production of urea on the Tierra del Fuego province. However, similarly to others Latin American countries, the Chinese statistical data recorded only US\$ 27 million of investment in Argentina that year. According to ECLAC, in 2010 the total of Chinese investments in Argentina has reached US\$ 6,193 million (see Fig. 9). In 2011, the Industrial and Commercial Bank of China (ICBC) purchased 80 percent of the local subsidiary of Standard Bank, valued at US\$ 600 million. The same year, the Argentine-Chinese Bidas Energy Holding acquired Exxon Mobil Argentina in US\$ 720 million.

The modification of China’s investment policy could be associated to four causes:

- The Chinese government estimated that China’s economy will grow during as well as after the global economic crisis is finished and it will need more raw materials to continue producing in the “Chinese factory” and ensure food and energy security;
- The intensification of the struggle between great powers on strategic raw materials (such as oil, gas, minerals and food) and the necessity of China to control the supply channels.

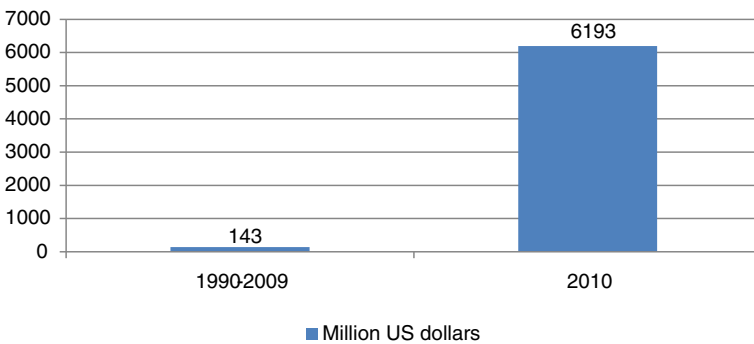


Fig. 9 Chinese investments in Argentina. Source: Economic Commission for Latin America and the Caribbean (ECLAC) [14]

- The volatility of the US dollar and other international currencies forced China to change a part of accumulated reserves for influence and control of business assets.
- Chinese enterprises are undergoing the process of trans-nationalization and of improvement of their international competitiveness, taking advantage of the global crisis and their highly competitive profile in the domestic economic.

Collision Points Between the Modernizations Processes of Argentina and China

As aforementioned there are not great conflicts in the history of Argentine–Chinese relations [37]. From this perspective, an emerging crisis in the bilateral trade (as the decision of the Chinese government to ban the imports of Argentine soybean oil in 2010) becomes insignificant within the framework of a non-confrontational past. Indeed, Argentina has historically maintained a continuous and unaltered foreign policy toward the Chinese state, based on the unconditional recognition of the “one-China principle [37]”. Simultaneously, since the adoption of the *soft politics* and modernization processes in both countries, several opposing interests have appeared in the economic linkage. In this sense, the abovementioned soybean crisis could seem to be one of certain importance, capable of interfering in the current Argentine economic orientation. Then, the crisis can be observed from either a global and historical process or from a short-time and economic linkage perspective, with different results. From the latter point of view, the most important collision points between the competitive processes of modernization in both countries are the following:

a) **Economic *De-Primarization* and the Rise of Trade Tension**

Since the beginning of the century, demand from China, India and other emerging countries pushed the international prices of raw materials and promoted the boom of the Latin American primary sector, in appreciating the value of local currencies at the expense of the competitiveness of the industrial sector (see Fig. 10). This new version of the so-called Dutch disease¹² tends to the specialization and *de-industrialization* of the economies in order to consolidate the core-peripheral scheme with China and other emerging countries. Latin American states, like Chile and Peru, agreed to this scheme and have signed free trade agreements with China. Brazil has not signed this kind of agreement but the impact of the Dutch disease on Brazilian exports is similar to that of these two countries (see Fig. 5). Foreign investments and commodities sales have facilitated the entry of foreign currencies and it appreciated the local currency, but deteriorated the competitiveness of Brazilian industry and exaggerated the value of GDP, placing this nation among the major economies of the world. Is Argentina destined to *primarize* its economy and to damage its industrial sector in a similar fashion to that developed by other Latin American countries? How to prevent the boom in the primary sector of the economy from delaying the expansion of the

¹² The Dutch disease refers to the discovery of deposits of oil and natural gas in the North Sea and the significant increase and sudden wealth of the Netherlands in the 1960s. This good fortune had repercussions in other sectors of the economy, as foreign currency earnings and the appreciated guilder hurt the competitiveness of non-oil exports. Although it relates to the discovery of some natural resource, it can spread to other events that generate foreign currency income, as the remarkable surge in natural resource prices, foreign aid or foreign direct investment [13].

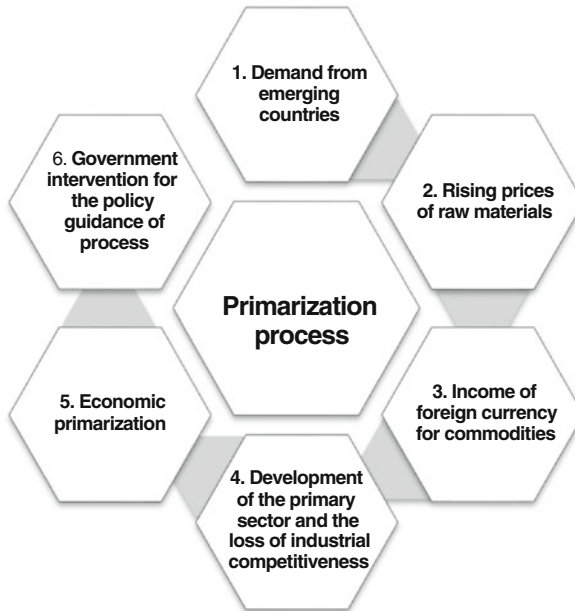


Fig. 10 Primarization process

industrial sector? For Argentina, is it necessary to cross through the *primarization* stage to modernize its economy and achieve economic development? These questions have been analyzed by the Argentine government, which has adopted an exchange policy, for example, different from that of the Brazilian government, for instance.

While Argentina exports commodities and China's demand remain constant, complementation is viable and growing. In addition, because the Chinese process incorporates the excluded population into its market and raises the level and quality of domestic demand, business expectations are encouraging.¹³ At the same time, there is tension in the bilateral relationship when Argentina adds value through industrialization. The *de-primarization* of non-traditional exports increased trade friction with China, as happened in the soybean oil crisis in 2010. The Argentine trade policy seeks to industrialize the soybean to add value to its exports; while Chinese policy seeks the purchase of such commodity and its transformation in the Huadong region, as we have seen during the examined crisis (see Table 8).

Argentina, an exporter of raw material and food, sees China as a main partner, especially for its need to maintain food security. The dependency is kept in the field of renewable commodities, where soybean and its byproducts accounted for more than 78.1 percent of exports to this Asian country in 2010. However, the crisis about soybean oil did not produce the expected vulnerability, because Argentina's trade policy was able to mitigate the Chinese prohibition by placing volumes of soybean oil into alternative markets; processing into biofuels or selling soybean. As for imports, there are no Chinese products than cannot be acquired in other markets. Moreover,

¹³ See *China será el mayor agroimportador mundial dentro de cinco a diez años*, in América Economía, 11-07-2011, <http://www.americaeconomia.com/negocios-industrias/china-sera-el-mayor-agroimportador-mundial-de-cinco-diez-anos>. Accessed on 6 December 2011.

Table 8 Causes of soybean crisis

- The Chinese ban of the Argentine soybean oil imports has been a non-tariff measure, retaliatory for anti-dumping policy to Chinese products. However, the Chinese government considers that has been a technical problem (according to BT 1535/2003 Chinese phyto-sanitary requirement).
- The struggle for the crushing of soybean: Argentina and China compete to produce soybean oil, especially between Great Rosario area and Huadong region. It is clear that in wherever place the soybean is industrialized will be the place in which employment will be created, value added and taxes levied by governments.
- Since the international economic crisis erupted, both governments sought to avoid imbalances in their foreign trade. Especially after 2008, when the two parties adopted protectionist policies: in China, appeared the New Deal with Chinese characteristics, and in Argentina, the expansion of internal market. Both governments want to have surplus in the external sector.
- Because the data of the two national statistical institutions has differ greatly, both governments have a distorted perception to the other at time of make decisions in trade relations.
- Human rights issues have disturbed the enviroment of the relations between both countries. China's restrictions could be regarded as a counter-measure to the decision of Argentine judge Aráoz De Lamadrid on human rights violations in China.
- The cancellation of the visit to China of President Cristina Fernandez in January 2010 is considered another probable cause which led to Chinese retaliation. [38]

while China is an important partner of Argentina (representing about 10 percent of its sales) Argentine export markets have been decentralized to mitigate the risks, except Brazil, that concentrates more than 20 percent of them [34]. Therefore, from the interdependence theory [24] there was no observed vulnerability to disruption of Chinese purchases since there was no significant change in the policy framework.

b) **Dilemma of Non-Renewable Resources**¹⁴

For the “Chinese factory”, the stability of non-renewable resources is vital to continue its virtuous economic cycle. However, like China, Argentina has the purpose of economic modernization and needs more energy and minerals in the middle and long term. If a country expends its non-renewable resources at present, it will hinder its process of modernization in the future and the upcoming governments should seek them somewhere else, like China today pursues them all over the world after having plundered their resources. Contrary to this point, in short-time, the Argentine government obtains benefits from export non-renewable resources. Indeed, because these resources are limited, the long-term interests and future objective of modernization are in contradiction with short-time benefits, generating a dilemma in the determination of national interest about non-renewable resources. The exports of currently available resources are a challenge to future production and development. Therefore, from a pragmatic point of view and the long-term perspective of this economic sector (due to the potential strategic significance) it is necessary to safeguard them or to pursue and/or achieve a rational development to accomplish the goals of economic modernization of the country, and not only to supply them to other countries seeking their own economic growth. In the meantime, at least in the trade policy, the Argentine government should find balance between short and long-term interests.

¹⁴ Non-renewable resources are those whose reserves will inevitably end up at some point as it is not possible to produce, grow or regenerate to sustain its consumption rate. This means that the consumption of non-renewable resources exceeds the capacity of nature to recreate. Examples of non-renewable resources are oil, gas, coal, minerals, timber and water.

The recent expropriation of 51 percent of the shares of Repsol in Argentina's Yacimientos Petrolíferos Fiscales (YPF), the largest oil producing company in the country, reflects the abovementioned dilemma. This company, owned by the Spanish Repsol Group since 1998, due to various domestic and international circumstances, was exclusively focused on the extraction of oil from existing fields, leaving aside the exploration of new oil fields in the last decade. The no-exploration of new deposits, growing domestic demand and the continuity of sales to foreign countries, caused the depletion of Argentina's oil reserves. It is noteworthy that Argentina, having been an oil exporting country, eventually became an oil net importing one, with high impact on the trade balance; although it still has resources to explore and produce –such as shale oil and shale gas in Vaca Muerta field, in the Western region of Argentina's Neuquen Basin. Meanwhile, Chinese companies, like CNOOC and Sinopec, have bought assets of other Argentine oil companies, such as Bidas, because the oil market is oligopolistic in Argentina, and YPF controls only 32 percent of oil production and 23 percent of the gas in this country. For Chinese investments, this financial field is still vast, even in the same YPF,¹⁵ which requires large investments to regain self-sufficiency in the country. In this regard, various conjectures have appeared about China, especially after the meeting between Presidents Fernandez and Obama in Cartagena, on April 2012. For example, the Financial Times reported that the Repsol group had advanced negotiations with Sinopec, who in secret attempted to sell its 57.4 percent interest in YPF; it broke down after the Argentine government announced that it would expropriate 51 percent of the company [23]. However, in the end, the problem depends on what will be done with the extracted oils, because Argentina needs it for national development and China, of course, for its modernization.

c) Rivalry in Local and Thirds Markets

In the local market, there is a triple linkage among China's dumping; the formal granting by the Argentine government of China's market economy status in 2004¹⁶ and the anti-dumping measures to Chinese products adopted by Argentine authorities. As a reaction to these measures, the PRC's government banned the access of several Argentine products to the Chinese market, arguing "technical problems" –i.e., crude soybean oil, lemon, etc. However, China continued to buy crude soybean oil from the United States [38], a country with lower sanitary conditions than Argentina regarding this kind of product, at that time and until today. Even though the Asian country did not implement general protectionist measures, it applied specific sanitary and phytosanitary measures to certain products from Latin America [20].

Dumping is an unfair trade practice that involves the export of goods from one State to another at less than its value in the country of origin. China's characteristics (as enormous population, consumption level, a totalitarian regime, human rights and labor union problems) means costs and prices in the Chinese market are lower than those of the rest of world. This is because China not only does the classical dumping,

¹⁵ The ownership structure of the company is as follows: 26.00 percent of state-owned, 25.00 of provincial owned, 25.46 of the Petersen group, 6.45 of Repsol group and 17.09 percent of other companies.

¹⁶ In the first article of memorandum of understanding between Argentina and China about cooperation in trade and investment, Argentina government recognized China's market economy status and declares its decision not to apply any discriminatory treatment to imports from China.

but also social dumping and environmental dumping. Chinese dumping threats distort domestic markets in the world and the world responds with anti-dumping measures. The anti-dumping measures are a set of protective measures taken by a state in order to protect the domestic economy from the distortions produced by dumping policies of third states. The Argentine government applies anti-dumping to Chinese products to protect the internal market and production, as well as China protects its market from the competitiveness of Argentina's agricultural goods, if China produces these in its local market.

The problem has been how to establish the criterion to determine if China has been dumping. The Protocol of China accession to the World Trade Organization (WTO) established that domestic prices could not be taken as reference for determination of dumping, unless the destination country of those products recognizes China as a market economy [49]. Therefore, the persistent anti-dumping measures applied by Latin American governments to Chinese products, have prompted Beijing's government to implement an offensive diplomacy toward the countries of the region to obtain the recognition of China as a market economy. In their efforts to deepen relations with China and under pressure from the threat of losing the Chinese market, Argentina, Brazil, Chile, Jamaica, Peru, Trinidad and Tobago and Venezuela recognized the status of market economy, just as almost 100 members of WTO, except major economies like the European Union, United States, Japan and India. These economies continue comparing the price of Chinese exports with a third economy to define whether there is dumping (see Fig. 11).

Since China is a market economy for Argentina, this country should take into account the prices and costs in China, which as we know, are far away from

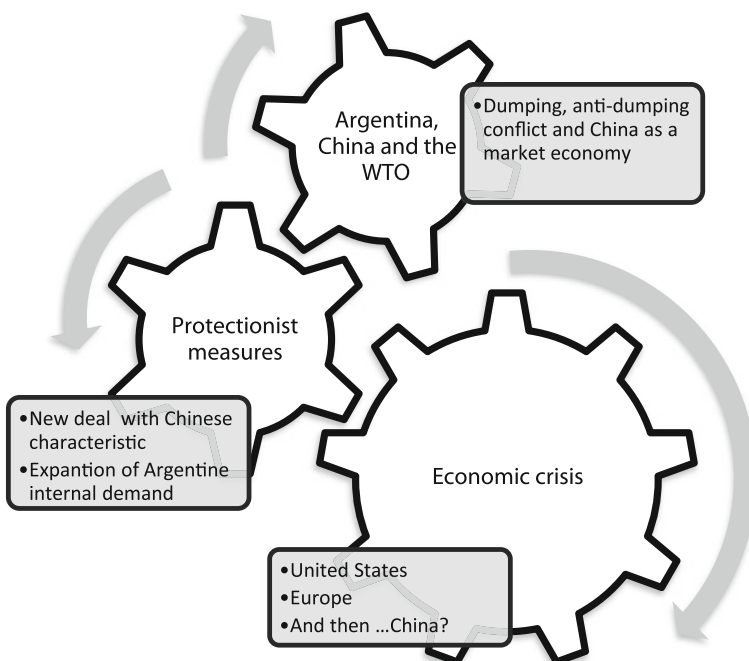


Fig. 11 Crisis, protectionism and WTO

international prices and costs, unless the Chinese government decides to appreciate the Yuan, a currency that has a decade of stability. The adoption of such a measure would be difficult to be made, because Chinese products would become uncompetitive internationally, and thus the PRC government pursues its recognition as a market economy in order to prevent the anti-dumping measures, and increase its exports. Besides, in the last decade there have been some problems that put pressure on the “Chinese factory,” such as rising raw material prices, labor costs and reduction of external markets. Therefore, Argentina made a positive contribution to the bilateral relationship by unilaterally limiting the application of antidumping measures [16] in exchange for gaining access to the Chinese market for a larger number of its products since 2004.

After China obtained its recognition as market economy, it came to light that such a principle collided with local economic interests, especially in the context of the international crisis and the rise of Keynesian measures. In the first half of 2008, China was the main object of the anti-dumping investigations of other members of the WTO [32]. A report on the Latin American and Caribbean Economic System stated: “...the largest number of cases of anti-dumping investigations against China, started between the fourth quarter of 2008 and the fourth quarter of 2009, was initiated by the countries that granted China the status of market economy [26].” Such measures expose the rise of conflicting interests between Chinese products and Argentine local industrialization, making this kind of commitment meaningless.

Indeed, the “threat” of Chinese products was mitigated by the application of antidumping measures.¹⁷ But the subprime mortgage crisis has exacerbated the protectionist policies and new frictions in trade led Argentine customs authorities to increase the control measures on imports [39] and setting special regulations for 21,600 sensitive products to prevent, as a result of the fall of the consumption in United States and Europe, their entry into the country and the subsequent distortion of the market. These measures immediately has been published by the Chinese Ministry of Commerce, although with the caveat that it was not a restriction on imports but a measure to strengthen customs’ control of these products, and it applied even to products that came from Common Market of the South (MERCOSUR) [30]. On the contrary, the agreement between Argentina and Brazil to raise the Common External Tariff to various products (wine, peaches, dairy, textiles, shoes, wooden furniture, etc.) caused some concern in the Chinese government [31], especially after the G-20 meeting in Washington of 2008 decided not to take protectionist measures for one year. The problem continued even after President Fernandez de Kirchner visited China in July 2010, when a few days after her return to Argentina, the Ministry of Industry established anti-dumping measures on imports of Chinese textiles and food and liquids processing machines [40].

After October 2008, trade exchange was in a different situation from that of November 2004, when Argentina recognized China as a market economy. The parties were not immune to global crisis and protectionist policies. The economic axis evolved from two decades of booming international trade to the implementation of stimulus measures of domestic markets to overcome the world crisis. According to

¹⁷ Argentine dumping measures applied to air conditioners, tires, sunglasses, bearings and parts thereof, pesticides, flasks, stainless steel tubes, tapes, playing cards and microwave ovens [16].

Table 9 Argentine and Chinese exports of goods and services (% of GDP) - 2006–2011

Country	2006	2007	2008	2009	2010	2011
Argentina	25	25	24	21	22	23
China	39	38	35	27	30	29

Source: World Bank [46]

World Bank data, the share of goods and services exported to the rest of the world in relation with GDP, decreased in China from 39 percent in 2006 to 30 percent in 2010, and to a lesser extent in Argentina: from 25 percent to 22 percent in the same period (see Table 9).

While Argentina was experiencing economic growth and developing its export capacity, Chinese competition emerged in third markets, just as Mexico has in United States [11] and Brazil in world market. For example, despite having geographical proximity and to be benefited by the free trade agreement with Brazil in the framework of MERCOSUR, in 2007 Argentina has been displaced by China from the traditional second place in the Brazilian market and China will also probably displace the United States as the largest trade partner of Brazil in 2012.

Argentina has always been prone to strengthen the dialogue between MERCOSUR and China, with the aim of using this institution to balance the asymmetrical relationship with China (and Brazil too). This dialogue¹⁸ began in 1997, but the lack of MERCOSUR's coordinated action to recognize China as a market economy and the failure of the good offices of Presidents Néstor Kirchner and Luiz Lula Da Silva, in order to persuade the government of Paraguay to establish diplomatic relations with the PRC, were factors that stalled the process. In June 2004, under the presidency of Argentina, the fifth and last meeting was celebrated in Beijing.

The dialogue was resumed six years later, also under the pro-tempore presidency of Argentina. In this new opportunity, the MERCOSUR members received the Chinese proposal to make a feasibility study for the signing of a free trade agreement between MERCOSUR and China. It is probable that such a trade agreement can be reached by the two parties, but taking into consideration the terms of trade between them, the eventual exceptions to the liberalization would outweigh the number of liberalized products and would have protectionist effect that would undermine free trade. The proposal of Premier Wen Jia Bao would strengthen the first of the two aforementioned policy options: if they were to accept it, the Latin American governments not only would *primarize* their economies even more but, by so doing, they would even destroy the incipient integration area that MERCOSUR has created.¹⁹ After rejecting the United

¹⁸ The term "dialogue" describes a state of the linkage not yet institutionalized. It should be clarified that the term "dialogue" when applied to the negotiation process, is a vague notion that represents the state of the linkage, which consists of diplomatic talks aimed at signing of a preferential tariff agreement or a free trade agreement between the MERCOSUR and this Asian country.

¹⁹ A study of feasibility to sign a FTA has been done between MERCOSUR and South Korea in 2006. This kind of agreement would damage the MERCOSUR automotive complex, and requires that Korea removes the high tariffs on agricultural imports. However, according to this report, given the structures of trade and tariffs both MERCOSUR and Korea, a possible scheme of trade liberalization tend to deepen existing patterns of specialization. Nevertheless, the study also shows the existence of potential gains in intra-industry trade [4, 21].

States proposal on FTAA,²⁰ a free trade agreement with China should extend the asymmetry of Argentina with China, shorten its dependence on Brazil, but would be detrimental to the integration process of the block. In addition, the timing of the international crisis is not favorable to the signing of such an agreement. However, expectations are growing, especially since the reopening of the MERCOSUR-China dialogue allows Brazil to display a strong leadership role within the institution.

Conclusion

As can be seen throughout this article, since 1999 the Argentine–Chinese economic relations were framed on core-peripheral scheme, according to the economic capabilities of two countries, their positions in the international structure and terms of trade interactions. China is positioned as a member of the *club* of great economic powers and, on the other hand, Argentina is economically far from China (in 2011 it only represented 6.1 percent of the Chinese economy) and it is not part of the group of the top 20 economic powers in the world. The bandwagon effect has been positive to Argentine growth, but in terms of Wallerstein's long cycle, Argentina is now in a more peripheral position with respect to China than it was 30 years ago, and the relation has become more asymmetrical. This kind of interaction shows the variability on the industrialization level of the two states and, hence, different stages of modernizations processes.

Argentina is part of the new Chinese international division of labor, and is also a strategic partner of China in food, energy and a market for Chinese manufactured goods. In the two policy options toward the China's model of growth mentioned in the second section of this article, Argentina recognizes the core-peripheral character of the relation and simultaneously pursues the *de-primarization* of its economy to surpass the core-periphery model and to be able to advance in its modernization process. This is not an easy task because the Chinese industry is more competitive in the world and it competes anywhere, including Brazil, with whom Argentina has a free trade agreement in the frame of MERCOSUR. So, after being displaced from the top of the Brazilian market by China, the proposal for a feasibility study for the signing of a free trade agreement between MERCOSUR and China is a new threat to Argentina's industrial entrepreneurs with interests in Brazil.

The success of China's modernization has generated a special trade complementation, consisting in an economic coalition between a big food producer and a major consumer. This economic *entente* includes two areas of cooperation: bilateral trade and Chinese investments in Argentina. The latter have had their turning point in 2010, when several Chinese corporations inverted in non-renewable resources through tax havens. Probably, this coalition will remain constant until China makes drastic changes in its agricultural policy, or the curve of population growth begins to decay, estimated by United Nations to occur on the late 2020s, although this growth has begun to slow down and is expected to exacerbate in 2015.²¹ In addition, the *entente* will endure if the Chinese economy continues to grow and more Chinese people are

²⁰ Free Trade Area of the Americas. In Spanish called ALCA: Área de Libre Comercio de las Américas.

²¹ According to the United Nations, in 2010 China's population amounted to 1,341 million. The organization estimates that in 2015 would be 1,369 million; in 2020, 1,387; and in 2025 would be 1,395. In 2030, China's population would drop to 1.393 million [44].

incorporated into the economic system. In this sense, its government gradually will change quantity for quality in the protein level of the Chinese diet and likely being able to continue the alliance further into the future. This would be the so-called harmony level.

From the Chinese perspective, the strategic *entente* seeks to place each state within its own area of specialization, and this form of trade exchange *primarizes* the Argentine economy. Even more, China stimulates the Argentine economic *primarization*, and, consequently, there is only complementation in the trade of Argentine raw materials and Chinese manufactured goods. The crisis of crude soybean oil happened because Argentina surpassed the limits of this traditional model and increased its industrial capacities. The crisis shows that this product is highly competitive and representative of Argentina's foreign trade and it was limited in its access to Chinese market to protect Chinese industry interests, raising questions about whether a similar crisis showing the confrontation of the parties will be repeated in the future. The answer does not seem to be easy and depends on the development of Argentina's modernization and the expansion of the Chinese market. For Argentina, the example of soybean industrialization could be the model to follow with other commodities, but Chinese policy seeks to buy raw materials and to avoid buying manufactured products. On the other side of the economic arena, the turning point of Chinese investments in Argentina created the dilemma in the determination of national interest about non-renewable resources, the most badly needed and wanted by China all over the world. Furthermore, the complementation in renewable resources can be continued until Argentina develops its industrial sectors, but the problem is that when the modernization arises, tension with China in this sector can emerge both in the domestic level as in third countries.

Finally, when analyzing Argentina's industrialization process, the shadow of the tense Chinese–Mexican trade relationship appears. The challenges of the bilateral relations come from how to solve eventual tensions that could emerge with China without following the conflicting's model of Chinese–Mexican trade. In fact, the Argentine–Chinese relations remain complementary in the core-peripheral scheme and, at the same time, discord could arise if Argentina continues the *de-primarization* process, industrializes its production and avoids falling into the new economic specialization scheme, where its only role would be as a raw materials supplier, just what it has traditionally been. Precisely because of these reasons, the process of policy coordination seeks to solve the discord points that have emerged in the relationship. Thus, if cooperation is not developed, complementary interests will have to coexist with discord or rivalry. The success of process of policy coordination would solve this discord, and would move the relation from harmony to cooperation.

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