

Argentina and Latin America under the Rise of China and the Belt and Road Initiative: Challenges and Proposals for a Constructive Integration ^{*}

1 The Crisis of Hegemony, the Rise of China, and the Multipolar Project of Global Articulation under the Belt and Road Initiative

The COVID-19 pandemic accelerated a set of trends in the contemporary global historical-spatial transition, setting a new moment of change and reconfiguration of the international relations that were already underway. Among these transitions, it is worth mentioning both the relative rise of China and the Asia Pacific and the relative decline of the US and the West; the increase of political-strategic contradictions that fuel already existing conflicts over

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multiple fronts and territories, threatening global stability; the crisis of the US hegemony and its consequent “global disorder”; the economic crisis, characterized by structural features, but with particular consequences for core parts of the global capitalism and its areas of influence, and expressed in the exacerbated financing process; the transformations of articulated production relations to a new technological paradigm; and important dilemmas regarding the strategic paths that Global South countries have to design if they aim to move forward to development.

The dynamic global accumulation center has moved from the West to the Asia Pacific, producing a geo-economic transformation with China as the main driving force. In contrast to the Global North, China recorded economic growth rates that averaged 10% annually between 1978 and 2010 and, since then, ranged from 6% to 7% annually, to 2019. In 2020, as a result of the global crisis of the COVID-19 pandemic, China grew by only 2.3%, but at the same time, China was the only large economy in the world that recorded positive rates.

China has acquired a central role in global trade, investment, and financing. In 2013, it became the largest exporting country, while in 2014, it surpassed the US as the largest state economy measured in GDP at PPP (which has not happened since 1872). In 2020, it became the European Union’s main trading partner rather than the US. At the same time, since 2011 it has positioned itself as the world’s leading importer of goods and, in that context, as the world’s first global consumer of energy, various minerals, and foodstuffs.

Regarding investment flows, it is the first recipient and the second issuer on a global scale, with a cumulative stock of foreign

investment exceeding USD 900 billion, and an increasingly relevant role in developing countries. Its efforts to respond to the 2008 – 2009 international financial crisis, along with associated industrial policies, led to a credit boom, which drove an even more significant positioning of Chinese products in the international markets. In 2009, China turned from net debtor to net creditor; financing for development took a central role within its national modernization goals.

Moreover, in 2019 Chinese industrial GDP was USD 4 trillion (28.4%), equal to the sum of the US, Germany, and Japan. But China is no longer just the world's largest factory as a Global North industrial semi-periphery, as it now competes in design, high finance, state-of-the-art technology, and strategic management functions. In this sense, it has emerged as the main country in patent applications, leads some cutting-edge technologies of the so-called "Fourth Industrial Revolution" and is ahead together with other Asian Pacific countries in the energy transition.

The ascent of China and the Asia Pacific region in the global sphere, or the re-emergence and strengthening of other power poles, reflects a critical change in the world power map and progress towards a multipolar reality. New dilemmas and opportunities arise in the semi-peripheries and peripheries that are part of the Global South. Thus, new initiatives emerge to democratize the access to wealth and the participation in global decisions, as well as new proposals, arise for the articulation of national and regional development, disputing the center-periphery relations established among the Global North and the Global South, the traditional hierarchies of the interstate system, and the economic dynamics based on an unequal international division of labor.

As a result of crystallized unipolar neoliberal globalization in the framework of the Washington Consensus and the financing of capitalism that affects both the production and labor sectors, and the civilizing dilemmas posed by dominant development models, other visions, and forms of globalization are emerging. There is a growing demand to reform the existing multilateral institutions, jointly with the creation of new regional and global multilateral institutions, that express these new realities of the southern countries, such as BRICS and its NDB, the SCO, UNASUR, etc. Among them, for its scale and characteristics, China's Belt and Road Initiative (BRI) stands out. BRI was launched in 2013 by Beijing, with the support of Russia, Central Asian countries, and other Eurasian countries; progressively, states from different regions of the world joined the initiative. At present, it includes more than 70 countries, representing more than 4, 000 million inhabitants, 75% of the world's known energy reserves, and more than 55% of the world's GDP at PPA.

To understand the context of the hegemonic transition of global power, it is worth considering the long-term vision that defines Chinese policies, and the process initiated since the 1949 revolution that ended neocolonial dominance by the great powers. The current goal of achieving the "Chinese Dream", i. e. , "the return to historical normality", is based on the aim of regaining a central place in the international system—China's position in the global economy and civilization until the 18th century—and, thus, become a leader in globalization, technological change, and the knowledge society by 2049. These objectives were defined at the 18th National Congress of the Chinese Communist Party and coincide with the 2009 – 2011 turn in its domestic and foreign policy after the 2008 – 2009 international financial crisis, which erupted into the Global North. Since its

foundation, the PRC has pursued a divergent development path that differs from those historically followed by other powers, founded on “socialism with Chinese characteristics” as a specific mode of production.

The BRI is part of those broad objectives and gave renewed impetus to the “Going Out” policy. These policies are not only central to the national socialist modernization strategy and its consequent projection abroad but are relevant axes when analyzing China’s link with Latin American countries. In contrast to the paths taken by China and the Asia Pacific, Latin America (LA) under the rule of the Washington Consensus suffered a significant relative set back since the late 1970s, a major peripheralization process that was difficult to reverse despite changes at the beginning of the 21st century.

2 Latin America and Argentina’s Relations with China, and the Extension of the BRI to the Region

In LA, 21 countries^① have already joined the BRI. This advance in levels of associativity and cooperation is in tune with China’s growing relevance in the region. The volume of trade between China and LA rose from USD 17 billion in 2002 to USD 315 billion in 2019; estimations calculate that bilateral trade could reach USD 500 billion by 2025. In this framework, it is worth noting that China has become South America’s leading trading partner.

Furthermore, LA became a major recipient of Chinese Foreign Direct Investment (FDI): between 2005 and 2019, Chinese FDI in

① In South America: Uruguay, Ecuador, Venezuela, Chile, Bolivia, Peru and Argentina.

LA accounted for USD 130 billion, that is to say nearly USD 10 billion annually. During the first ministerial meeting of the China-CELAC Forum, held in 2015 in Beijing, President Xi announced that from 2015 to 2025, Chinese companies would invest USD 250 billion in LA. As a result, the relative weighted share of Chinese investment as part of regional FDI went from 1.67% in 2003 to 6.30% in 2017.

In recent years, mergers and acquisitions (M&A) became the world's leading Chinese FDI channel; LA is far from an exception; it represented, before 2020, 62% of flows, and the countries with the largest participation in South America have been Argentina and Brazil, while Chile and Peru are becoming increasingly important. In 2020, M&A by Chinese companies worldwide recorded their fourth consecutive annual decline, which deepened with the pandemic. In the case of LA, not only did it not decrease but recovered from previous periods, surpassing those provided to Europe and North America, combined.

Chinese FDI in LA is distributed in various sectors, though those considered as strategic—infrastructure, energy, and raw materials extraction—stand out. Among these projects, there are large infrastructure projects which are core in terms of LA countries aim to move forward development and emulate those carried out in other regions within the framework of BRI, such as bridges, roads, tunnels, electric transmission networks, renewable energy parks, pipelines, dams, nuclear power plants, transcontinental railways, and even an inter-oceanic channel.

China's growing role in the region is also notable with the provision of loans to LA countries; this financing surpasses those granted during the last decade by the World Bank and the Inter-American Development Bank, combined. Since 2005, two policy

banks, the China Development Bank (CDB) and the China Export-Import Bank (CHEXIM), have lent to countries in the region amounts that exceed USD 140 billion. Unlike other global financing providers, Chinese loans initially do not require macroeconomic conditionality clauses. Moreover, since 2009, the Chinese Central Bank has implemented an active swap-giving policy with the objective of both promoting the internationalization of the renminbi, and enhancing China's financial power.

Regarding China and LA relations, it is also worth mentioning the support given to the cooperation with the Community of Latin American and the Caribbean States (CELAC). While Chinese President Xi Jinping first expressed on his visit to Chile, Ecuador, and Peru in 2016, China's intention to integrate Latin American countries into the BRI. In 2017, LA was declared as a "natural extension" of the Initiative, specifically of the "21st Maritime Silk Road" by President Xi Jinping. However, CELAC, created in 2010 as part of the advancement of autonomist regionalism in Latin America, within the context of a shift towards South-South ties, lost relevance in recent years, highlighting the setbacks in terms of regional integration. At times, it appears to be China that is interested in linking with the region through CELAC and strengthening the institution, rather than the countries of the region themselves. Similarly, it should be noted that China has designed a strategy of engagement to LA, materialized in different ways of rapprochement during more than two decades. Indeed, it not only established both bilateral and regional strategic partnerships, and comprehensive strategic partnerships, with the countries of the region and CELAC, respectively, but also increased its high-level visits. Also, it signed Free Trade Agreements with Chile, Peru, and Costa Rica, and

Bilateral Investment Treaties with several countries in the region. Besides, it expanded its participation in regional and multilateral institutions, issued two “Policy Papers on Latin America”, and created specific plans to promote the creation and deepening of a common agenda. By contrast, the region still lacks a joint strategy that addresses and plans its ties with China in the medium and long term.

In this sense, the problems of Latin America regional integration are a core obstacle to improving its countries’ international insertion, strengthening their voice against other powers, reducing existing asymmetries, and achieving greater degrees of relative autonomy. Also, the fragmentation of LA in terms of regionalism restricts the advancement of development projects consistent with regional needs, as well as the building of the necessary scales to make production more complex, and the expansion of strategic state capabilities.

Concerning China and Argentina’s economic relations, bilateral trade increased from USD 2 billion in 2000 to USD 16.3 billion in 2019, where Argentinean exports accounted for USD 7 billion and imports for USD 9 billion. China is Argentina’s second trading partner after Brazil; in fact, it became its first trading partner during the most critical moments of the pandemic in 2020, while the trade between MERCOSUR partners fell, reflecting a process of deindustrialization and primary-export specialization of both South American countries in recent years. It is noteworthy that Argentina’s trade balance with China registers a deficit since 2008, which fell considerably in 2019 but increased again in 2020, becoming the largest compared to those with other countries and regional blocs.

As for Chinese FDI in Argentina, those conducted in the soya complex cover all stages of the production chain. China’s investment

in the country also comprises the financial sector, the meat industry, the automotive sector, retail, fisheries, and telecommunications. Furthermore, Chinese companies invested in economic sectors considered strategic such as oil and natural gas, mining (copper and lithium, among other relevant minerals), logistics and transport infrastructure, and wind, hydroelectric and solar energies, while an agreement was signed for the construction of the fourth nuclear power plant in the country. A medium-term investment plan, amounting to approximately USD 30 billion, is currently being negotiated. In line with this, between 2020 and 2021, Argentina has signed several investment agreements with China in energy and transport infrastructure that emulate the projects that characterize the BRI.

Concerning financing, Argentina has received loans from the BDC, the CHEXIM, and the ICBC. These financing agreements mainly cover transport and logistics infrastructure projects and the energy sector. Besides, Argentina is an extra-regional member of the Asian Infrastructure Investment Bank and has signed several currency exchange agreements with China from 2009 onwards.

It should also be noted that Argentina and China became “strategic” partners in 2004, and turned into “comprehensive strategic” partners in 2014. Thus, the deepening of bilateral ties and its implications for Argentina’s development model and its international insertion must be analyzed. From the perspective of South-South cooperation in a multipolar world and the win-win logic, Argentina’s imminent accession to the BRI must consider certain prior objectives to reduce existing asymmetries, reverse the processes of “primarization” of the productive matrix, establish mutually beneficial economic exchanges.

3 The New Global Order and China's Belt and Road Initiative: Challenges for a Win-win Integration

The integration of Argentina and Latin America into the BRI and, in general, China's intention to further deepen its ties with LA and Argentina, faces the challenge of being part of a shift in the patterns of integration that characterized this scenario since the formation of its national states and the deployment of British hegemony first and the more recently US hegemony. This requires both at the academic level and in the public policies field to orient actions that from the Argentinean / Latin American point of view.

First, an integration from autonomy: this is an aspect with a long tradition in Latin American thought and represents an essential part for a process of coupling with feedback to the Asian stage and to that of China in particular. Among the multiple issues that it reaches, the most relevant is the formation of an endogenous and dynamic accumulation nucleus with macro-regional scope.

Second, integration from the strengthening of the own macro-regional integrations. The construction of this autonomy requires a macro-regional integration process, which includes the Latin American region as a whole and is not limited to an agreement for the exchange of investment and trade flows but has the challenge of building this accumulation pattern whose main vector is the integration of its (macro) regional productive chains. Likewise, this vector has two interrelated subvectors: the development of a joint process of industrialization and technological development to strengthen and qualify the global value chains.

Third, integration with/through industrialization; the first of these mentioned sub-vectors is represented by the industrialization process. Also being a neuralgic part of the structuralist thought of

Latin American development, it forms an inescapable pillar of all the dynamic centers that have been emerging and consolidating for the deployment of non-subaltern and “primarizing” patterns of accumulation that have been prevalent in the Global South international integration. This being a central aspect, its truncated character in LA and Argentina since the mid-1970s and particularly since the Washington Consensus, demands to regenerate an industrial strategy compatible with the new conditions of production and realization. This includes multiple offshoring processes and combined dynamics of decomposition and decentralization in multi-localized productive chains as well as the assimilation and autonomous generation of new technologies that enable upgrades in global chains.

Fourth, integration with technological development and strategic control of the industrialization process: under these new reproductive conditions, a more autonomous and globally and regional integrated industrialization that structures accumulation nucleus and its dynamics, demands the deployment, in strategic sectors, of coordinated learning and innovation processes (including industrialization of the primary sector) .

Fifth, macro integration from federal/local/sub-regional integration. The macro-regional integration process as a condition for a feedback integration with China under the BRI, additionally requires the deployment of these combined processes of industrialization and learning, within the framework of decentralized productive networks in the whole of the national territory. Overcoming regional imbalances and integrating sub-national spaces into macro-regional linkages is a fundamental requirement so that the interrelationships within the Belt and Road do not become a consolidation of spatial imbalances and favor a nationally coordinated multi-scalar developmental process in

which subnational spaces—particularly those peripheral ones—become protagonists.

Sixth, integration from/with the capacities of the State and the direction of the State: all the afore-mentioned aspects become viable to the extent that a process of state construction takes place aimed at reversing the structural weaknesses. That has affected both their infrastructural capacity to achieve a deeper and more coordinated socio-spatial penetration, as well as their managerial skills to condition and guide investment and learning processes. Macro-regional integration processes such as the BRI demand progress in the construction of state capacities that, overcoming these weaknesses, manages to develop an adequate scalar articulation (national, local regional) and from the functional point of view, control the progress of their currencies and the financial system to guide them to strengthen their strategic productive and technological processes.

By assuming the individual and articulated relevance of each of the six previous items for a successful China / Argentina / Latin America integration strategy, their inclusion within a complementary research agenda acquires a strategic character. This agenda could be relevant to provide inputs for policies and actions that allow LA / Argentina to develop those processes that Asia in general and China, in particular, are progressively leading, that is macro-regional integration, industrialization, development of knowledge and learning, scalar articulation and development of state capacities.