

Chinese Capital and Argentine Political Alternation: From Dependence to Autonomy?

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Received: 25 July 2017 / Accepted: 25 January 2018
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Abstract The political analysis of Argentine–Chinese relations in investments and financial matters shows two faces of the China’s capital exports to Argentina. On the one hand, Argentina became the perfect example in the practice of China’s government’s desired aims stipulated in its first China’s Policy Paper on Latin America and the Caribbean. On the other hand, China increased its structural power, integrating Argentina into its trade and financial scheme, and the South American country became dependent on Chinese capital. However, the political alternation and the change of foreign policy in Argentina in December 2015 diluted the unilateral dependence on China and transitioned to a multilateral dependence on the global capital markets, although China continued to play an important role in Argentine trade and finance. For that reason, the paper asserts some ideas about the way in which Argentina’s integration into the China’s global strategy presented not only supports but also challenges to the Argentine democracy, while exploring the impact of the second “Policy Paper”.

Keywords Investment · North–South relations · Centre–periphery · Dependency · Political alternation

This paper was written thanks to the support of the fellowship granted by the Global South Unit of the London School of Economic and Political Science.

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1 Introduction

The Chinese government has promoted capital export to different regions of the world since the beginning of its ‘going-out strategy’ in 1999.¹ According to the Statistical Bulletin of China’s Outward Foreign Direct Investment (2016), China’s Direct Investment abroad grew steadily since 2002. Several years later, the global economic crisis is slowing down this trend, but soon resumed in 2010. The fast increase of the exported capitals saw a turning point in 2015, when China’s Outward Foreign Direct Investment (OFDI) surpassed China’s Inward Foreign Direct Investment (IFDI). Regions at a greater distance from this country, such as Latin America and the Caribbean (LAC), were also integrated into this global strategy.

Until 2010 Argentina followed this trend closely but did not experience a great relevant increase in China’s FDI inflows. However, China and other capital-exporting economies are relevant for peripheral countries like Argentina (Escudé 1992) which need complementing national with international capital to promote economic modernization, in a way similar to the previous experience of East Asian countries, particularly China. In addition, national and international capitals are not only meaningful to develop modernization in Argentina, but they can also—indirectly—contribute to consolidating its democratic system (Oviedo 2015b).

By mid-2014, when the two countries had established a “comprehensive strategic relationship”, the Chinese influence in Argentina increased to such an extent that made this country financially dependent on China. This was the outcome of Argentina’s performance between 2009 and 2016 since China’s government achieved in practice targets in investment and finance as stipulated by China’s first Policy Document on LAC, published in 2008. This dependence² on Chinese financial power arose during the last 2 years of Cristina Fernández de Kirchner’s government, and extended until Mauricio Macri’s administration reinserted the country into the world capital markets in 2016.

The present paper seeks to understand this change in the bilateral relations elucidating the political factors that led Argentina to shift from being country influenced by China to becoming a Chinese capital-dependent country over a short time. In this analysis of Chinese–Argentinian relations, the Asian country has been open about its strategy as outlined in the two ‘Policy Papers’ to LAC, published in 2008 and 2016, and the South American country has attempted to assert its interests through two

¹ The “going-out strategy” (走出去战略) is the name of the Chinese government’s policy to stimulate and promote the investments of Chinese companies abroad initiated in 1999 to strengthening their competitive capabilities and mitigate the pressure that the huge amounts of foreign reserves exerts on the foreign exchange rate of the Renminbi.

² Dependency has been defined as an explanation of the economic development of a state in terms of the external influences (political, economic, and cultural) on national development policies (Sunkel 1969: 23) It is not a question of the two economies-central and peripheral ones-being separated, without a structural link that encompasses them. Quite the opposite. It is a relationship of interdependence-between two or more economies and between them and world trade, but in which the economies of the dominant countries can expand and be self-sufficient, while the economies of the dominated countries can only do the above as a reflection of such expansion, which can have a positive or negative effect on their immediate development (Dos Santos 1979: 216, cited by Bernal Meza 2016: 14).

different responses to China over three phases: parity, dependency and reassertion of autonomy.³ Consequently, the hypothesis asserts that the transition from parity to dependency can be accounted for the Argentine government's short-time financial need and Argentina's isolation from the international financial system at the moment that China builds a long-term influential network on finance in the world. These factors propelled the economical relation to weigh heavily on the two countries' foreign policies.

Argentina's political alternation in December of 2015 changed the government's orientation and foreign policy towards China. President Mauricio Macri diluted Argentina's financial dependence, predominantly on China, into a dependence on multiple sources of global capital markets. This increased the country's autonomy in bilateral relation, although China retained a strong influence on commercial and financial fields. Therefore, political alternation and the return to the international financial system became key causes to explain the transition from dependency to the reassertion of autonomy in the bilateral relations, but not in multilateral relations, because Argentina continues being dependent on world capital markets.

2 Research Methodology

In order to test these assertions, the research is divided into eight sections. The first section poses the question about the specific nature of Chinese capitals in Argentina. The article uses the word capital because is a broader term than the investment one, commonly used by journalists and academics in Latin America. The second part locates capital exports within China's comprehensive power, unlike the doctrines that fragment the power of the states. The following section considers how China implemented the investments and financial goals suggested by China's first Policy Paper in the Argentine case. Then, it explains how China increased its structural power in Argentina through the integration of this country into its commercial and financial scheme. The fifth section analyses how the Cristina Fernández de Kirchner government became dependent on Chinese capital after 2014. After this turning point, section six explains how the political alternation in Argentina affected bilateral relations and how the Macri administration changed the policy towards China. Section seven describes the points of the second Policy Paper to LAC in investment and financial matters, published in 2016. Section eight examines the results of Mauricio Macri's visit to China in May 2017 as the final point of the time scope of this study. Finally, the conclusion offers some ideas about how Argentina's integration into China's global strategy presented both supports and challenges to the democracy in Argentina and explores some perspectives on the second "Policy Paper".

The methodology involves a qualitative analysis based on the literature review and a quantitative analysis on FDI and other official statistical data from Argentine and Chinese sources. Diplomatic documents, such as China's Policy Papers on LAC and bilateral agreements, are used to compare the Chinese aims and data on trade,

³ I would like to thank Chris Alden for this observation.

investments and finance. In addition, political and economic facts and other evidence have been collected from press articles or specific literature.

The time period under study begins in 2007. This is the first year that China's FDI flow towards Argentina surpassed Argentina's FDI flow towards China (Zhao 2012). However, the most significant turning point took place in 2010, when three major Chinese state-owned enterprises (SOEs) reported long-term investments in Argentina. Beyond these two breaking points on Chinese capitals export to Argentina, the research focuses on the last 2 years of the Cristina Fernández de Kirchner government (2014 and 2015). It was then that Argentina's financial problems and isolation from world capital markets provided President Xi Jinping with a golden opportunity to propose the so-called "comprehensive strategic partnership" and to sign more than eighty bilateral documents in 2 years. Finally, the examined time period ends with President Macri's visit to Beijing in May 2017, when both presidents reached consensus on several bilateral agreements signed by the former Argentine government, and put an end to the tension emerged after the political alternation in December 2015.⁴

2.1 Which Kind of Chinese Capitals Flow Towards Argentina?

The concept of "Chinese investments" became popular among Latin American journalists and academics in the last decade. This corresponds to an undeniable reality: in 2015, China became the second largest supplier of Foreign Direct Investment (FDI) abroad, behind the United States and ahead of Japan (Ministry of Commerce, National Bureau of Statistics and State Administration of Foreign Exchange of the People's Republic of China 2016). In addition, LAC is the second destination of Chinese FDI. However, knowing if Chinese investments actually arrived in Argentina in this way or in another is not only a terminological question, but also has different economic and political implications.

The first article in the Agreement between the Government of Argentine Republic and the Government of the People's Republic of China on the Promotion and Reciprocal Protection of Investments (1992), stipules: "The term 'investment' means, in conformity with the laws and regulations of the Contracting Party in whose territory the investment is made, every kind of asset invested by an investor of one Contracting Party in the territory of the other Contracting Party, in accordance with the latter's laws." From the academic world, Imad Moosa defines FDI as "the process whereby residents of one country (the source country) acquire ownership of assets for the purpose of controlling the production, distribution and other activities of a firm in another country (the host country)" (Moosa 2002).

Even though there are differences between the two definitions, Moosa and the first article of the agreement provide similar ideas about investment; the agreement refers to "investment" whereas Moosa refers to "FDI". However, this paper considers that FDI directly leaves China and enters Argentina and excludes the investments

⁴ President Mauricio Macri has not yet completed his first term, but from the point of view of Robert Keohane the relation has closed the process of political cooperation. This was started when appears discord generated by political alternation, followed by policy coordination between both presidents that led to a new phase of cooperation when President Macri visited China.

that indirectly come from China (such as investments through tax havens), since Chinese official data report the first destination and the Central Bank of Argentina (BCRA) registers the first origin of investment. Besides, when these two concepts are examined in the context of Argentine–Chinese relations it is possible to see that the amounts of FDI and investments via tax havens are relevant to Argentina, but there are other main forms of capitals that also arrived in this country during the examined period, such as loans for infrastructure projects and bilateral currency swaps. Therefore, this article uses the concept of “capital” to involve several forms of investments and financial transfers, which is a broader concept than “investment”, although the latter is usually used in the literature.

For that reason, China’s main capitals in Argentina include investments and loans. Investments comprise FDI, investments through tax havens and investments in third countries with impact in Argentina. Loans cover currency swaps and loans for infrastructure projects (which are in progress or have not yet been started). Figure 1 shows a summary of China’s capital flows towards Argentina.

2.2 Comprehensive National Power, Asymmetric Interdependence and Chinese Capital Exports Towards Argentina

Since the Chinese revolution of 1949, the diplomatic behaviour of the People’s Republic of China (PRC) has been based on the comprehensive power vision, in opposition to the power fragmentation one.⁵ The PRC’s diplomatic history has several examples of that vision, but this section only pays attention to two of them to illustrate this behaviour.

In the first case, China deployed its trade, cultural and people-to-people diplomacy to normalizing diplomatic relations in times of the Cold War. That is, trade, culture and people were means to support foreign policy in order to obtain political recognition. In the second case, through its rapid expansion (the so-called “peaceful rise”), China entered into a phase of political, economic and cultural internationalization after it turned a major power in 1999 (Oviedo 2005). That year, China started economic internationalization when the PRC’s government announced the “going-out strategy”, which stimulated local companies to invest abroad to control production and distribution channels of raw materials, which were considered crucial for China’s growth. Five years later, the Chinese government started implementing the cultural internationalization, when the Ministry of Education created the first Confucius Institute in the world, in Seoul city. Simultaneously, *huaqiao* and *huaren*⁶ numbers in Chinese communities abroad and Chinese tourists in the world had grown

⁵ This perspective is shared by several authors. During the Cold War, political realism divided the agenda of international affairs in high politic (strategic-military) and low politic (economic-cultural) issues. Nye (1990) divided the concept of power and coined the terms “hard power” and “soft power”. In a similar sense, Strange (2015) separated the power in the political economy in two kinds: structural power and relation power.

⁶ The overseas Chinese, called *huaqiao* (华侨) in Chinese, are the Chinese citizens living outside Chinese territory; while *huaren* (华人) are citizens with non-Chinese nationality but of Chinese origin.

significantly.⁷ Therefore, these two examples show that China's diplomatic behaviour relied upon a comprehensive strategy based on an integral power vision and, from this perspective, is also necessary to analyse Chinese capital export towards Argentina. Huang Shoufeng (1992) is the most important representative of this line of thought in China. In the early 1990s, he coined the concept of "comprehensive national power", called in Chinese *zonghe guoli* (综合国力).

Capital export is the axis of the China's economic internationalization. In 2015 China's OFDI surpassed China's IFDI (Ministry of Commerce, National Bureau of Statistics and State Administration of Foreign Exchange of the People's Republic of China 2016). That year China also ranked second in terms of OFDI flows in the world, after the United States and before Japan (Ministry of Commerce, National Bureau of Statistics and State Administration of Foreign Exchange of the People's Republic of China 2016). These records show: (1) China's economic model is slowing down and stops offering opportunities to foreign investors; (2) facing China's slowing economy, Chinese companies increased their capital exports to the world, associated with Chinese banks, insurance companies and under government guidance. In addition, China's government put Renminbi's internationalization into practice through bilateral swap agreements, and the International Monetary Fund (IMF) included Renminbi in the Special Drawing Rights basket from October 1, 2016. All these economical facts have great significance for the theory of neocolonialism,⁸ which is rejected by Chinese officials and scholars.

The comprehensive national power is a realist vision limited only to State's behaviour. The same problem happens with dependence and autonomy, unilateral terms surpassed by the concept of interdependence, particularly asymmetric interdependence in term of Keohane and Nye (1977). In fact, China has all the features of a great power and a Northern country, while Argentina has attributes of a medium power and a Southern economy. This bilateral asymmetry, reflected by the size of the economies (Snorrason 2012), is the context in which capital flows. In turn, given the features of Argentina's food exporter and China's food needs, the trade expectations theory (Coperland 1996) provided an explanatory framework for Argentina's original expectations to expand its exports, generate surpluses and increase their international reserves. However, the chronic deficit of this South American country in the Argentine–Chinese trade showed the reverse process, that is, Chinese surplus in bilateral trade, the transfer of foreign currency from Argentina to China, the decrease of Argentine reserves and the growing needs of foreign capitals of which China has been a main supplier. Thus, the original potential capacity was not put into practice, beyond productive sectors with large-scale export competence, such as agri-food commodity sector, particularly the soybean.

⁷ According to the Ministry of Commerce of China (MOFCOM), the flow of Chinese tourists abroad from 10 million in 2000 passed to 57 million in 2010 and reached 127 million in 2015.

⁸ According to the thesis of Lenin in *Imperialism, the Highest Stage of Capitalism* (1917), China's capitalist development has already entered into the imperialist phase, where the exports of the capitals have more relevance than the exports of goods.

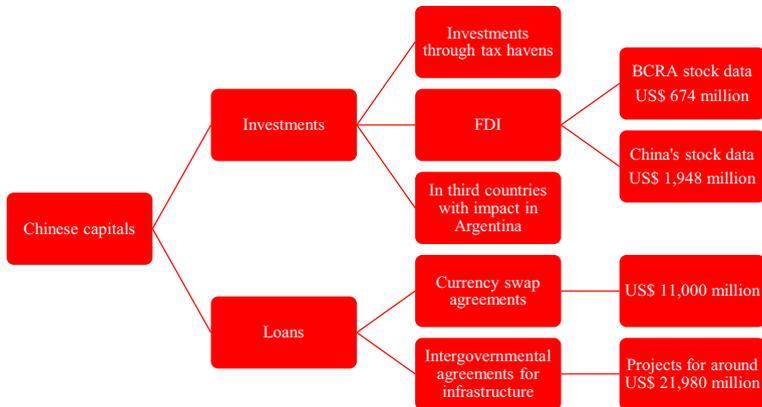


Fig. 1 Chinese capital flow towards Argentina

2.3 China's First "Policy Paper" and Its Practice in Argentina

Published in 2008, China's first Policy Paper established the guiding principles of China's foreign policy towards LAC. The following five points summarize China's Policy Paper goals in investments and financial matters:

1. Encourage and support qualified Chinese companies with good reputation in investing in manufacturing, agriculture, forestry, fishing, energy, mineral resources, infrastructure, and service sector in LAC to promote the economic and social development of both sides;
2. Continue to welcome investment by LAC businesses in China;
3. Encourage Chinese commercial banks to set up branches in LAC;
4. Push for the conclusion of banking regulatory cooperation agreements;
5. Work with LAC countries to jointly combat money laundering and terrorist financing (Ministry of Foreign Affairs of People's Republic of China 2008).

Considering that a decade has passed since its publication, it is possible to check whether China has implemented its goals in these two areas in the Argentine case.

Point 1 includes FDI and investments through tax havens. China's FDI flow and stock towards Argentina differ in terms of US dollar figures between the two-country official data (see Table 1). However, in the two cases, China's FDI flows and stock in Argentina grew. On the one hand, and according to the Central Bank of Argentina, China's FDI grew from US\$ 112 million in 2008 to US\$ 674 million in 2015. On the other hand, Chinese official data record US\$ 173 million in 2008 and US\$ 1948 million in 2015. The latter source shows that China's FDI stock in Argentina is similar to China's FDI stock to Pacific Alliance. In fact, according to the 2015 Statistical Bulletin of China's Outward Foreign Direct Investment (2016), the stock of China's FDI in Chile, Colombia, Peru and Mexico together reached US\$ 1987 million. In

August 2016, the Ambassador of the PRC in Argentina noted that China is the third largest investor in this country (Dinatale 2016).

More than 50 Chinese companies operate in Argentina, mainly in the areas of oil and gas, mining, fishing, telecommunication and agriculture. (Ministry of Commerce, National Bureau of Statistics and State Administration of Foreign Exchange of the People's Republic of China 2016). Two significant Chinese companies—China Petrochemical Corporation (Sinopec) and China National Offshore Oil Company (CNOOC)—invested in Argentina's oil industry. The China Metallurgical Group Corporation has a 70% stake in the Minera Sierra Grande, an iron ore mine in Río Negro province. Also, there are Chinese investments in third states that have an impact in Argentina. For example, in 2014 China National Cereals, Oils and Foodstuffs Corporation (COFCO) bought Nidera, a grain trade company established in the Netherlands and operational base in Argentina. In 2016, COFCO also acquired Syngenta, a food processing, manufacturing and marketing company. In addition, an MOFCOM report (2016) asserts that China provides 11,000 direct jobs and near 30,000 indirect jobs in Argentina (Ministry of Commerce, National Bureau of Statistics and State Administration of Foreign Exchange of the People's Republic of China 2016).

In July 2016, the Ambassador of Argentina in China, Diego Guelar, stated that China's government agreed to finance US\$ 25 billion in the next 5 years through loans for infrastructure projects in Argentina (Sarmiento 2016). However, up to January 2017, the Ministry of Economy and Public Finance recorded a total of US\$ 59,510 million for 2016–2019 period and only US\$ 2027 million came from China. This amount corresponds to two announcements, one of Chinese origin companies (US\$ 1.5 billion) and another of Argentine–Chinese origin companies (US \$ 527 million).⁹ Finally, during President Macri's visit to China in May 2017, the two parties signed several agreements for infrastructure projects financed by China (see Table 2).¹⁰

Point 2 is a “Policy Paper” aim that has not been achieved. Argentina's FDI towards China is scarce. During the examined period, a decreasing trend can be observed, from US\$ 13 million in 2008 to US\$ 3 million in 2014, according to Chinese official data (see Table 3). Up to the end of 2014, Argentina had 429 projects in China (Outward Exchange, Cooperation and Promotion Platform of Shandong Province 2016).

Point 3 is another achieved “Policy Paper” aim. In 2012, the Industrial and Commercial Bank of China (ICBC) bought 80% of Standard Bank's shares and set a branch in Buenos Aires. According to ICBC home page, this transaction is one of

⁹ Argentine-Chinese origin companies corresponds to private investments and private–public investments. The latter is defined as: “Announcements of private investments in the framework of an agreement with the public sector (public tenders, public sector credit lines). It does not include investments of 100% state-owned public companies” (Ministry of Finance 2016).

¹⁰ The list of agreements signed during President Macri's visit to China in May 2017 can be found on the following website: <http://www.caserosada.gob.ar/informacion/eventos-destacados-presi/39571-estos-son-los-acuerdos-firmados-entre-la-argentina-y-china-durante-la-visita-del-presidente>.

Table 1 Comparative statistical data of China's FDI stock in Argentina (Millions of US\$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
BCRA	89	112	110	206	254	601	653	743	674
MOFCOM	157	173	169	218	405	897	1.658	1.791	1.948

Source: Central Bank of Argentina (2007–2015) and Ministry of Commerce, National Bureau of Statistics and State Administration of Foreign Exchange of the People's Republic of China (2016)

ICBC's largest investments in financial services outside of China and is the largest bank investment ever made by China in Latin America (ICBC 2017).

Point 4 was also achieved. Both countries' governmental authorities signed several cooperation agreements in financial and banking matters, including two bilateral currency swaps. The first swap was signed in 2009, but Argentina's government did not implement it. The second swap was concluded in 2014, for RMB 70 billion (US\$ 10,375 million). In addition, discrepancy between different official data motivated Ministry of Commerce of China (MOFCOM) and the BCRA to sign a Memorandum of Understanding on Establishing the Statistical Cooperation Mechanism for Direct Investment in 2014.¹¹ China has signed this kind of agreements with the United States, Argentina and other countries (National Bureau of Statistics of the People's Republic of China 2015). A similar situation appears in the trade relation. For this reason, authorities of the Argentina National Institute of Statistics and Censuses (INDEC) and MOFCOM signed an agreement to harmonize bilateral trade statistics in 2016.¹² During President Macri's visit to China in May 2017, both presidents requested the Working Group to make every effort to complete the ongoing studies and submit a report in 2018 (Joint Declaration between the Argentine Republic and the People's Republic of China 2017, article 9).

Point 5 is other achieved "Policy Paper" aim. Both governments signed two agreements. In 2010, an agreement for the exchange of information relating to taxes was concluded. In 2016, the two ministers of Security signed an agreement for cooperation in security matters. The purpose was "taking the most effective action against transnational organized crime" (Framework Agreement 2016), among which are economic crimes, money laundering and related crimes.

When its implementation is retrospectively checked, Argentina appears as a perfect example for the practice of the desired goals in investment and financial matters by China's government. Four of the five aims mentioned in the China's Policy

¹¹ Several factors produce different statistical data: (1) China only reports the first destination of FDI; (2) Chinese statistical data include Hong Kong and Macau among its destinations; (3) Several Chinese capital flows go to Argentina through "tax havens" (such as the Virgin Islands or Cayman Islands) and they must be considered China's FDI in these financial destinations, but then these funds are redirected towards other economies, without identifying the final destination.

¹² In 2016, according to the INDEC, the Argentine deficit was around US\$ 6 billion, while for MOFCOM was US\$ 3 billion. A report from the Chamber of Exporters of the Argentine Republic (2017: 11) asserts that in 2015, Argentina reported about US\$ 540 million more in exports to China than China reported importing from Argentina. 70% of this difference corresponds to soybeans. In the same year, Argentina reported about US\$ 2.8 billion more in imports from China than China reported exporting to Argentina. 50% of this difference corresponds to parts for telephones or mobile phones.

Table 2 Chinese loans for infrastructure projects in Argentina

Projects	US\$ million
Hydropower developments of the Santa Cruz River project	4700
Nuclear power plants (Atucha IV and Atucha V)	12,500
Belgrano Freight Railroad System Rehabilitation	2470 + 1600
San Martín Freight Railroad System Rehabilitation	2400
Mandisoví aqueduct and road works in Entre Ríos province	360
Jujuy “Caucharí” Photovoltaic Power Station	350
Estimated total	21,980

Source: Argentine–Chinese bilateral agreements (2014–2017). In April 2017, the Córdoba province government decided to put an end to the negotiations with ICBC and Bank of China to finance the gas pipeline project (US\$ 1800 million). The provincial governor, Juan Schiaretti, declared that the two banks “wanted to impose unacceptable and leonine conditions, which Córdoba is not willing to comply (Cañas, 2017)

Table 3 Argentina’s FDI flow in China (Million of US\$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Argentina’s FDI in China	11	13	12	9	7	8	0.5	3	–

Source: National Bureau of Statistics of the People’s Republic of China, 2008–2016

Paper to LAC have been successfully fulfilled in Argentine case, with the exception of Point 2.

2.4 China’s Structural Power and Argentina

Two economical phases help to explain how Argentina became an example of China’s first Policy Paper. The first phase involves trade, and the second regards finance. These two phases respond to China’s global power construction: in Susan Strange’s words, China builds structural power; in Robert Keohane’s words, it constructs hegemony.¹³ Also this last author coined the concepts of harmony, cooperation and discord, useful for this article to explain the two phases. In both, the automatic condition of harmony¹⁴ (similar to the invisible hand of Adams Smith) inserted

¹³ Strange (2015) describes four interacting structures: control over security, production, credit, and control over knowledge, beliefs and ideas. In more specific term than Strange’s structures, Keohane considers that “Hegemonic powers must have control over raw materials, control over sources of capital, control over markets, and competitive advantages in the production of highly valued goods” (Keohane 1984: 63).

¹⁴ 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” (Keohane 1984: 51).

Argentina in the Chinese economic scheme by supplying raw materials, purchasing manufactures and attracting Chinese capital flows.

In the first phase, China's export-led growth model stimulated the world economy and created a trade cycle. Chinese market demanded investments and raw materials to increase the industrial production and export to the world. China's interest in raw materials stimulated countries like Argentina, which was integrated into the Chinese economic scheme as a supplier of soybeans, crude oil and other commodities needed by the Chinese "factory". From the harmony perspective, the first phase was a long-term cycle where Argentine–Chinese total trade and complementation grew between two parties.

However, not everything was harmonious in the relationship, since a discord of economic interests also arose among both parties. These differences could be solved through policy coordination between the two governments and lead to cooperation.¹⁵ But not all of these disagreements have a solution. Certain contradictory interests created by the structural relation and the economic harmony cannot be saved by policy coordination. They are part of the clash of modernizations between the two countries (Oviedo 2015a: 139). For example, the structural relation and the economic harmony increased a power asymmetry in favour of China¹⁶ and consolidated North–South relation and centre–periphery scheme.¹⁷ This scheme produced: (a) an Argentine chronic trade deficit since 2008; (b) concentration of Argentina's exports in primary goods; (c) the local industry inability to compete with made in China products in the domestic market; (d) the decline of Argentine exports in third markets due to Chinese competition (Oviedo 2015b). This is the reason why several Argentine scholars concluded that this kind of relations is in accordance with dependency theory (Slipak 2013), a centre–periphery scheme (Escudé 2012a, 2015), an extractive model (Gomez Mendes 2015) or compare it with the Argentina and UK linkage between the late nineteenth century and the Great Depression of 1929 (Laufer 2011).

Contrary to Argentina's expectations, official data of both states assert a "lost decade" for Argentina in trade relation. According to INDEC, this country transferred US\$ 36 billion to China via bilateral trade deficit between 2008 and 2016. This trade imbalance is the opposite of the enormous amounts of US dollars transferred from China to other South American countries. According to the Ministry of Industry, Foreign Trade and Services of Federative Republic of Brazil (2017), this country had US\$ 185 billion of surplus in the same period. Prochile agency (2017)

¹⁵ Keohane defines international cooperation "...as a process through which policies actually followed by governments come to be regarded by their partners as facilitating realization of their own goals, as the result of policy coordination" (Keohane 1984: 63).

¹⁶ According to the World Bank data, in 1991 the Argentine GDP (in current US\$) represented 50% of the Chinese GDP. In 2000 that percentage dropped to 20.3 and in 2011 to 6.1%. In 2015, the Argentine GDP represented 5.5% of the Chinese GDP.

¹⁷ It is necessary to clear out the difference between the North–South relations and the centre-periphery scheme. While the first indicates the positions of states in the international system in terms of power (China in the North; Argentina in the South), the second refers to trade exchange between different economic structures. As central country, China exports manufactures to Argentina. As peripheral country, Argentina exports primary products to China.

records Chile surplus about US\$ 41 billion. This is the great paradox of the relation, since Argentina exports food commodities while China imports them (Fig. 2).

The liberal view of the benefits of bilateral trade was not accompanied by Argentina's commercial expectations in the last decade. In fact, the goods that Argentina imports from China can be bought in other countries, whereas the goods that China imports from Argentina are a part of the essential raw materials that China need to assure its food safety. This is because the goods bought by China in Argentina are more relatively inelastic than Argentina imports from China, although China can also be acquired agricultural products in other suppliers of the world market. Thus, in the context of the Fernández de Kirchner government's partial isolation, China became Argentina's second supplier due to Argentina's trade diversion as well as China's product prices, but Argentine exports remained stagnant. The equation between a producer and importer of agricultural products and food, especially after China lost food self-sufficiency, was favorable to Argentina. Hence, the Argentine trading expectations were solid, because it responded to a potential reality that was not reflected in the trade praxis. China's "sells future" diplomacy was associated with its expectations of future Argentine exports, that is, China's negotiating tactic of changing present agenda items by the future expectations (Oviedo 2006: 73), and led China to establish an asymmetric trade exchange in a relation where both parts originally were symmetrical. The "lost decade" in trade relations rose other markets expectation (India, Southeast Asia, etc.), which started being seen as relevant. But, for the moment Argentine–Chinese trade continues to be an asymmetric exchange, center-periphery, in an asymmetrical relation of power, where their leaders were not to "become pessimistic about the continuation of the trading relations" (Coperland 1996: 41) facing new future trade expectations. Therefore, the idea to cut interdependence does not emerge in Argentina because future trade expectations continue despite the asymmetry of the relation.

The second phase involves financial power. Using the "going-out strategy", Chinese government linked Argentina in its swap scheme, investment and loan flows, where again China is the driving force. As it has been seen, this strategy gain force in 2010, 1 year before the Fernández de Kirchner government established the import substitution model and exchange control, as a result of the international crisis, the BCRA's reserves decreased, and Argentina became isolated from the world capital markets. In this phase, harmony helped Fernández de Kirchner government solve short-term financial problems to support political stability until the presidential elections of December 2015. But, at the same time, cooperation also increased the asymmetries between the two parts and Argentina's dependence on Chinese finance. One can assert that a financial cycle formed in the relation (trade deficit with China, reserve decrease in the BCRA, financial instability and Chinese swap agreement). Thus, besides the already established centre–periphery model in the trade field, the second phase added dependence on Chinese capital, expanding the bilateral asymmetry and starting China's role as Argentina's creditor.

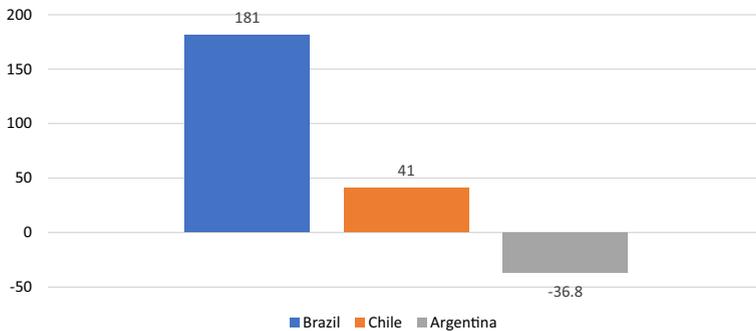


Fig. 2 China and Argentina, Brazil and Chile trade balance—2008–2016 (Millions of US\$). Source: INDEC, Prochile and Ministry of Industry, Foreign Trade and Services of Federative Republic of Brazil

2.5 Financial Cycle and the Dependence’s Moment

Argentina entered into default in December 2001 and the country was isolated from the international financial system until April 2016. The high prices of soybeans, byproducts and other commodities produced by Argentina served to avoid isolation and increased foreign currency. Up to 2008, the Central Bank of Argentina accumulated reserves for US\$ 50 billion, excluding the payment to IMF and the sovereign debt restructuring in 2005 and 2010. However, from 2008, capitals began to outflow abroad and Argentines bought US dollars to protect their savings from the ravages of domestic inflation. After Cristina Fernández de Kirchner took office for her second term in 2011, the government implemented Keynesian measures, including exchange controls to avoid the capital outflows and maintaining the reserves level, but this measure did not solve the problem. In 2013 Economy Minister Axel Kicillof estimated that there were around US\$ 40 billion dollars in the hands of Argentines in the country (La Prensa 2013), while a 2014 report stated that Argentines would hold 12% of physical dollars outside the United States (El Economista 2014), that is, an important, parallel and private “central bank” awaiting viable conditions in Argentina to return to the official system.

The foreign trade imbalance was another cause of reserve decline. Even after Argentina’s government applied several defensive measures to Chinese products, according to INDEC, Argentina transferred to China US\$ 24,2 billion between 2008 and 2014. In addition, deficit with the United States reached US\$ 22 billion. Significant imbalances also emerged with Bolivia, France, Germany and Russia (INDEC 2016). It immediately appeared the comparison with the United States as the focal point of the analysis of President Fernández de Kirchner after her second State visit to China. In her speech of February 11, 2015, President Fernández de Kirchner mentioned that “the trade deficit with the United States is US\$ 5 billion, while the China one is US\$ 6.3 billion” (La Política On Line 2015). “The difference is not terrible, but we do not get the United States investments here” (La Política On Line 2015). From an academic point of view, Carlos Escudé had already mentioned the idea of “buying from those who buy from us” (Escudé 2012b). In a similar version,

President Fernández de Kirchner spoke about the need to “buy from those who invests in our country” (La Política On Line 2015). Although both slogans are strategically assertive, these trade imbalances reduced foreign trade surplus and, inter alia affected Central Bank’s reserves, which decreased US\$ 19 billion during a similar period.¹⁸ In addition, domestic inflation devalued the Argentine peso, hindered exports and facilitated Chinese products imports.

To stabilize the financial situation, Argentina’s government looked anywhere for capital access. In 2014, it approached BRICS trying to obtain New Development Bank’s funds, although this idea did not materialize. In its continuous search for credits, the government found the *Renminbi* internationalization policy, originally started by China in Chiang Mai Initiative (清迈倡议) in 2000. But, stabilizing international reserves through currency swap carried the cost of increasing dependence on Chinese capital. Indeed, Argentina’s financial illiquidity and its isolation from the world financial system were factors of weakness towards China in the negotiation process, and the Chinese government took advantage of the situation to negotiate important political issues, such as China’s Deep Space Station to be constructed in the Province of Neuquén. So, Argentina’s financial crisis and isolation from world capital markets provided President Xi Jinping a golden opportunity to propose the so-called “comprehensive strategic partnership” and to sign numerous agreements.

This negotiation is a perfect example of diplomatic barter and interconnection of agenda’s issues. Argentina allowed the constructions of the Deep Space Station in Neuquén Province and China supported Argentina in financial matters through loans for infrastructure projects and the renewal of swap agreement. Of course, Xi Jinping’s government support to the Fernández de Kirchner government was not well seen by the opposition parties, because Argentina’s government stabilized the domestic finances until the presidential election on December 2015. Both Mauricio Macri and the Cambiemos coalition criticized the construction of the two dams on the Santa Cruz river and the Deep Space Station. Also, they both considered Article 5 of the Framework Agreement on Economic and Investment Cooperation as unconstitutional.¹⁹ Nevertheless, the Senate approved the previously mentioned agreement with 133 votes in favour, 108 against and 15 absent. The opposition parties, such as the Radical Civic Union, PRO Union, the ARI Civic Coalition and the Renewal Front, voted against approving the agreement. Even Mauricio Macri, as a

¹⁸ According to the Central Bank of Argentina, international reserves decrease from their peak of US\$ 50,517 million on March 27, 2008 to US\$ 31,443 million on December 30, 2014.

¹⁹ Article 5: Infrastructure cooperation: “The Parties shall establish a five-year integrated plan. This plan shall be detailed in a Complementary Agreement for Infrastructure Cooperation to be concluded within the framework of this agreement. The Argentine Government, pursuant to the provisions of such Complementary Agreement for Infrastructure Cooperation, shall apply the most advantageous award process used in similar cooperation programmes with third country in connection with the public-sector projects provided for in the Integrated Plan. The procurement of Argentina’s public sector projects, the execution of which falls under the scope of the Integral Plan, may be made through direct award provided they are subjected to concessional financing from the Chinese side and the award is made under advantageous quality and price conditions” (Framework Agreement for....., 2014).

presidential candidate, sent a letter to Chinese Ambassador in Argentina conveying his preoccupation about the signed agreements.²⁰

As a result, the growing Chinese influence on Argentina's government increased the power asymmetry between both countries. This political situation configured a relation based on China's predominance over Argentina and, between July 2014 and April 2016, changed towards Argentina's dependency on Chinese capital. This was the *belle époque* of Chinese influence in Argentina. Simultaneously, Fernández de Kirchner's government stabilized short-term financial situation with Chinese capital, which in the form of currency swaps or loans indebted the country for the first time with this new central power.

This situation persisted even during the first months of Mauricio Macri's presidency, since Argentina was still in isolation from the world's financial system. The government needed the Chinese currency swap to facilitate the removal of the exchange controls that had been imposed by the Fernández de Kirchner administration. Once Argentina returned to the international financial system and removed the previously mentioned exchange controls, Macri's government automatically diluted its exclusive dependence on China into a dependence on multiple sources of global capital markets, increasing the autonomy in its foreign policy decisions *vis a vis* China. Xi Jinping's government lost a strategic partner in South America, although the intense interrelation developed during the three Kirchner's administrations (2003–2015) still gave China considerably high influence on the commercial and financial fields. Figure 3 briefly describes the process.

2.6 Political Alternation in Argentina and Chinese Diplomatic Reaction

The political alternation in several democracies in the world disturbed China's diplomacy. In Taiwan, Tsai Ing-wen's election led to ending the "diplomatic truce" in the Taiwan Strait. In the United States, Donald Trump's arrival to the White House raised doubts about the "one-China policy" and his protectionist strategy affected China's export-led growth model. In addition, Mexico's government cancelled Mexico-Queretaro railroad and the transcontinental rail line crossing Brazil and Peru is temporarily suspended, lessening China's potential influence on LAC countries. In Argentina, political alternation changed the country's foreign policy towards China. This internal political change in Argentina caused concern in Chinese diplomacy.

Political alternation is an intra-regime change, characterized by the peaceful handover of political power to an opposition party or party alliance in a democratic system. This is not a structural change (Melo 2001: 12), but it modifies government orientation and, consequently, foreign policy.²¹ Argentina went from a populist left political orientation (Gratius, 2009: 16) to a de-ideologized and pragmatic foreign

²⁰ Macri said that such agreements compromise Argentine state for the next decades and require broad consensus, as well as profuse information on the commitments established in them and a clear basis of their convenience and scope. Unfortunately, this has not happened (Curia 2015).

²¹ This concept is only used in the democratic system and it is different to political succession, used in both democratic and authoritarian regimes.

policy, according to Foreign Minister Susana Malcorra (La Nación 2015). Nevertheless, every government has a political orientation and this is ideological, so it is impossible to actually have a “de-ideologized foreign policy”, because as public policy implies the execution of external orientation. During the electoral campaign, the president accepted the “comprehensive strategic partnership” but with balance (a concept that rises academic interest to the extent that the Argentine–Chinese relation is fully asymmetric).

The Macri administration sought to shorten its high dependence on Chinese capital and provoked a discord in the relation when it examined the agreements signed during the Cristina Fernández de Kirchner government. Meanwhile, China’s government quickly considered that Argentina’s internal contradictions affected the diplomatic arena, whereas professor Lin Hua understood that the revision of agreements by Macri administration “pointed to the former government and not to China” (Lin 2016: 57). In the middle of the dispute, the Argentine Naval Prefecture sank a Chinese fishing vessel while fishing illegally in Argentine jurisdictional waters. However, short-term trade, financial and political needs limited President Macri’s action to radically change the orientation toward China, particularly when Argentina had not yet emerged from its recent default situation and needed the Chinese capital to remove exchange control. At that moment, Macri discovered China’s structural power and realized how the previous government had allowed enlarge China’s influence in the unfavourable circumstances of international isolation.

Political alternation generated traditional conflict of interests between a status quo power that defends the respect to the legal continuity and the responsibility of the state, according to the agreements signed by the previous government, and Argentina’s new national policy that sought to modify them. Both to distinguish themselves of the previous administration and to change the clauses of agreements, Macri government considered that these were huge amounts of money for Pharaonic projects and with environmental and transparency problems. Furthermore, Cambiemos coalition and public opinion emphasized the peaceful use of the Deep Space Station as well as special conditions granted to China in the Government procurement, as regulated by Article 5 of the Framework Agreement. To face this challenge, the Chinese government exercised its financial power and responded with indirect threats, when three banks of China warned the Argentinian government about several clauses in the two dams Facility Agreement including the “cross-default” clause related to the Belgrano Freight Facility Agreement. This political discord was produced by Argentina’s internal political break which, although did not imply a revolutionary change, affected the relation. The situation recalled United States policy towards China after the 1949 revolution when President Truman demanded that the recently born People’s Republic of China complied with its international obligations and his government responded that a “New China” had been created and that it was necessary to review all the agreements signed by the Kuomintang before 1949. This shows the risk of the great powers that invest politically and economically in unstable countries, particularly a few months before electoral processes, positioning themselves in favor of the ruling political party with which China government had excellent diplomatic relations and provided political support.

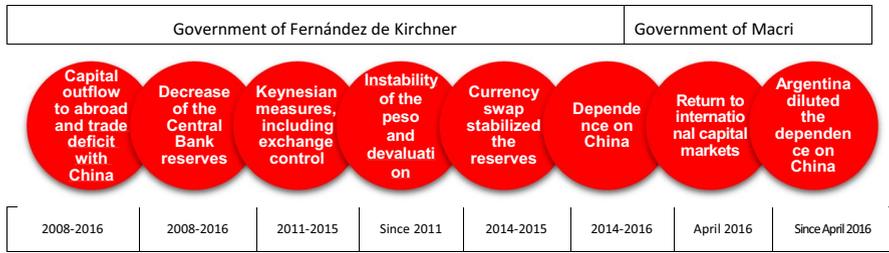


Fig. 3 Main facts of the Argentine financial evolution from set “comprehensive strategic partnership” to the end of the first year of the Macri administration

Although Argentine officials confirmed the strategic partnership and the two parts had high interactions, only the presidential diplomacy could solve the discord. Both presidents agreed on the principles to resolve the discrepancies in the bilateral meeting held at the Fourth Nuclear Security Summit in Washington, continued by the bilateral meeting during the G-20 Hangzhou Summit and finished the political coordination process when President Macri made a State visit to China. Given the asymmetries between both parties, several problems posed by Argentina related to the economic sphere, but they were political issues for China, as Xi Jinping government considered that Argentina was moving away from “comprehensive strategic relations” toward the European-American axis. During the visit of President Macri to Hangzhou, the legal debate over the civilian or military use of the Deep Space Station—which had not been explicitly defined in the original agreement—was finally solved.²²

Through policy coordination in Washington, Hangzhou and Beijing, the two parties moved from discord to a new stage of cooperation in the four main issues of China’s capital export to Argentina:

1. *Bilateral currency swap agreement* Before the first presidential meeting, the two central bank governors agreed to convert the remaining RMB of the agreement to US dollars for easier remove exchange control imposed in 2011. The Embassy of the People’s Republic of China in Buenos Aires (2015) assumed that this was a Macri administration decision, but Argentina’s government had to pay an interest rate according to Shibor+ 400 basis points, less than 4% in dollars (Central Bank of Argentina 2015a). Therefore, this financial consensus altered the nature of the swap agreement, initially planned in order for importers and exporters of both countries buy Argentine or Chinese products in local currencies, transforming it into a Chinese loan to the Fernandez de Kirchner and Macri governments (Chiacchiera 2017). This operation was concluded 12 days after Macri took office,

²² The additional Protocol establishes that the Station “will be implemented exclusively with a view to nonmilitary use in the field of science and technology, and the information resulting from its research may under no circumstances be used for military purposes.” (In Additional Protocol to the “Cooperation Agreement between...”, 2014).

for the remaining US\$ 3086 million, around RMB 20,000 million (Central Bank of Argentina 2015b). In July 2017, the People's Bank of China and the Central Bank of Argentina agreed to renew it for 3 years more (Central Bank of Argentina 2017) available for US\$ 10,375 million, equivalent to RMB 70,000 million (La Nación 2017).

2. *Loans for infrastructure projects in Argentina* Immediately after taking office, President Macri interrupted work on the two dams and put the project in revision by several ministries. The potential environmental damage and doubts about the real cost of works were key problems of the project. In reply, China exerted diplomatic and financial pressures. Diplomatically, Ambassador Yang Wanming met minister of Foreign Affairs Susana Malcorra and minister of Treasury and Finances Alfonso Prat Gay. Financially, as mentioned above, three Chinese banks threatened with a potential cross-default (related to the Belgrano Freight Facility Agreement) if Argentina were not to pay dues and interests on the loans granted for constructing the dams (Portal de Noticias 2017; Tiempo Sur 2016; Letter to China Development Bank..., 2017). Finally, both governments agreed to decrease the turbine number and lower the original generation capacity, from 1760 to 1460 megawatts, for decreasing environmental impact (Uriburu Quintana 2017). However, Argentina's Supreme Court of Justice unanimously ordered to stop the construction until the environmental impact studies had been made or the first instance sentence about the legal petition filed by the Argentine Association of Environmental Lawyer of Patagonia is known (Fernández Moores 2016). Finally, works in the two dams were restarted on October 2017.
3. *China's FDI in Argentina* As mentioned above, the announcements of Chinese investment for the 2016–2019 period were US\$ 2027 million up to January 2017 (Ministry of Treasury and Finances of Argentina 2017). Although the macroeconomic conditions to foreign investments are more favourable than in the previous government, these amounts are irrelevant to China's financial range and Argentina's needs for capitals. In fact, according to several speeches, President Mauricio Macri prefers Chinese direct (or indirect) investments more than the infrastructure lending modality. Macri's vision is in full harmony with the Chinese government's policy of stimulating foreign investment proposed in the "going-out strategy" and "Policy Paper" on LAC. However, the consensus agreed upon during President Macri's visit to China in May 2017 focused on loans for infrastructure, in opposition to the visit to Japan that stressed on the attraction of investments of Japanese private companies (see *infra*, point 8).
4. *Capital transfer via bilateral trade* Change trade deficit with China is a major challenge for the Macri administration. In 2016, the bilateral imbalance reached US\$ 6044 million. This was the largest deficit recorded in the Argentine foreign trade during the first year of his government. At the beginning, the removal of commodity export tax (except soybeans) was an economic measure to stimulate sales of other commodities to China, since Argentina has signed sanitary protocols to export barley, maize and sorghum. However, trade data refuse the hypothesis that liberalization of agricultural exports increases Argentine exports to China and limits the trade deficit, at least, in the first year of the Macri administration (Oviedo 2016). In this regard, during Macri's visit to China, the two sanitary

agencies signed the Protocol of Phytosanitary Requirements for the Export of Table Grapes from Argentina to China. In addition, the 2017–2019 Working Plan, signed between Ministry of Agroindustry and the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (AQSIQ), agreed to give priority to the treatment of problems about the access of several Argentine products to the Chinese market, such as: cherry, lemon, sweet citrus, dried peas, honey, Patagonian sheep meat, fresh meat, pork meat, wheat, sorghum, horses.

2.7 China’s Second “Policy Paper” and Macri Administration

China’s government published its second “Policy Paper” in November 2016. This document contains new goals in investment and financial matters that can be summarized in the following seven points:

1. Expand and optimize investment in LAC countries on the basis of equality and mutual benefit;
2. Sign agreements on investment protection, avoidance of double taxation and tax evasion with LAC countries, so as to create a favourable environment and conditions for investment cooperation between enterprises of both sides;
3. Support the efforts of Chinese enterprises to invest and start business in LAC countries, and align high-quality capacity and advantageous equipment of China with the needs of LAC countries, in order to help the countries in need to enhance their capacity for independent development;
4. Support its financial institutions to strengthen business exchanges and cooperation with national, regional and international financial institutions in LAC countries and further improve the construction of branch networks in the region;
5. Efforts will be made to enhance dialogue and cooperation between the central banks and financial regulatory authorities of the two sides, expand cross-border local currency settlement, discuss RMB clearing arrangements, and steadily promote monetary cooperation;
6. On the basis of bilateral financial cooperation, and giving full play to the role of China–Latin America Cooperation Fund, concessional loans, special loans for Chinese–Latin American infrastructure, arrangements between China and Caribbean countries, China will actively explore cooperation forms, including insurance and financial lease, continuously expand cooperation with regional financial institutions in LAC, and support cooperation in key areas and major projects between the two sides.
7. Deepen its cooperation with trade and investment promotion institutions and business associations in LAC, and facilitate, by making use of relevant mechanisms and platforms for bilateral and collective cooperation, exchanges between enterprises of the two sides, so as to achieve win–win cooperation (Ministry of Foreign Affairs of People’s Republic of China 2016).

Because the “Policy paper” was published in November 2016, it is too early to have statistical data to check the correlation between the goals and practice of Chinese policy. Nonetheless, according to the first “Policy Paper” experience, the second “Policy Paper” is an important guideline to understand China’s government interests in both areas, with purpose of harmonizing the Argentine interest with the China’s proposal. Although the consensus reached on loans for infrastructure works is previous to the Policy Paper’s publication, the implementation will take place after it. Therefore, some of the goals could be reached if the natural course of agreed action between the parties continues.

2.8 Mauricio Macri’s State Visit to China and the Chinese Real Power

The presidential meetings in Washington (April 2016) and Hangzhou (September 2016) continued with President Macri’s visit to China in mid-May 2017. The trip also included the State visit to Japan. Viewed from the protocol point of view, visiting Japan after China was inopportune. In 1990, President Carlos Menem made a similar trip, being criticized by a sector of the Argentine diplomacy. However, this political action expresses a more comprehensive and less unilateral orientation towards East Asia than during Fernández de Kirchner government, implies placing the two countries on an equal level, and allows researchers differentiate the main investment sources to be found in both countries: state-owned companies in China, private companies in Japan.

“Consensus” has been the word most used to express the common points reached by both presidents in the negotiation process. In terms of Chinese capital flows towards Argentina, this consensus linked to three major cooperation projects:

- *Belgrano Freight Railway Rehabilitation Project* both sides agreed on Amendment IV to Amended and Restated Contract. Besides, the Ministry of Transport and the China Machinery Engineering Corporation (CMEC) signed a Memorandum of Understanding for a credit extension of US\$ 1.6 billion to complete the renovation of the Belgrano Freight Railroad, which links the Northwest region with Rosario’s ports (Ministry of Transport of Argentina 2017), and to the Pacific ports of Chile through the Socompa international railway pass. Simultaneously, the Finance Minister and the President of China Development Bank (CDB) signed a Memorandum of Understanding for the financing of the works. The CDB will finance the acquisition of railway equipment, works and services for a narrow-gauge railway with a total length of 1400 km. The original loan was agreed in December 2013 for US\$ 2.47 billion. As of the agreement, an additional US\$ 1.6 billion will be added to make works that were not contemplated in the original agreement (Ministry of Finance of Argentina 2017). In addition, the two sides signed a Memorandum of Understanding on Railway Cooperation for the San Martín Freight Railway Recovery Project.
- *Santa Cruz Hydro Power Station Project* The Chinese side required the Argentine side to finish the procedures for the environmental impact study and the Argentine side is committed to advance with the project as soon as possible;

- *Nuclear Power Plant Project* The estimated goals are the construction of Fourth Nuclear Power Plant (Atucha IV) begin in January 2018 in the province of Buenos Aires, and the Fifth Nuclear Power Plant (Atucha V) in the province of Río Negro in 2020. The total amount is estimated in USD 12.5 billion (Argentine Chamber of Exporters of the Argentine Republic 2017).

Other documents were signed during the President Macri's visit. Jujuy province government concluded agreements with ZTE Corporation (for the Jujuy Interconnected and Safe project) and the Power Construction Corporation of China (for the construction of the "Cauchari" photovoltaic power station). The Investment and Foreign Trade Bank and the China Development Bank (CDB) also concluded a financing agreement. The CDB will provide US\$ 150 million in seven-year low-interest loans (including a grace period of 2 years) to support Argentina to increase value added in products and develop renewable energy. In addition, an agreement was signed between Argentina Investment and Trade Promotion Agency and the Trade Development Bureau of the Ministry of Commerce. The two sides will strengthen cooperation in the areas of information exchange, trade and investment promotion, and small medium enterprise services, and jointly build a multi-level and multi-sector trade and investment promotion platform.

Although Cambiemos coalition had strongly criticized the Framework Agreement for Economic and Investment Cooperation, Decree 338 of 15 May 2017, signed by vice-president Gabriela Michetti, defined the scope of the term "concessional financing" stipulated in the Article 5.²³ In addition, the project that will benefit from direct awarding established in the same article must be included in the China–Argentina Integrated Five-Year Plan for Infrastructure Cooperation (2017–2021). Precisely, this Five-Year Plan listed 16 priority infrastructure cooperation projects. Finally, a Chamber of Exporters of the Argentine Republic report (2017) asserts that these projects have not specific implementation deadlines and that China still maintains the "cross-default" clause.

Last but not least, it would be important to highlight that the Argentine side requested to join the Asian Infrastructure Investment Bank (AIIB) (Joint Declaration 2017) and was approved by its Board of Directors in June 2017. Thus, Argentina expands options of financing for public infrastructure projects and participates in the One Belt, One Road initiative.

²³ Decree 338 defines "concessional financing" as financing that meets the following conditions: (a) a grace period equal to at least the contemplated period of total or partial execution of the project, in the event that it is anticipated stages for the project execution; (b) an interest rate with a discount of at least 25% with respect to the interest rate of public securities issued by the Argentina subject to the law and jurisdiction of the state of New York, with a similar duration, considered at the time of the signing of concessional financing loan contracts; and (c) a repayment term of at least 10 years counted from the expiration of the grace period (Argentine Republic et al. 2017).

3 Conclusion

Argentina is a new part of China's global power construction on trade and finance areas. The Argentine integration in the Chinese strategy took place in two phases. In the first one, bilateral trade and complementation grew steadily in recent decades, but since 2008 it is simultaneously considered a "lost decade" from the Argentine perspective, unlike other LAC countries benefited from large trade surpluses, like Chile and Brazil. In the second one, China expanded its influence in Argentina until it became the only external source of capital in isolation condition, and turned being unilateral dependent on Chinese capital until 2016. The bilateral currency swap and loans for infrastructure granted by Chinese institutions were the main mechanisms that increased dependence on Chinese finance for the next years.²⁴

This new situation was not only transformed Argentine–Chinese relations into more asymmetric power relations, but also increased asymmetric exchanges in bilateral linkage after the crisis of 2008. In this new framework, the original parity turned into commercial and financial dependence in the scheme of the asymmetric interdependence. Then, unilateral dependence became a multilateral one when Argentina returned to the world capital market. But, as in Taiwan and United States cases, political alternation in Argentina affected relations with China. Macri administration returned to the international financial system and diminished dependence on PRC, but its overall dependence on foreign capital continues.

Four out of the five goals mentioned in the Policy Paper have been successfully fulfilled in Argentina. The main capital flows involved currency swap, loans for infrastructure projects and investments through "tax havens", which made us distinguish between investment and capital concepts. These data confirm that Argentina has been an almost complete example about how China implemented financial and investment aims stipulated in the first "Policy Paper", except for Point 2, because Argentina's FDI in China decreased since 2008.

In comparative terms, China's FDI is scarcely related to Argentina's needs, but is similar to China's FDI towards all four members of the Pacific Alliance. In addition, a rationale for Chinese capital expansion abroad also raises the need for protection, guarantees and other effects that require restructuring the "going-out strategy", as it can be seen in the second Policy Paper. In this regard, a contradiction appears between the macroeconomic climate for investments, permissive legislation and protection for capital claimed by the Chinese government with its practice of investments in LAC. For example, Chinese enterprises invested more in countries with high risks or precarious conditions for foreign capital (as the Fernández de Kirchner administration in Argentina, or Venezuela in times of Hugo Chávez and Nicolás Maduro) than in countries where these are given favourable macroeconomic

²⁴ According to INDEC, in 2016 China is Argentina's second largest trading partner, after Brazil and before US. Exports to China accounted for 7.7% and imports 18.8%. In financial matters, Chinese FDI is not important, but as above-mentioned, the US\$ 10.375 million swap agreement has been used and there are loans granted for various infrastructure projects.

conditions, like Chile or Mexico.²⁵ However, while there was economic risk, there was no political risk because the political orientations of Argentina and Venezuela governments were close to China. When the political orientation changed in Argentina after political alternation, political risks appeared from the Chinese perspective. This corroborates our theoretical vision that the China's capital export must be analysed in terms of China's political interest and comprehensive power. In addition, one takes note that the signing of free trade agreements did not favour the increase of investments in Chile and Peru.

Political alternation and new general orientation have played an important role in designing foreign policy towards China. The Macri government put bilateral relations into a tension situation and the Chinese government re-negotiated the agreements signed by President Fernandez de Kirchner, while the political guidelines set by both presidents in Washington, Hangzhou and Beijing led to a new level of cooperation. Both parties made changes to the agreement on the Deep Space Station and the two dams on the Santa Cruz River, but not with respect to Article 5 of the Framework Agreement. President Macri has managed to get Argentina out of dependence on Chinese capital, although China's government still has a strong interference in the Argentine economy and it is an alternative source of capital in an unstable financial world. As in other political alternations, such as done in the United States and Taiwan, the new political orientation was limited by China's economic power that, based on arguments of state's responsibility and continuity, threatened Argentina to apply cross-default in moment that this country returned to the international financial system. Obviously, Argentina cut off dependency from China and increased autonomy, but Argentina still continues to depend on international capital. That is because the Macri administration reduced dependence in the bilateral level, although not in the general level of the foreign policy. However, not everything has been tension situation in the bilateral relationship, as the Chinese government helped Argentina to stabilize finances between 2014 and 2015, eradicate the exchange control in 2016 with the swap agreement, and maintain several main infrastructure projects in Argentina.

From the perception of Argentina's interests, this paper considers the following points relevant in the short-term perspective for the bilateral relations:

- The cooperation in investments and financial matters will continue to increase within the unequal centre-peripheral scheme and asymmetrical interdependence. From the Argentine position, it is impossible to change this structure in the short and medium terms.
- Argentina needs trade surplus with China (and other countries) help to cut off financial cycle (Argentine deficit, imbalance and Chinese bilateral currency swap or another source of financing).
- Given the protectionist measures of the Chinese government, only non-value-added commodities can abruptly increase exports to China and balance the trade.

²⁵ It be recalled that up to 2015 China's FDI stock in Argentina was US\$ 1948 million, similar to the stock of the Pacific Alliance. Up to same year, Chile had 204 million and Mexico 524 million.

This means increasing agricultural production, export the surplus of non-industrialized grains and seeds to China without reducing the export of value-added commodities (such as soy-oil, soy meal, pellets and biodiesel) towards other destinations. Of course, it is necessary to continue exporting value-added products and the efforts made by the Argentine government for these products to get access to the Chinese market.

- According to the practice of the first Policy Paper, the second Policy Paper is an important guideline to understand the Chinese government's interests in investments and financial matters, for the purpose of harmonizing the Argentine interest with China's proposal. In general terms, the economic policy of Macri government harmonizes with the "going-out strategy" and the seven points of the second Policy Paper of China.
- Points 3, 6 and 7 of the second Policy Paper are relevant to Argentine side. Point 3 acquires high-quality capacity and advantageous equipment from China. Point 6 is to have access to the China–Latin America Cooperation Fund as part of the multilateral sources of capital. Point 7 is to use cooperation with trade and investment promotion institutions and business associations to ease interaction between the Argentine private sector and China. In addition, Argentina acceded to the Belt and Road Initiative and the AIIB.
- The main recommended mechanism is attracting direct or indirect investments from China and avoid using loans or currency swaps as far as possible. However, the agreements signed during President Macri's visit to China contradict this idea. In addition, in November 2017, Sinopec, a flagship company of the Chinese economy, sold its oil assets in Argentina for US\$600 million and it could bring a negative impact on investment plans in Argentina of other Chinese companies.
- Investment projects must be transparent and ecologically sustainable (eco-investment) to avoid creating doubts about the cost, environmental or other negative impacts, as happened with the two dams on the Santa Cruz River.

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