THE OTHER SIDE OF THE RENMINBI: APPLYING ROBERT COX’S CRITICAL THEORY TO THE CHINA-LATIN AMERICAN RELATIONS

O OUTRO LADO DO RENMINBI: APLICANDO A TEORIA CRÍTICA DE ROBERT COX ÀS RELAÇÕES ENTRE CHINA E AMÉRICA LATINA

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ABSTRACT
Through literature review and thematic analysis, I investigated the main material capacities, ideas and institutions forming the economic relationship between China, Latin America and the Caribbean (LAC). I analyzed the flows of Chinese foreign direct investment, finance and trade into the region, the conflicts caused by Chinese companies and the social forces they involve. I found that this relationship is concentrated in primary sectors, contributing to an inter-industry logic between LAC and China, and deepening an export model based on commodities, which causes considerable environmental impacts in the region. The narrative presented by Chinese and Latin-American leaders, however, is that their cooperation promotes “common development”. I concluded that, despite China’s economic importance to LAC, their relationship perpetuates a pattern of inequality and dependency similar to that of traditional Western powers. Nevertheless, oppressed social forces in the region have been resisting this pattern and developing strategies to build a fairer alternative.

Keywords: China; Latin America and the Caribbean; Critical Theory.

RESUMO
Através de revisão bibliográfica e análise temática, esta pesquisa investigou as principais capacidades materiais, ideias e instituições que formam a relação econômica entre China, América Latina e Caribe (ALC). Eu analisei os fluxos chineses de investimento estrangeiro direto, finanças e comércio, os conflitos causados por empresas chinesas e as forças sociais envolvidas. Descobri que essa relação está concentrada em setores primários, contribuindo para uma lógica interindustrial entre ALC e China, e para o aprofundamento de um modelo de exportação baseado em commodities, causando consideráveis impactos ambientais. A narrativa apresentada por líderes chineses e latino-americanos, porém, é que sua cooperação promove o “desenvolvimento comum”. Concluo que, apesar da importância econômica da China para a ALC, seu relacionamento perpetua um padrão de desigualdade e dependência semelhante ao das potências ocidentais tradicionais. Entretanto, as forças sociais oprimidas latino-americanas têm resistido a esse padrão e desenvolvido estratégias para construir uma alternativa mais justa.

Palavras-chave: China; América Latina e Caribe; Teoria Crítica.
1. INTRODUCTION

China’s economic presence in Latin America and the Caribbean (LAC) has increased significantly in the last two decades. In 2018, the Asian power was the region’s second biggest importer, following the United States (Ray and Wang, 2019). China Development Bank (CDB) and the Export and Import Bank of China (Eximbank) have jointly lent more than US$ 140 billion to Latin American countries since 2005, overshadowing the amount of credit that the region contracted from the Inter-American Development Bank (IADB) and the World Bank altogether (Gallagher and Myers, 2020). In addition, Chinese foreign direct investment (FDI) has grown considerably to the point that the country was the main investor in LAC in terms of merges and acquisitions in 2017 (CEPAL, 2018).

The Chinese approach to the region has been accompanied by a narrative of South-South Cooperation (SSC) and the idea of an alternative to the traditional partnerships between LAC countries and the central powers (Vadell, Lo Brutto and Leite, 2020; Ray et al, 2015). On the other hand, some authors indicate that Chinese-Latin-American relations might be characterized by inequality and dependency just as much as those maintained with countries from the Global North (CEPAL, 2018; Menezes and Bragatti, 2020; Slipak and Ghiotto, 2019; Stallings, 2020).

Several international organizations, think tanks, and researchers have dedicated their time to study elements of the China-LAC relations independently, but a holistic critical approach has yet to gain shape. My research will help filling this gap. By drawing from Robert Cox’s critical theory, my objective is to categorize China-LAC relations in the 21st century in terms of material capacities, ideas and institutions. With that in mind, I intend to answer the question of whether China truly represents an alternative partner to the region, contributing to its sustainable and autonomous development, or if it reproduces the same predatory behaviour of traditional Western powers.

2. METHODS

In order to answer my research question, I used the method of historical structures developed by Robert W. Cox (1981). This method allows us to study international relations phenomena as structures formed by three types of forces: material capacities,
ideas, and institutions. Material capacities correspond to technological and organizational capacities, natural resources, equipment, and wealth (Cox, 1981). Money and, therefore, investment and trade flows can be considered material capacities. Companies and industries also fit in this category. Ideas are shared notions of the nature of social relations, or collective images about the social order particular to a certain group (Cox, 1981). In that sense, the idea that mining is good because it generates jobs and economic growth can be shared by businesspersons and politicians, but not by some communities who suffer with environmental pollution caused by this particular economic activity. Institutions are amalgams of ideas and material capacities, working to perpetuate current power relations as they exist now (Cox, 1981). The International Monetary Fund is an example of an institution that operates to maintain the current capitalist world system with US predominance as it is.

This historical structure constrains agents’ actions. They can act in accordance with the structure, or they can resist it (Cox, 1981). By resisting a historical structure, agents create counter-hegemonic alternatives for the current reality that we live in. Therefore, agents can be ‘hegemonic’ or ‘counter-hegemonic’ and, to Cox, they take the form of social forces (Cox, 1981). Social forces are then groups of people with a common interest related to the hegemonic historical structure. Hegemonic social forces are interested in perpetuating the status quo while counter-hegemonic social forces are resisting it. To identify these groups and possible counter-hegemonic alternatives, we need to look for conflicts. Informed by Cox’s critical theory, my research also looked for conflicts and contradictions in the studied structure (that of China-LAC relations), with the goal of identifying future pathways for transformation and emancipation of the oppressed social forces. This concept of “social forces” was largely used in my study, since it encompasses social divisions created by production, identity, gender, race, and other social determinants in a broader sense than that of social class.

To analyse the material capacities that characterize the presence of China in Latin America and the Caribbean, I studied mainly the Chinese FDI in the region, since it represents the presence of Chinese companies. I used data from Red ALC-China and the China Global Investment Tracker, two databases dedicated to the mapping of Chinese
direct investment. I also reviewed reports about the Chinese and Latin American economic relations from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Conference for Trade and Development (UNCTAD) and the Global Development Policy Center (GDPC). I analyzed what the main destinations of Chinese FDI were, as well as the main economic sectors and the biggest Chinese companies in the region.

To understand the hegemonic ideas in this historical structure, I analyzed the most important institution in China-LAC relations, the China-CELAC Forum. I analyzed discourses made by the president of China, Xi Jinping, in two different meetings of the Forum: the announcement of the Forum in the meeting of leaders from China and CELAC in Brasilia, in 2014, and the first Ministerial Meeting of the Forum in Beijing, in 2015. I have also analyzed two main documents of the Chinese government for LAC: The Cooperation Plan for China-CELAC (2015-2019), and China’s Policy Paper for Latin America and the Caribbean published in 2016. In this step, I tried to pinpoint the main ideas used by Chinese leaders to describe their interest in Latin America and the Caribbean.

In order to determine which were the counter-hegemonic ideas and social forces, I had to first identify social and environmental conflicts involving Chinese companies in the region. For that, I made use of the literature dedicated to the theme (FIDH, 2019; Martínez, 2014; Ray et al, 2015), as well as the Environmental Justice Atlas database. In the process, I used thematic analysis (Miles and Huberman, 1994; Herzog et al, 2019) to single out the main causes of conflict caused by Chinese companies according to the oppressed social forces as well as the main counter-hegemonic groups involved. The following table shows an example of how this method was used:
Table 1 – Thematic analysis process

<table>
<thead>
<tr>
<th>Analysed material</th>
<th>Identified causes of conflict and social forces</th>
</tr>
</thead>
<tbody>
<tr>
<td>“The incinerator plans have been fiercely opposed by the wastepicker movement,</td>
<td>Counter-hegemonic forces → Informal workers,</td>
</tr>
<tr>
<td>residents of Barueri and other civil society organizations” (EJATLAS, 2020).</td>
<td>residents</td>
</tr>
<tr>
<td>“Incineration is criticized on the one hand for its adverse impacts on public</td>
<td>Cause of conflict → Air pollution</td>
</tr>
<tr>
<td>health and the environment, in particular the generation of toxic ash and</td>
<td></td>
</tr>
<tr>
<td>emissions” (EJATLAS, 2020).</td>
<td></td>
</tr>
<tr>
<td>“On the other hand, burning waste is problematic from a socio-economic perspective</td>
<td>Cause of conflict → Preference for more</td>
</tr>
<tr>
<td>as it disincentives recycling and drives resource use” (EJATLAS, 2020).</td>
<td>sustainable alternatives</td>
</tr>
<tr>
<td>“It thus directly threatens the livelihoods of wastepickers – in Brazil often</td>
<td>Cause of conflict → Threat to traditional</td>
</tr>
<tr>
<td>working in informality or organized in cooperatives – as their incomes strongly</td>
<td>production methods</td>
</tr>
<tr>
<td>depend on access to recyclable material” (EJATLAS, 2020).</td>
<td></td>
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</tbody>
</table>

A table of all cases of conflict under study was created, linking each case to the hegemonic social forces involved (companies and banks) and the counter-hegemonic ones (oppressed groups), as well as causes of conflict. I used this information to determine the main oppressed social forces in this structure as well as their narrative of the presence of Chinese companies in LAC by calculating the occurrence of each cause and social force. Finally, I contrasted data from this research with the existing literature with the goal of establishing whether or not China represents an alternative partner to Latin America and the Caribbean.
3. RESULTS

3.1. MATERIAL CAPACITIES

According to the Red ALC-China database, China’s FDI stock in Latin America and the Caribbean between 2000 and 2019 was equal to US$ 134.77 billion. Compared to UNCTAD’s ranking of the main investors in the region, China would be the fourth most important origin of FDI to LAC, after the United States, Spain, and the Netherlands (UNCTAD, 2020). The main destinations for Chinese FDI in the region are represented in the following graph:

Figure 1 - Chinese FDI in LAC by country

![Chinese FDI in LAC per country (% of total FDI) (between 2000 and 2019)](image)

Source: Own elaboration based in data from Red ALC-China (2020).

Brazil is the main recipient, with US$ 48.70 billion in the last 20 years, followed by Peru, Chile, Argentina, and Mexico (Dussel Peters, 2020). These five countries together account for 81% of the total value of Chinese FDI in the region. They are also some of China’s main trade partners. In 2013, when China-LAC total trade increased significantly, Brazil, Chile, Venezuela, and Peru were the main exporters; Mexico, Brazil, Chile, and Argentina were the biggest importers (Stallings, 2020). When it comes to credit, Brazil, Ecuador, Argentina, and Venezuela are the main borrowers, being responsible for 92% of the Chinese credit for the region since 2005 (Gallagher and Myers, 2020).
According to the CGIT, a total of US$ 91.04 billion in Chinese FDI was destined to projects in the energy sector, be it oil and gas, or ‘renewable sources’ such as hydroelectricity (The American Enterprise Institute and The Heritage Foundation, 2020). US$ 96.24 billion were invested in mining and metallurgy. Altogether, these sectors represent 70% of the total value of Chinese investments in the region between 2005 and 2019. The following graph illustrates these numbers:

Figure 2 - Chinese FDI in LAC by economic sector

If accounted together, the primary sectors (energy, metals, and agriculture) received 74% of all Chinese FDI in the region since 2005. This is also true for trade and finance. In 2017, 72% of LAC exports to China were commodities (CEPAL, 2018). Latin American exports of soy, copper and iron ores, copper, and oil to the Asian country represented 70% of total exports. Whereas for the rest of the world, commodity exports represented only 27% of the total of the region in that same year. In contrast, 91% of China’s exports to the region consist of manufactured products of low, medium and high-technology (CEPAL, 2018). Furthermore, according to the China-Latin America Finance Database, 67% of the credit from China in LAC went to the energy sector and 20% to infrastructure (Gallagher and Myers, 2020).
China’s biggest companies in Latin America and the Caribbean are State Grid, China Three Gorges (CTG), Sinopec, China National Petroleum Corporation (CNPC), and China National Offshore Oil Corporation (CNOOC), who jointly were responsible for 35.3% of all Chinese FDI in the region since 2000 (Dussel Peters, 2020). These are all energy companies. State Grid and CTG invest in hydro power plants and the other three operate in the fossil fuels sector.

### 3.2. INSTITUTIONS AND HEGEMONIC IDEAS

In Chinese-Latin-American relations, the most important institution is the China-CELAC Forum, which links the Asian country and all the members of the Community of Latin American and Caribbean States (CELAC)

My analysis of China’s policy papers for Latin America and the Caribbean and the president’s discourse in the meetings of the Forum revealed what the main elements of the hegemonic ideas in this structure are. China’s foreign policy for LAC is based on the cooperation strategy 1+3+6 (MFA, 2016). The number one represents one single plan of cooperation for the whole region and the number three stands for the three main engines of Chinese-Latin-American relations: trade, investment, and credit. The number six stands for the six priority areas for cooperation: energy and natural resources, infrastructure, agriculture, manufacture, scientific innovation, and information technology (MFA, 2016).

There is also a general narrative of South-South Cooperation, common and sustainable development in all these documents (MFA, 2016; Xinhua, 2016), creating the image of Chinese-LAC relations as one of win-win cooperation and equality. The Chinese president Xi Jinping affirms many times that China and the region are strongly complementary in their economic structures and development strategies. China’s policy paper for the region in 2016 states: “Based on equality and mutual benefit, the comprehensive and cooperative partnership between China and Latin America and the

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2At the time of its creation, CELAC included 33 countries: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Granada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, and Venezuela (MFA, 2016).
Caribbean is oriented towards *common development.*” (Xinhua, 2016, online). However, the document also recognizes the need for diversifying trade and investments in the region, contributing to increase LAC’s export of high added-value products to China (Xinhua, 2016).

### 3.3. CONFLICTS AND COUNTER-HEGEMONIC IDEAS

My literature review resulted in 57 cases of social and environmental conflicts involving Chinese companies in Latin America and the Caribbean. Unfortunately, due to the length of this work, it is not possible to display the table that I created containing all studied cases, but I will explore some of the main trends identified in order to categorize the counter-hegemonic ideas in this historical structure, as well as the counter-hegemonic social forces.

First, we identified that a very small number of economic sectors concentrate all cases of conflict (i.e., agriculture, energy, food, infrastructure, logging, metallurgy, and mining), all of which are related to the exploration or processing of natural resources. Furthermore, most of the conflicts happened in only three sectors: energy, mining, and infrastructure. The following graph shows the distribution of conflicts by sector:

![Figure 3 - Conflicts involving Chinese companies by economic sector](image)

*Source: Own elaboration based in data from EJAtlas, 2020; FIDH, 2019; Ray *et al*, 2015; Martínez, 2014.*
Through thematic analysis, we found what the main causes of conflict are: water pollution (n=18), project did not undertake an environmental impact assessment (n=17) or public consultation (n=15), and operation in protected areas (n=17) or indigenous territories (n=16). Other less common causes included the violation of labor laws, physical assault and even murders, as well as other environmental and social rights violations. The most common social forces involved in these conflicts are as follows:

**Figure 4 - Chinese companies by number of conflicts involved**

<table>
<thead>
<tr>
<th>Chinese companies per number of conflicts involved in LAC</th>
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<tbody>
<tr>
<td>Sinohydro</td>
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<tr>
<td>CNPC</td>
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<tr>
<td>Sinopec</td>
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<tr>
<td>CRCC</td>
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<tr>
<td>CTG</td>
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<tr>
<td>Sinochem</td>
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<tr>
<td>Junefield Mineral Resources</td>
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<tr>
<td>MCC</td>
</tr>
<tr>
<td>Tongling Nonferrous Metals Group</td>
</tr>
</tbody>
</table>

Source: Own elaboration based in data from EJAtlas, 2020; FIDH, 2019; Ray et al, 2015; Martínez, 2014.
Figure 5 - Counter-hegemonic social forces by number of conflicts involved

<table>
<thead>
<tr>
<th>Number of conflict cases per counter-hegemonic group</th>
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</thead>
<tbody>
<tr>
<td>Environmental justice groups</td>
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<tr>
<td>Social justice organizations</td>
</tr>
<tr>
<td>Indigenous communities</td>
</tr>
<tr>
<td>Residents</td>
</tr>
<tr>
<td>Small farmers</td>
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<tr>
<td>Company employees</td>
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<tr>
<td>Workers unions</td>
</tr>
<tr>
<td>Academics</td>
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<tr>
<td>Women’s organizations</td>
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<tr>
<td>Traditional communities</td>
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<tr>
<td>Local governments</td>
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<tr>
<td>Religious groups</td>
</tr>
<tr>
<td>Informal workers</td>
</tr>
</tbody>
</table>

Source: Own elaboration based in data from EJAtlas, 2020; FIDH, 2019; Ray et al, 2015; Martínez, 2014.

Thus, some of the main Chinese companies involved in conflicts in the region are construction, oil, hydro, and mining companies. The most common groups to oppose their projects are environmental justice groups, social justice organizations, indigenous communities, and residents.

4. DISCUSSION

As we saw on section 3.2, China’s narrative about its relations with Latin America and the Caribbean is based on the ideas of South-South Cooperation and promoting common and sustainable development. According to Vadell, Lo Brutto and Leite (2020), South-South Cooperation (SSC) is characterized by the exchange of horizontal experiences between countries with similar levels of development. Although China shares some internal challenges with developing countries, it behaves as a central power when it comes to trade and investment. The authors explain that China is implementing a new model and a new concept of SSC, based on trade, investment, and aid in a way that contributes to promote real development and structural changes (Vadell, Lo Brutto and Leite, 2020). According to the authors, this model of SCC would be more beneficial than the traditional North-South Cooperation model because it moves its focus from technical
cooperation and limited aid to promoting significant economic growth among partners. This idea is also imbedded in the China-CELAC Forum as seen in the analysis of some of president Xi Jinping’s discourses in the meetings of the Forum and China’s policy paper for LAC. Chinese institutions explore the narrative of horizontality and complementarity in its economic partnership with the region, which in the context of this research is understood as the dominant narrative/idea in this historical structure.

However, what we see in this article is the opposite. When analyzing the material capacities in this structure, we find that China’s trade and investment, as well as its credit flows to Latin America, are concentrated in primary sectors, much more than it is verified for the region’s economic relations with the rest of the world. My study illustrates this tendency. As seen earlier, the biggest Chinese companies in LAC operate in the energy sector and most of the other companies operate in the extraction of metal ores. While it is still debated whether the economic presence of China in Latin America and the Caribbean is causing the reprimarization of the regions’ economies, it is clear that China-LAC trade relations happen mainly in an interindustry logic, where commodities are produced in Latin America and exported to China, which in turn sells high-added values to the latter (CEPAL, 2018). This leads to a relationship of dependency, that follows China’s Going Global strategy, in which Chinese companies invest in energy and natural resources to guarantee the supply of raw material and food to fuel China’s economy (Menezes and Bragatti, 2020; Slipak and Ghiotto, 2019).

As highlighted by one of the reviewers of this paper, China’s economic presence is felt differently depending on the country of the region that we focus on. A major difference is between South America, and Central and North America, as well as the Caribbean. According to CEPAL (2018), the trade balance between China and South America is close to equilibrium, while the other subregions and Mexico maintain a rising deficit with the Asian economy. Although these differences are worth exploring, this work considers the main trends of Chinese foreign direct investments in the region and what

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3As noted by one of the reviewers of this paper, in Brazil, Argentina, and Uruguay, this interindustry logic can represent the reprimarization of these economies. In other countries such as Peru, Ecuador, and Chile, this logic only deepens an export model that is already dependent on natural resources.
we see in terms of economic sectors is that Chinese companies are investing mainly in primary sectors throughout the region.

Notwithstanding the broader picture of China-LAC economic relations, Ray et al. (2015) defend that Chinese companies perform better than other multinational companies in the region when it comes to environmental and social impacts. They cite the case of Minera Chinalco, a Chinese mining subsidiary in Peru. According to the authors, the company had an unprecedented initiative in the Morococha region, where it voluntarily built a village with modern infrastructure for residents that lived in the community that was affected by the project (Ray et al., 2015). Other sources sustain, however, that although this process was made by public consultation, the community’s decision about the location of the new village was not respected (EJAtlas, 2014). Residents complain that the final location chosen by the company was too humid, earthquake-prone, and highly polluted by mercury (EJAtlas, 2014).

In this sense, we identify a conflicting set of ideas in this historical structure. One that argues that rather than contributing for the sustainable development of the region, China’s economic presence in LAC is causing a variety of social and environmental conflicts. The International Federation for Human Rights (FIDH) claims that conflicts involving Chinese companies in Latin America and the Caribbean show a pattern of disrespect for economic, social, cultural and environmental rights, constantly opposing indigenous and local communities’ interests and promoting environmental degradation (FIDH, 2019). My assessment of these cases also shows some commonalities between them, especially through the operation in natural and indigenous reservations, water pollution and the disrespect of people’s right to public consultation. My research showed that Chinese direct investments in LAC are also concentrated in primary sectors, and the region’s trade with China reflects that as well. As claimed by Ray et al. (2015), this has significant impact over the region’s environment and populations. The authors sustain that LAC’s exports to China generate 20% fewer jobs per million dollars than total exports, it consumes two times the amount of water, and it generates 12% more green house effect gases per dollar (Ray et al., 2015).
5. CONCLUSION

Although the official narrative for Chinese-Latin-American relations is one of promoting common sustainable development and win-win cooperation, its reality shows a different side of the coin – or, in this case, a different side of the renminbi. Chinese trade, investment, and credit flows to the region have been important to diversify LAC’s list of economic partners, moving away from the traditional Western superpowers such as the US and the European Union. This, however, has not happened without contradictions. Robert Cox’s critical theory allows us to identify such contradictions and analyse them through the categories of material capacities, ideas, and institutions.

As seen in my research, Latin-American economic relations with China are marked by inequalities that are causing a logic of dependency between the region and the Asian country. This is, of course, not only China’s fault. Latin America’s traditional development model is based on the export of commodities, but when compared to the region’s trade with the rest of the world, China-LAC relations are significantly more dependent on an inter-industry trade dynamic. Given China’s importance as an economic partner to the region, this pattern is intensifying the region’s dependency on the export of commodities and low technology products based on the processing of natural resources.

Even though some authors indicate that Chinese companies perform better in terms of their compliance to environmental and labour laws, my interpretation is different. Chinese companies have operated in economic sectors that are prone to generate environmental conflict since they deal with huge amounts of natural resources and utilize so little human work. As a result of that, traditional and indigenous communities in the region have cooperated with environmental and social justice groups to resist the exploration of their territories, but their opposition has been faced with violence and disrespect from Chinese companies and local stakeholders.

In this sense, China does not represent an alternative to traditional Western partners. It reproduces their predatory behaviour in the region, contributing to a logic of dependency and inequality, operationalized by local elites. Cox’s method of historical structures serves us well in identifying this dominant narrative, but also by underlining its contradictions when looking at the material capacities that sustain this historical
structure. His theory also proved to be useful in identifying what are the potential counter-hegemonic forces and how they can contribute for the transformation of Latin America and the Caribbean. Hope for a more sustainable development model in the region comes from the ability that these social forces have of resisting predatory investments and raising awareness about the need for thinking of alternatives that do not demand as much from our communities and environment.

BIBLIOGRAPHY


