Sharing or Taking? Analyzing China’s Economic Relations with Latin America and the Caribbean

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Abstract
The economies of the Latin American and Caribbean region are becoming inextricably linked to that of China and will likely remain that way for the foreseeable future. These economic linkages are relatively new, multifaceted, expansive and development-oriented. They underline the first comprehensive and sustainable attempt by the region to diversify its economic relations with a country other than the traditional western center nations. Using secondary data, this paper examines the rapid and expanding economic relations between China and LAC countries and the implications of these economic relations for region. It postulates a New South-South Development (NSSD) Paradigm to explain the economic engagement between China and the LAC.

Keywords: China’s economic relations; Latin American and the Caribbean; New South-South Development Paradigm; trade patterns; foreign direct investment; international financial institutions; bilateral loans; CELAC

1. Introduction
Over the past three decades, China has emerged from being a developing country to the rank of having the second largest global economy with an output of US$11.22 trillion in 2016 (International Monetary Fund (IMF), 2017). It has evolved as a global economic power utilizing a hybrid development model of both a dominant state-owned economic system blended with a sizeable and significant market-oriented system. This hybrid development model, along with China’s newfound wealth, has enabled its remarkable economic engagement with emerging market economies and developing countries (EMEDC). China has been asserting its role as an emergent center nation while seemingly retaining its orientation as a semi-periphery nation with a strong affinity for south-south cooperation with the developing regions of Africa, Asia, and Latin America and the Caribbean (LAC). Since 2010, China has bounded up the ranks as a significant trading partner to most LAC countries and is ranked number one in at least three countries in the region. Additionally, China has brought aid, foreign direct investment and infrastructural financing to the credit-deficient countries in the region with the unprecedented swiftness and force of a tropical storm.

This paper highlights China’s emergence as a global economic power; provides some economic background on the Latin American and Caribbean (LAC) region; examines the rapid and expanding economic relations between China and LAC countries as it pertains to trade, aid, foreign direct investment, infrastructural and other financing; identifies China’s economic relations with LAC multilateral financial agencies, regional organizations and governments; and, discusses some implications of these economic relations for the LAC region. This paper concludes by postulating the emergence of what we identify as a New South-South Development (NSSD) Paradigm. Data for this paper is derived from official sources such as the International Monetary Fund (IMF), The World Bank, the Economic Commission for Latin America and the Caribbean (ECLAC), the UNDP and other sources.

China has rapidly emerged as a global economic power. Indices of its new global economic status include: the world’s second largest economy; largest global exporter and second largest importer; largest manufacturing economy in the world; an insatiable demand for raw materials from countries all over the world; the emergence of the Yuan as a global currency; leadership in the creation of new multilateral financial institutions such as the Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank and Contingency Reserve Arrangement; large capacity to lend and invest in other countries including the United States; involvement in funding mega infrastructural projects globally to promote trade and development and extend its global outreach; and, a commitment to build global economic partnerships particularly with emerging market economies and developing countries (EMEDC) in Africa, Asia, Latin America and the Caribbean.

China is the most populous country in the world with a population of over 1.364 billion. In 2016 its GDP at current prices was approximately US$11.22 trillion. For over three decades China has been the world’s fastest growing economy, recording average growth rates of 10%. For the past six years (2011-16) however, economic growth has been slower moving from 10.6% in 2010 to an estimated 6.7% in 2016 (IMF, 2017). China is classified as an upper middle income country with a per capita income (current US$) of US$8,113 in 2016. China’s per capita income increased remarkably by almost 750% from US$954.6 in 2000 (IMF, 2017).

Concomitant with its real economic growth is the growth of personal income and wealth in the Chinese economy, catapulting tens of millions of Chinese into the middle class within a relatively short space of time. Yan (2015) reporting for CNN Money said that: “Chinese are getting richer at an astonishing rate” with wealth per adult quadrupling since 2000. China holds 10% of global wealth (Yan, 2015). But despite this remarkable economic success over the past three decades, the IMF (2015a) concluded that in relative per capita terms China is far from rich and still has a considerable way to go to achieve an advanced economy status. China’s per capita income in 2014 was 24% of the U.S. per capita (PPP basis) and 14% in U.S. dollar terms (IMF, 2015a). In 2016, China was ranked 75th in the world for per capita GDP (current prices) while the US ranked 8th (IMF, 2017).

China has become an important player in the global economy, importing significant volumes of raw materials, oil, electronics and many other manufactured goods from developed countries, emerging market economies and developing countries alike. But, China’s economic relations with the rest of the world expand way beyond trade. Its new found wealth has facilitated its remarkable economic engagement with emerging market economies and developing countries and has enabled it to evolve as a global economic power. China is a G20 member holding the chairmanship of that body in 2016. It is an important member of many international financial institutions and organizations including the World Trade Organization, the International Monetary Fund and the World Bank. In 2014, China together with the other BRICS nations (Brazil, Russia, India and South Africa) formally created two new institutions, the New Development Bank (NDB) and the Contingency Reserve Arrangement (CRA) together, popularly known as the “BRICS Bank,” seemingly as an alternative to the unchallenged dominance of the World Bank and the IMF (Danns & Danns, 2015). In addition, China has been instrumental in the creation of new multilateral financial institutions and investment funds including the Asia Infrastructure Investment Bank (AIIB) and the Silk Road Investment Fund (Danns & Danns, 2015).

3. The Economic Spectrum of LAC Countries

The Latin American and Caribbean (LAC) region comprises 33 independent states and nine territories and has a population of over 600 million. The region’s per capita income (current US$) in 2015 was US$8,450.3 compared to China’s US$8,069.2 for the same year (World Bank, 2017). Latin America and the Caribbean was described by the UNDP (2015) as “a middle-income region, with the majority of its 42 countries and territories belonging to that category. Within this heterogeneous region are countries that range from the Western Hemisphere’s only low income country, Haiti, and some of the world’s rising powers: Chile and Mexico belong to the OECD, the developed nations’ organization; Argentina, Brazil and Mexico are G20 members and Brazil is the world’s seventh largest economy.”

UNDP (2010) noted that over the previous decade, Latin America and the Caribbean went through its highest economic growth period since the 1960sand that this economic boom, along with job creation and some of the world’s most innovative social transfer policies lifted over 90 million people into an emerging middle class. As of 2010, 34.3% of the LAC population was in the middle class, with incomes between $10 a day and $50 a day, while 25.3% were still under the moderate poverty line of PPP$ 4 a day.
As of 2014, 130 million persons in the region remained chronically poor and “left behind” in Latin America (Vakis, Rigolini & Lucchetti, 2015; The World Bank, 2015b). Despite the decade of progress, the LAC region is noted to be the most unequal in the world. UNDP (2015) reported that ten of the 15 countries with the highest levels of inequality are in the region. The inequality in LAC was found to be high, persistent and self-perpetuating, particularly in areas where social mobility was low. In addition, 220 million people or 37% of the total LAC population are still vulnerable and risk sliding back into poverty (UNDP, 2015). The World Bank (2015b) warned that with the region’s rising middle class come the demands for better education, infrastructure, security and healthcare service. The Bank concluded that while addressing these middle class expectations, the LAC economies must also face the challenges of meeting the needs of the chronically poor.

After robust expansions during 2003–12 with growth rates averaging 5%, LAC countries are now experiencing much slower growth, averaging between -1% to 1.2% per annum during 2014 to 2016 (IMF, 2017). This growth deceleration has been linked to decreasing commodity prices on the world market, lower investment opportunities and a slowdown in the Chinese economy. Growth prospects differ throughout the region. Venezuela’s economy is experiencing deepening economic crisis with negative growth rates, galloping inflation, fiscal and external imbalances among other problems. Emerging market economies like Brazil and Argentina are experiencing low or very slow growth. The Dominican Republic, Bolivia, Paraguay and Peru are expecting growth rates between 3% and 6%; and Mexico, Chile and others are within the 1 to 3% growth range for 2017 (IMF, 2017). Countries in the Caribbean sub-region are expected to achieve growth rates of between 1 to 5% per annum over the next two years. At the high end is the Dominican Republic estimated to grow by 5.3% in 2017 and at the lower end, Barbados, Jamaica and Trinidad with rates averaging just over 1% (IMF, 2017).

4. China’s Economic Relations with LAC

China has a multi-dimensional approach to economic engagement with the LAC countries. China has essentially replicated the pattern of engagement of the developed western nations with the LAC region as it pertains to trade, foreign direct investment, loans, grants and the financing of infrastructural development. Further, China has established similar partnerships with regional financial institutions such as, the Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB); and, regional integration groupings such as the Community of Latin American and Caribbean States (CELAC) and the Caribbean Community and Common Market (CARICOM). This section examines these economic engagements.

4.1. China-LAC Trade Patterns

The Economic Commission for Latin America and the Caribbean pointed to recent robust growth in trade, investment and economic activity between LAC countries and China. Between 2000 and 2013: there was a 22-fold increase in trade of goods between LAC and China, while LAC’s trade with the world grew only 3-fold; the region’s exports to China rose 27-fold and imports increased 20-fold; the region’s exports to China climbed from 1% of its total exports to 10%; and imports from China grew from 2% to 20% (ECLAC, 2015a). In 2014, however, merchandise trade between Latin America and the Caribbean and China decreased by 2% in value terms, compared to the 2013 level. This was the first decline since 2009 and reflected a slackening of raw materials demand in China and low commodity prices on the world market. The outturn in 2015 stayed constant in value terms with the 2014 level.

In a little more than a decade China had bounded up the ranks as a trading partner for most countries in the Latin America and Caribbean region. By 2013 China was the single largest importer of goods from Brazil, Chile and Cuba, moving up the ranks from 5th, 12th and 6th respectively in 2000. For at least eight other LAC countries, China ranked between 2nd and 4th in importance as an importer of their products. These were Argentina, Columbia, Mexico, Panama, Peru, Uruguay, Venezuela and the Dominican Republic.

China imports primarily raw materials (73%) and natural resource-based manufactures from the region and in turn exports mainly manufactures to LAC. Among the raw materials exported to China from the region are copper in different forms, soya bean, crude petroleum, wood, unmanufactured tobacco, frozen meat, leather and raw hides, husks, milk and cream, aluminum and aluminum waste/scrap, flours, fist, iron ores and concentrate, precious metals, cane and beet sugar, motor cars, bitumen, mineral substances, coffee, zinc ore, electrical integrated circuits, tin, and ferro-alloys (ECLAC, 2015a). Medium and high-technology exports to China from the region accounted for a mere 5 percent of total trade flows in the last decade (Peters, 2015).
Brandt et al. (2012) described China’s demand for natural resources as “insatiable” and explained that due to China’s resource and other constraints it has set out to exchange dollars for resources. The Chinese economy consumes 40% of the copper that is exported worldwide, 47% of the iron, and 53% of soybeans (Moreno, 2014). This concentration on natural resources has resulted in a relatively small number of products from the LAC region being exported to China, compared with LAC exports to the rest of the world and the total number of products involved in intra-regional trade. Even for LAC countries where China is ranked the 1st or 2nd export destination (by US$ volume) this disparity is apparent (ECLAC, 2015a).

Tourism is a key service export from the LAC region. The US-China Economic and Security Review Commission noted that for the Caribbean countries their “robust tourism market likely will benefit from an increase in Chinese visitors to the region. China is the world’s fastest-growing tourism source market and in 2012 became the world’s largest spender on international tourism” (Campbell & Valette, 2014).

China is also a significant source of imported manufactured goods by the LAC region and was ranked between the 1st and 6th top countries of imports for at least 25 LAC countries in 2013. For Brazil, Paraguay, Uruguay and Cuba, China is the number one country from which they import. Imports from China reached a level of over US$165 billion by 2013 from a mere US$10 billion in 2000. Over 40% of the goods imported into the region from China in 2013 were high tech manufactures, while another 50% was medium and low tech manufactures. Less than 10% was natural resource-based manufactures (ECLAC, 2015a). ECLAC (2015a) described trade between LAC and China as inter-industry with raw materials going to China and manufactures returning to the region.

4.2 Foreign Direct Investment between China and LAC

ECLAC (2015c) reported that prior to 2010 very little foreign direct investment (FDI) flowed from China to the LAC region and that in the prior two decades (1990–2009) inward flows from China accounted for only US$7 billion. Data from 10 LAC countries showed FDI from China as totaling US$42.7 billion between 2010 and 2013, 90% of which went to natural resources in the region. China is a major foreign investor in oil and gas extractions in Argentina, Venezuela, Brazil and Colombia. By 2014, Chinese oil companies had a presence in most LAC countries that exported oil and gas with the exception of Bolivia and Mexico (ECLAC, 2015c). In contrast FDI outflows from LAC to China were estimated at only US$917 million between 2002 and 2012 (IDB, 2014).

Chinese direct investments in the LAC region are overwhelmingly directed to the agriculture, mining, and energy sectors. Between 2005 and 2014, 84% of FDI inflows from China to LAC were channeled to the primary sector while 12% and 4% went to manufacturing and services respectively (IDB, 2014). Such investments are serving to reinforce the existing trade patterns and facilitate a continuous feed for some manufacturing in China. Three of the 20 largest mergers and acquisitions in Latin America for 2014 were completed by Chinese companies, including the largest acquisition recorded during the year- a copper deposit in Peru. These acquisitions were in mining, oil and banking.

Chinese investments in LAC are also aimed at improving the trading and transportation logistics between the region and Asia. For example the Nicaragua Grand Canal, if and when built, will stretch three times the length of the Panama Canal providing wider and deeper passage between the Atlantic and Pacific oceans for ships too large to transit the Panama Canal (Stricklor, 2015). The Transcontinental Railroad Megaproject known as the Twin Ocean Railroad would connect Brazil at the Atlantic Ocean to Peru in the Pacific Ocean stretching for 3,300 miles. It is expected to cut transportation time and reduce the cost of shipping grain from Brazil to China by $30 a ton (Alvarez, 2015).

4.3 Loans, Grants and the Financing of Infrastructural Development

LAC countries are prime targets for China’s lending. The countries of the region are not only resource-rich but also credit-deficient. Gallager and Myers (2014) explained that since 2005, China made loan commitments in excess of US $119 billion to countries and firms in the Latin America sub-region; and in 2010 China’s loans to Latin America sub-region were more than those from the World Bank, Inter-American Development Bank, and U.S. Export-Import Bank combined. China has loaned to countries in the region such as Venezuela and Argentina that cannot borrow easily from the global capital markets. China’s loan financing to LAC countries is done mainly through government-owned financial institutions in China. These include the China Development Bank, China Ex-Im Bank, the Bank of China, the Industrial and Commercial Bank of China and the China International Trust and Investment Corporation.
Chinese Banks sometimes finance countries that cannot borrow easily from the global capital markets (Gallagher & Myers, 2014). China’s loans to governments and businesses in LAC countries are primarily for infrastructural development, agriculture and for primary sector development. Many Caribbean islands or mainland countries have had some form of financial aid or loan from China. China has provided infrastructure funding for many of these countries from the mid-2000s in the form of grants and has continued to provide funding for major projects into the current decade (Bernal, 2016). Grants from the Chinese government have helped to build cricket stadiums in several Caribbean countries; paved roads; built educational, cultural and health facilities; and completed much more in Caribbean countries. In addition, China has provided soft loans to Caribbean governments and various forms of direct investment, such as building major tourism projects, financing roads and ports and buying companies (Fieser, 2011).

Despite slower growth in the Chinese economy during 2015, lending trends indicate that China is determined to continue its support for LAC economies. Myers, Gallagher and Yuan (2016) reported that Chinese government bank financing to the region rose to US$29 billion in 2015 from US$10 billion in 2014. According to Myers et al. China’s bilateral loans to regional economies in 2015 surpassed the combined loans to the LAC region from the World Bank and the IDB during the same year. These authors also pointed out that China, during 2015, established a $35 billion region-wide fund for infrastructure and other projects. Among the big recipients of China’s bilateral loans in 2015 were Brazil, Ecuador, Bolivia and Venezuela with Barbados and Costa Rica receiving smaller amounts.

4.4 Economic Relations with Multilateral Institutions and Organizations

China’s economic relations with Latin America and the Caribbean extend beyond the boundaries of bilateral agreements and trade. China has played an active role in many of the region’s multilateral financial and other institutions, providing funding and building partnerships with the aim of cementing economic ties and advancing the development goals that these institutions have for the region. Among the regional development and multilateral agencies with which China has developed partnerships and provided loans and/or other funding are: the Inter-American Development Bank (IDB), the Caribbean Development Bank (CDB), CAF Development Bank of Latin America (CAF), the Caribbean Community and Common Market (CARICOM), Economic Commission for Latin America and the Caribbean (ECLAC), Community of Latin America and Caribbean States (CELAC), Common Market of the South (MERCOSUR), Organization of American States (OAS), Union of South American Nations (UNASUR), The Bolivian Alliance for the Americas (ALBA), the Andean Community (CAN) and the Group of Rio.

China, for example, is a non-borrowing member of the IDB and in recent years has been expanding its ongoing partnership with the Bank (IDB, 2013). It joined the CDB in 1998 as one of five non-regional, non-borrowing members and holds 5.58% of CDB’s total shares (CDB, 2016). CELAC is the largest LAC regional bloc comprising 33 sovereign countries. This organization has embraced China but excluded the participation of the United States and Canada along with other center nations, which are colonial or ex-colonial powers, including the United Kingdom, France, the Netherlands, Portugal and Spain. The first China-CELAC Forum promulgated a China-CELAC Cooperation Plan (2015-9). This Plan established 13 thematic areas of cooperation between China and the region, eight of which were in the economic sphere. Important tenets of this Plan included increasing bilateral trade between China and CELAC countries to US $500 billion and raising the stock of reciprocal investment to at least US$250 billion over the next 10 years (ECLAC, 2015b). The OECD/United Nations/CAF (2015) summed up the China-CELAC relationship thus: “This unprecedented partnership presents an opportunity for Latin America to generate links with China as an integrated region. It provided time and a platform to create and co-ordinate regional strategies (rather than single country initiatives) in infrastructure, energy and natural resources, productive capacities and education and skill policies. It may also lead to improving synergies both with China and within the region. China takes CELAC as its preferred vehicle for engaging with Latin America.” (p. 161)

5. Discussions and Implications: Towards a new South-South Development Paradigm

The economies of the LAC region are becoming inextricably linked to that of China and will likely remain that way for the foreseeable future. These economic linkages are relatively new, multi-faceted, expansive and development-oriented. They underline the first comprehensive and sustainable attempt by the region to diversify its economic relations with a country other than the traditional western center nations.
What have emerged are bilateral and multilateral development partnerships with the LAC countries based on major Chinese investments in or ownership of leading industries; the provision of financing and other forms of development aid based on the discerned development needs of the region; a sizeable demand for the region’s primary commodities; and, the opening of regional markets for Chinese imports. The Chinese “Go Global Strategy” (OECD, 2014) and China’s Policy paper on Latin America and the Caribbean (China View, 2008) underscored the Chinese government’s parameters for China-LAC economic and other relations.

China’s economic relations with the region are a reflection and transplantation of its own hybrid development approach. The region is confronted with having to deal with the modalities of the Chinese Government on the one hand, and Chinese private companies on the other, each reinforcing the purpose of the other. The Chinese Government is communist and emphasizes collective ownership, while the Chinese companies that invest in the region are capitalist and do so to maximize profit. The Chinese government has shown a strong willingness to invest in failed or ailing state-owned enterprises in LAC countries, while private Chinese companies seek ownership in these. However, when development projects are negotiated with LAC countries, private Chinese companies are very likely to have a monopoly on contracts for construction or implementation. Further, private Chinese companies invariably utilize dominantly Chinese labor, design and technology to build roads, bridges, hotel, harbors, airports, hospitals and hydroelectric dams, etc. in the region. These projects are built speedily and presented to the governments and peoples of the region as symbols of development and progress, and of friendship with China and the Chinese people.

China has a multi-dimensional approach (China View 2008; OECD 2014) and a copy-cat formula to economic engagement with the LAC countries. China has essentially replicated the pattern of engagement of the developed western nations with the LAC region as it pertains to trade, aid, foreign direct investment, and establishing partnerships with regional financial institutions. However, the modalities of China’s economic engagement with the LAC are significantly different from those of the western countries and the International Financial Institutions, such as the IMF and the World Bank. China is seemingly non-judgmental and does not seek to impose their societal values on, or spread their national ideology to the countries with which they engage. The Chinese seemingly show no concerns for democracy and human rights violations and the corruption indices of the countries with which they engage. Instead, China portrays their relations as one of equals and partners in development. China does not seek to determine what the developmental priorities of these countries should be but instead helps to promote the attainment of these. The relations between China and the countries in the region are ostensibly based on respect for each other’s sovereignty. China has had no history of colonizing and/or invading countries in the region, overthrowing their elected governments and imposing economic sanctions. This has made China’s overtures more readily acceptable to regional governments.

Furthermore, there is an emergent trend of Chinese migration to the region which hitherto had small enclaves of Chinese population only in some LAC countries. The Chinese population in Suriname, for example, has increased dramatically and now comprises one tenth of that country’s population (Timero, 2011). New Chinese businesses are increasingly visible in the commercial sectors of regional countries and Chinese imports are flooding the markets in many of these countries.

Some of the negative economic implications of economic engagement with China for countries in the region include widening trade deficits; a diminution of the region’s manufacturing sector in the face of the importation of cheaper goods from China; and, environmental degradation stemming from Chinese companies involvement in mining, forestry and infrastructural development. Of note is that Chinese companies and the China government have shown a preference to utilize labor from China almost exclusively rather than employ local labor when engaging in projects in the region. Thus development projects undertaken by China in regional countries often do not generate employment or transfer of skills (Brandt et al., 2012; Danns & Danns 2015). China’s disposition to ignore human right violations and corruption may also have deleterious consequences for the region’s development prospects. Further, one openly stated condition for China’s economic engagement is the willingness of these countries to disavow Taiwan and subscribe to a “One China Policy.” Is China then, sharing or taking?

What does China want? What do the LAC countries need from China? We submit that the economic relations between China and the LAC region are characterized by a convergence of wants and needs. The concatenation of these wants and needs are captured in the Table 1.
Table 1: China’s Wants and LAC Needs

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<tr>
<th>What China Wants</th>
<th>What LAC Needs</th>
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<tr>
<td>Trade Expansion to promote GDP growth</td>
<td>Trade expansion to promote regional development</td>
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<tr>
<td>Access to raw materials to feed its robust manufacturing sector</td>
<td>Export raw materials to earn foreign exchange</td>
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<td>Export its manufactures and technology</td>
<td>Import cheap manufactures and technology</td>
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<tr>
<td>Fund infrastructural development in the LAC region to improve trade access and reduce costs.</td>
<td>Promote infrastructural development to improve competitiveness and quality of life</td>
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<td>South-South Cooperation</td>
<td>South-South Cooperation</td>
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<tr>
<td>Expand its global influence through its “Go Global Strategy”</td>
<td>Secure global recognition and relevance</td>
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<tr>
<td>Expand investment and lending options and to internationalize the Chinese currency, the Yuan</td>
<td>Attract foreign direct investment, loans and development assistance.</td>
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<tr>
<td>Reduce the global influence of US and other western center nations by cultivating strategic alliances with emerging market economies and developing countries</td>
<td>Reduce the global influence of US and other western center nations and the international financial institutions (IFIs)</td>
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<tr>
<td>Promote their “One China” policy</td>
<td>Attract development assistance from China</td>
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6. The New South-South Development (NSSD) Paradigm

Finally, this paper contends that what has been emerging from the economic engagement between China and Latin American and Caribbean nations is a New South-South Development (NSSD) Paradigm. This NSSD paradigm is manifest in an emergent shift in the world’s economic order by which the traditional patterns of trade, development aid, foreign direct investment, technology transfer, internet communications and political alliances among emergent market economies and developing countries are evolving as a functional alternative to the prevailing dominance of the center nations of the West. This NSSD paradigm is manifest in the strengthening engagement between China and LAC countries. China’s growing economic role in Africa and Asia may be having similar impacts on those regions. The purveyors of this paradigm are quite open about their intent to engender a changed world economic order. They are not scholars. Instead, these purveyors are the leadership in nation states of emerging market economies and developing countries. By rapidly expanding economic relations among themselves, the emerging market economies and developing countries seek to rival the global economic dominance of the developed Western countries in general and the latter’s stranglehold over international financial institutions like the International Monetary Fund (IMF) and World Bank.

The Cold War, and its resultant contest between the West and the Soviet Bloc countries, complicated the capabilities of developing countries to chart a course of independent development. The developing countries were limited in their global engagement by being made to orient their relations either with the West or the Soviet bloc countries. The Non-Aligned Movement was a reaction formation by newly independent and developing countries to chart their own destiny independent of the western center nations on the one hand and the Soviet Bloc countries on the other. “The Non-Aligned Movement (NAM) was created and founded during the collapse of the colonial system and the independence struggles of the peoples of Africa, Asia, Latin America and other regions of the world and at the height of the Cold War” (Ministry of External Affairs, Government of India, 2012). The Non-Aligned Movement may have laid the epistemic foundations for the NSSD paradigm but by itself did not create it. The core principles of NAM helped to inform the global outreach of China and the foreign policies of countries in the LAC region. These include: recognition of the sovereignty of and non-interference in the internal affairs of other countries; pursuit of policy engagements based on principles of cooperation, equality and friendship; and nonjudgmental engagement and reciprocal support for each other in global forums such as the United Nations (Ministry of External Affairs, Government of India, 2012).
Focusing on LAC countries, ECLAC (2015a) acknowledged the emergence of what we call the NSSD paradigm: “Over the past few decades, China (along with the other emerging economies of Asia) has become a key for understanding the process of and prospects for globalization. On the strength of its robust performance in terms of economic growth, international trade, foreign direct investment and technological innovation, and its role as a source of international financing, China is rapidly rearranging the global economic map. It is strengthening the link between developing countries and contributing to an unprecedented cycle of growth, investment, poverty reduction and progress in the internationalization of emerging economies. Thanks to this the income gap between these economies and the industrialized countries is narrowing” (ECLAC, 2015a: 4).

The following global transformations facilitated the onset of the NSSD paradigm:

- The collapse of the Soviet Union and the end of the cold war witnessed a lessening of the control of core western developed countries like the US over the semi-periphery and periphery countries. LAC countries for example were previously seen and treated as part of the US backyard.
- The advent of emerging market economies (EMEs) such as China, India, Poland, Turkey, South Korea, South Africa, Saudi Arabia and Indonesia; and Brazil, Argentina and Mexico in the LAC region is having an impact on the global economic system. The combined size and growth of the Emesis altering the balance of power of the traditional western center nations in the global economic system. Their rise in a global world economy is evidenced by the establishment of the G20 summit. The Group of Seven or G7 nations (Canada, France, Germany, Great Britain, Italy, Japan, United States and the European Union) which originated as a grouping in 1975 were considered the world’s largest industrial nations and held summit meetings to promote economic cooperation. These center nations represented approximately 46 percent of global GDP and approximately two thirds of global wealth (IMF 2016a). In recognition of the growing influence of EMEs over the years, the Group of Twenty or G20 economic forum was created in 1999 *inter alia* to promote international financial stability. The G20 comprise the G7 nations along with Argentina, Australia, Brazil, China, India, Indonesia, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey and the European Commission representing European Union countries (IMF 2016b).
- Economic globalization: Growing and direct bilateral and multilateral economic relations among emerging market economies and developing countries, their economic groupings and regional organizations.
- Technological globalization: The evolution of the internet and satellite communications technology, and major advances in and ownership of transportation facilities which liberate and promote speedy international travel and contact.
- The rapid and impacting rise of China as a global economic power; the recognition of China’s proven capabilities to create parallel IFIs, and provide economic aid, expanding trade and FDI to other emerging market economies and developing countries. It is China’s economic capabilities that is lending credence to south-south development and distinguishes the NSSD paradigm from the earlier principles of the Non-aligned Movement.

These broad global transformations have seemingly spawned new and changing possibilities for development and global engagement. Specific global transformations are further illustrated by an examination of the relations between United States and the LAC countries. The United States is historically the dominant center nation impacting the LAC region. What have been changing are:

- Reduced engagement and continued neglect of the development needs of LAC countries by the US and other developed western countries. The limited development assistance offered the LAC countries is tied to conditionality’s that limit their autonomous development. The US and other developed western countries worked in tandem with International Financial Institutions (IFIs) like the IMF and World Bank to tie development aid and financing to conditionality’s such as democracy, human rights, preservation of the environment and free market policies.
- Preoccupation with wars in Iraq and Afghanistan and the war against terror have reduced both resources from and attention by the US.
- The evolution of most LAC countries as relatively stable sovereign democratic states making the region one of the most politically stable in the world.

The approach by the purveyors of the new development paradigm does not tie aid, trade and investment with political demands. Instead it is all about business.
It is a stoic acknowledgment of the sovereignty of other nations and their right to self-determination. This orientation is a marked departure from the prevailing ideological overtones of the center-periphery paradigm. The rapid growth of emerging market economies has made this paradigmatic shift plausible. China, in particular, with its deep pockets has been resolutely spreading its wealth and its influence globally. LAC countries have been direct beneficiaries of China’s non-judgmental largesse and aggressive economic involvement. Ross Anthony of World Politics Review declared that “the Chinese model of engagement is attractive for a number of reasons, including cost, speed of execution and lack of political meddling in exchange for loans or infrastructure” (World Politics Review, 2015). The continuing economic nexus between China and LAC, however, will be impacted by China’s own economic transformations. Indicative of these transformations are: slower economic growth; capital flight from China involving both Chinese nationals and foreign-owned companies; volatility in various sectors and markets, including the financial and monetary sectors, real estate and the labor market; and, recent policy trends to promote economic growth through domestic consumption. Notwithstanding, China’s economic engagement with the LAC region is likely to remain both strong and durable. China is sharing with, and taking from the region.

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