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China in the Backyard: Chinese Assertiveness and United States' Hegemony in Latin America between 2001 and 2015

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Abstract

This thesis seeks to analyse the relationship between China's assertiveness and US hegemony in Latin America in the period 2001-2015. The analysis was done by mixing quantitative and qualitative methods, and has as a central hypothesis that the American hegemony (which is assumed in retraction) negatively affected China's assertiveness in the region. The thesis consists of seven chapters, ranging from general conclusions to particular conclusions. The hypothesis proves empirically, but variations are also found between countries and variations by economic activity. I conclude that China approached Latin America through a strategy of accommodative assertiveness, and Latin American countries responded to that approach aiming at diversifying their relationships.

Keywords: Chinese assertiveness; American hegemony; Latin America.

Resumo

URDINEZ, F. China no quintal: a assertividade chinesa ea hegemonia dos Estados Unidos na América Latina entre 2001 e 2015. 2017. 224 f. Tese (Doutorado) - Instituto de Relações Internacionais, Universidade de São Paulo, São Paulo, 2017.

Esta tese busca analisar a relação entre a asenção da China e a hegemonia norteamericana na America Latina no periodo de 2001-2015. A analise foi feita misturando metodos quantitativos e qualitativos, e tem como hipotese central que a hegemonia norteamericana (que se asume em retração) afetou negativamente a asenção da China. A tese está composta por sete capitulos, indo de conclusões gerais a conclusões particulares. A hipótese se prova empiricamente, mas também se encontram variações entre paises e variações por atividade economica. Concluo que a China se aproximou da América Latina por meio de uma estratégia de assertividade acomodativa e os países latino-americanos responderam a essa abordagem visando diversificar suas relações.

Palavras chave: Assertividade chinesa; Hegemonia americana; América Latina.

A mis padres,
Por su incondicionalidad.

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List of abbreviations

AMS – Chinese Academy of Military Science.
BIT – Bilateral Investment Treaty.
CASS – Chinese Academy of Social Sciences.
CICIR – China Institute of Contemporary International Relations.
CINC – Composite Index of National Capabilities.
CNP – Comprehensive National Power Index.
CNSA – China's National Space Agency.
CONAE – National Commission on Space Activities.
CPC – Communist Party of China.
ESA – European Space Agency.
EU – European Union.
EXIM – Export–Import Bank.
FA – Frente Amplio of Uruguay.
FDI – Foreign Direct Investment.
FTA – Free Trade Agreement.
FTAA – Free Trade Area of the Americas.
GAD – People's Liberation Army's General Armaments Department.
GDP – Gross Domestic Product.
GLS – generalized least squares.
HST – Hegemonic Stability Theory.
IBRD – the International Bank for Reconstruction and Development.
IDA – International Development Association.
IMF – International Monetary Fund.
IPE – International Political Economy.
LAIA – Latin American Integration Association.
MERCOSUR – Southern Common Market.
MNEs – multinational enterprises.
MOFCOM – Chinese Ministry of Commerce.
NP – Partido Nacional of Uruguay.
OAS – Organization of American States.
OECD – Organisation for Economic Co-operation and Development.
OFDI – Outward Foreign Direct Investment.
OLS – Odinary Least Squares.
PC – Partido Colorado of Uruguay.
PCA – Principal Component Analysis.
PCSE – Panel Corrected Standard Errors.
PJ – Partido Justicialista of Argentina.
POEs – Privately Owned Enterprises.
SASAC – State-owned Assets Supervision and Administration Commission.
SDRC – China's State Development and Reform Commission.

SOEs – State Owned Enterprises.
SPC – State Planning Commission.
UCR – Union Civica Radical of Argentina.
UN – United Nations.
UNGA – United Nations General Assembly.
US – United States.
USSR – Union of Soviet Socialist Republics.
WB – World Bank.
WTO – World Trade Organization.
WWII – Second World War.

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Chapter 1 – Introduction: Chinese assertiveness and American hegemony in Latin America during the War on Terror and the Obama Doctrine

This PhD thesis is not about US-China relations, nor US-Latin American relations, but about China-Latin American relations during a time in which these boomed, a time which coincided with a process of sustained hegemonic retraction of the United States in the region. However, tangentially, it can be read as a US-China or a US-Latin America thesis. The objective of this thesis is to explore if American hegemony affected the Chinese rise in Latin America causally. The thesis gives great agency to the Latin American countries, who use the rise of China as an opportunity to maneuver. The object of study of this thesis is the rise of China and the concomitant reaction of the Latin American countries to this growth, which I assume is conditioned by historical ties with the regional (and world) hegemon. For this reason, although one could say that the discussion is about the rise and fall of the great powers, and the balance of power in realist terms, this thesis is, in fact, framed within International Political Economy (IPE), which is nourished by notions of realism only through assumptions about the structure of the international system.

The relevance of the issue to be addressed is high because, since the rise of the Soviet Union, no country has kept US hegemony in check as much as China. However, while the power of the former was fundamentally military, the power of the latter is fundamentally economic. That is why concepts derived from IPE are so necessary for the study of the rise of China. Furthermore, the period of study (2001-2015) was an early stage of the Chinese rise, and confrontation with United States was not yet obvious but taking shape.

The dependent variable: Chinese assertiveness

In the last 15 years the epicenter of the world economy has moved from the North Atlantic to East Asia with an unprecedented intensity (see figure 1) and with it, also the center of global power. One might ask, then, what are the distinguishing characteristics of the twenty-first century, in terms of power distribution, which we have already lived in for more than a decade and which some authors have dared to call the "Asian century" (White, 2011).
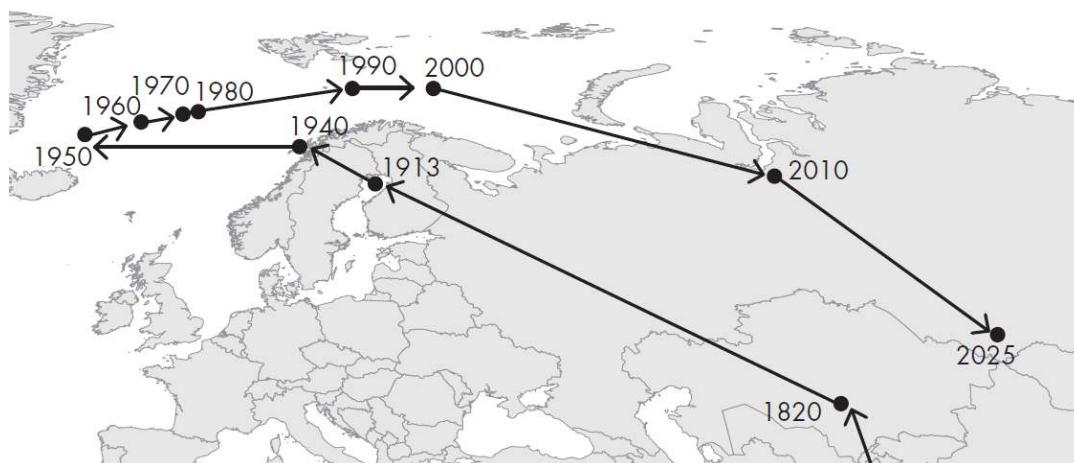
FIGURE 1: World's economic gravity center.
Note: The economic center of gravity is calculated by weighting locations by GDP in three dimensions and projected to the point on the nearest land surface. The projection to 2025 was calculated by the McKinsey Global Institute. *Source:* Bolt and Van Zanden (2014).

In his most recent book, *Asia's Cauldron*, Robert Kaplan (2014) defines the "century of Asia" as an era in which China will be the only country capable of disputing the global hegemony of the United States. In this sense, China is projected as the only world power capable of reviving a bipolar system, a power distribution that has not existed since the end of the Cold War (Buzan, 2010; Shambaugh, 2012). In contrast, despite the rapid growth of emerging powers and the enthusiasm that was generated years ago in the face of the possibility of an eventual multipolar equilibrium, today we can see that this diagnosis was based on conjectural vicissitudes and obviated structural realities (Pant, 2013). As an example, at the time of the creation of the BRIC concept, coined in 2001 by Goldman Sachs economist Jim O'Neill, some scholars embraced the idea that this rise was modifying the structure of the international system (Cooper and Flemes, 2013). However, more than 10 years after the creation of the acronym, the only member of the bloc with the material capabilities to play the role of global power remains China. Moreover, if we consider the material capacities of these five countries, as realism understands them, the only one that has significantly increased its capacities is the East Asian country (see figure 2).
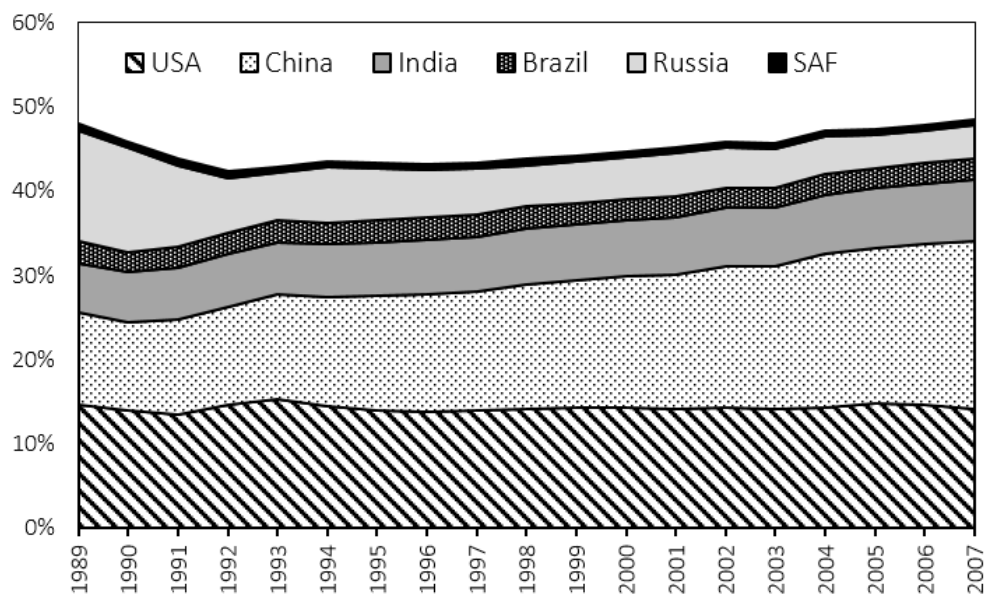
FIGURE 2: Evolution of the CINC indicator for large economies.
Note: The CINC Score is a composite index that contains annual values for total population, urban population, iron and steel production, energy consumption, military personnel, and military expenditure, which proxies for total world power.
Source: Correlates of War (2014). Based on Singer et al. (1972).

Even if we compare the material capacities of both countries, we will see that China surpassed the United States in early 2000 (see figure 3). Yet, it is clearly necessary to disaggregate by dimensions of the index to grasp which material capabilities are driving this growth. As we can see in the appendix to this chapter, the variables that have grown exponentially since the late 1980s are those that reflect China's economic growth, the concomitant urbanization and growth of per capita GDP.
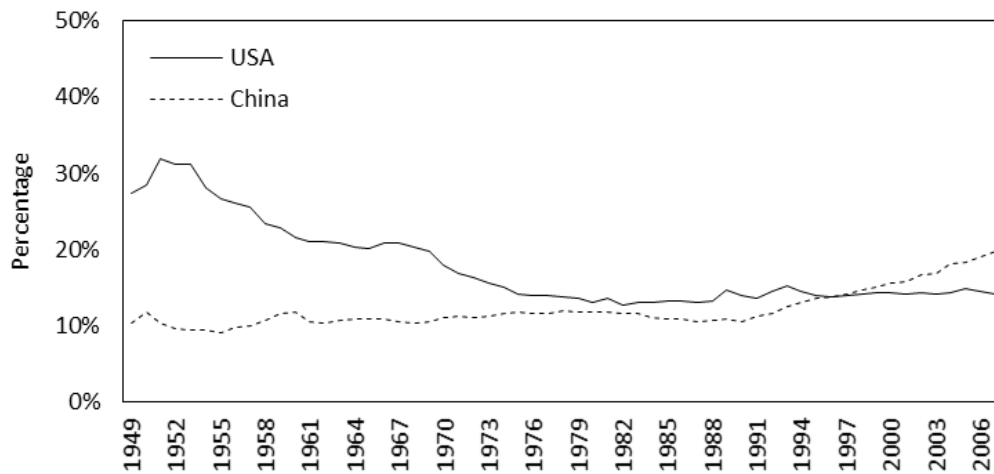
FIGURE 3: Evolution of the CINC indicator.
Source: Correlates of War (2014).

The figure below shows the evolution of the gross products of both countries. Since the end of the Cold War, the gap in the size of the two economies has been reduced by a dual process, first a slight decrease on the part of the United States and, most importantly, the solid growth of the Chinese economy, such that adding both economies nowadays represents more than 50% of the world GDP.
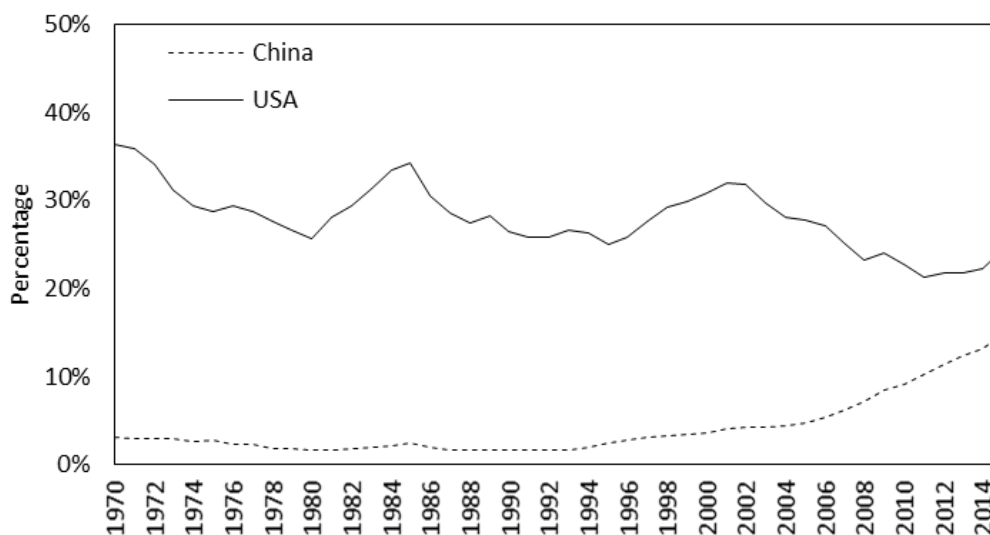
FIGURE 4: Chinese and American share of the World GDP.
Source: World Bank Data (2016).

While the CINC indicator is widely accepted in the literature as a proxy for national capabilities, it is odd that China has already outgrown the United States knowing that it is so inferior, militarily speaking, and that it has avoided direct confrontations with United States even in its own are of influence, namely, the South China Sea.

Another way of looking at the relationship of material capacities between China and the United States is the used by Johnston (2003), who analyzes three versions of a material capabilities indicator, developed in China, called Comprehensive National Power (CNP). This figures are probably more accurate than those shown by the popular CINC. The figure below projects Chinese capabilities as percentages of the United States, and although they never exceed 100%, the three versions of the indicator coincide in predicting a reduction in the gap over time. While CINC is used by the western academy, the CNP is more influential in the Chinese academy. The central difference between both is that this last one besides taking into account variables of hard power incorporates variables of soft power (for a discussion on this indicator see Chuwattananurak, 2016).
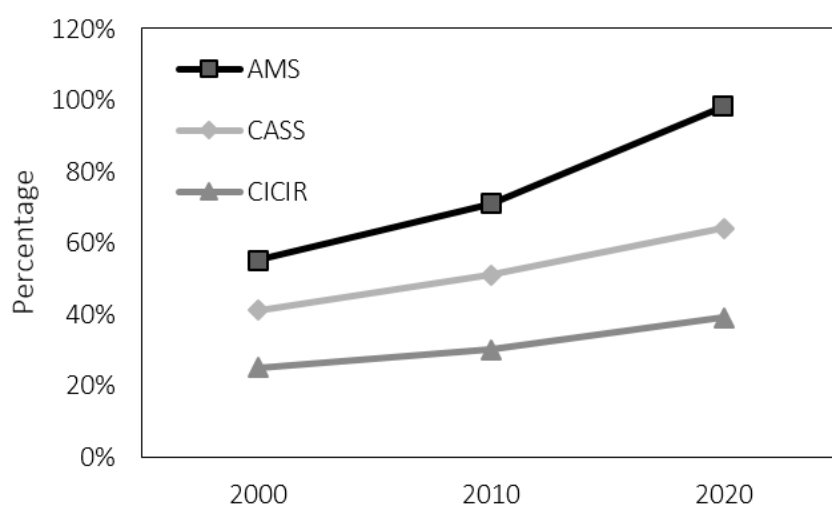
FIGURE 5: Comprehensive National Power.

It is Johnston himself who, in my opinion, has best analyzed the existence of a Chinese strategy of foreign policy in relation to the growth of its material capabilities. This Harvard professor who has studied in depth the values and idiosyncrasy of China's foreign policy in historical perspective, published two books central for understanding the historical context of the so-called Chinese rise (1998, 2008). In *Is China a Status Quo Power?*, Johnston (2003) addresses the question of how proactive China is in challenging formal and informal rules of major institutions, to answer if it truly is a challenging actor of the international order.

Drawing on Gilpin's discussion of what constitutes the "rules of the game", he argues that China does not challenge the system since (a) its participation rates in International Institutions has grown; (b) the degree of compliance with international norms has increased; (c) and it behaves as a country accepting of the rules of the game. When discussing the next dimension, historical evidence of whether China challenges United States or not, he raises two questions: First, whether China's leadership has a well-thought-out, shared preference for establishing hegemony in the region (South East Asia in his case), for pushing U.S. military power out and, secondy, whether China is indeed proactively balancing against U.S. military power and trying to undermine its alliances. While he argues that the "evidence is problematic", the next chapters of this thesis contributes to these two questions proving empirical evidence that China affected not the military power of the United States but certainly its economic and political power in Latin America.

Furthermore, Johnston argues that China can benefit from economic relations with the United States and from the relative global stability that U.S. hegemony affords by way of unipolarity (2003: 32). I find evidence to think otherwise for the second part of this statement. Certainly China does benefit from a good relation with United States, but does not necessarily accept willingly the unipolar order. His discussion on whether or nor Chinese diplomats and politicians embrace the concept of a multipolar order is outside the scope of this introduction.

The literature that defines my dependent variable is rich, although vague in its conceptualization. There are, I think, two overlapping categorizations of the same phenomenon by groups of renowned authors. On the one hand, Buzan & Cox (2013), scholars at the London School of Economics, talk about *rise* and to describe it propose a 4 × 2 matrix as below (see table 1). On the one hand this rise can be peaceful or hostile, and in turn, these can be cold or warm. Cold or negative peaceful rise (no great power war, but an environment of threat and suspicion); and warm or positive peaceful rise (a friendly environment with a low sense of threat) refers to the existence or not of conflict. Peaceful or hostile depends on warlike rise (meeting the realist expectations of the rising power precipitating a great power war). By peaceful rise "we might thus say that the minimum condition for peaceful rise is that a growing power is able to make both absolute and relative gains in both its material and its status positions, in relation to the other great powers in the international system without precipitating major hostilities between itself and other great powers. Peaceful rise involves a two-way process in which the rising power accommodates itself to the rules and structures of international society, while at the same time other great powers accommodate some changes in those rules and structures by way of adjusting to the new disposition of power and status" (2013: 4).

TABLE 1: *comparison of Chinese rise to other superpowers*

	Rise		Not rise
	peaceful	*hostile*	
cold	China	Pre-war Germany	
warm	USA	British Empire	

In the quadrant between peaceful and cold Buzan & Cox (2013) locate China and compare it mainly with the rise of the United States to whom, without much conviction, they put in a peaceful and warm position arguing that the costs of confronting the system were obviated by free riding due to the emergence of the first and second World War in Europe. In the other quadrants they locate Germany and England. There are several renowned authors whose works fit well into this categorization, although they do not always use the same concepts to describe Chinese ascent. For example, Yue (2008) denies that it is worth talking about such a rise, so it would be located in the column *not rise*. This stance, radical, denies the phenomenon that this whole thesis wants to explain, and so I do not agree with his vision.

Chen (2008) develops an entire book to discuss a power transition theory and concludes that China is unlikely to instigate a confrontation with the United States, and that while military conflict over the Taiwan Strait is possible, this is more likely to be due to China's inability to prevent United States involvement than its willingness to provoke the United States. If Chen had to locate China in a quadrant, he would do the same as Buzan and Cox in the upper left of the table. Qingguo (2008) argues that a peacefully rising China has to learn to live with the sole superpower in the post-Cold War World. In his words, if the United States does not treat China as an enemy and if the two countries can effectively manage

the Taiwan problem, China is likely to continue its efforts to accommodate and cooperate with the United States (2005: 395). His perception corresponds to the lower left quadrant.

On the other hand, Chen, Pu and Johnston (2014) define China's diplomacy as *assertive*. This term can be defined as "a form of diplomacy that explicitly threatens to impose costs on another actor that are clearly higher than before" (2014: 176). While it is difficult to equate rise (referring to an ascending move in the international system) with assertiveness (referring to a political attitude) both are used to describe the same phenomenon. It might be that because China is rising behaves more assertive, for instance, but such a statement need to be testes empirically. The quadrant of assertiveness is also a 4 × 2 in which we have constructive and destructive on the one hand and defensive and offensive on the other. In truth Johnston criticizes the use of this concept, but recognizes that it is a meme in the American media and academy which deserves much attention; he would be located in the non-assertiveness column for neglecting this category. Chen and Pu would locate China in the upper left quadrant, that is, a defensive and constructive assertive attitude. They criticize Johnston in that his view of assertiveness "omits the possibility that assertiveness also has a positive connotation."(2014: 176) Based on this understanding, they define assertiveness in international relations as "a confident and direct way to defend one country's rights or claims" (2014: 177). They divide China's assertiveness into 'offensive constructive' (a 'confident and direct way' of taking a leadership role in institutions to defend expanding interests); 'offensive destructive' (a 'confident and direct way' of opposing rules and institutions to de- fend expanding interests); 'defensive constructive' (a 'confident and direct way' of taking a leadership role in institutions to defend existing interests); and 'defensive destructive' (a 'confident and direct way' of opposing rules and institutions to defend existing interests). The problem with this construct is that

"to be valid the concept of *assertiveness* has to be falsifiable, and given their definition of assertive (a 'confident and direct way 'of de- fending interests), one should expect, in principle, to be able to observe 'non-confident and indirect ways' of defending interests as well" (2014: 181). This thesis opts for using Johnston's definition of assertiveness because costs can be easily quantifiable. On the other hand, since the rise of China is assumed to be given, it is hard to work under the possibility of the counterfactual of what would have happened in the region without the Chinese rise.

Authors that discuss policy recommendations for China to avoid conflict in South East Asia (particularly due to the One China Policy[1]) can be categorized using the assertive-non-assertive matrix. Christensen (2006) discusses how to move from a destructive assertiveness to a constructive one by means of normative recommendations in which the focus is on providing public goods to the neighbors via a win-win cooperation: "Beijing wants to make it more difficult and painful for regional actors to choose the United States over China in any future standoff. So, by maintaining a strong presence in the region, the United States has done more than provide collective goods in security and economic affairs; it may have provided a major catalyst for Beijing to help provide such collective goods as well." (2006: 126)

Other recognized authors who make normative policy recommendations to contain Chinese ascent also fit in the assertiveness matrix. We could locate Mearsheimer (2010) in the upper right quadrant, who argues that "Australians should be worried about China's rise because it is likely to lead to an intense security competition between China and the United States, with considerable potential for war. Moreover, most of China's

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[1] As a policy, this means that countries seeking diplomatic relations with the People's Republic of China (PRC) must break official relations with the Republic of China (Taiwan) and vice versa.

neighbors, to include India, Japan, Singapore, South Korea, Russia, Vietnam—and Australia—will join with the United States to contain China's power. To put it bluntly: China cannot rise peacefully" (2010: 382). Other authors, less pessimistic, propose policies to go from a constructive defensive scenario to an offensive constructive scenario (Glaser, 2015, Harris, 2015).

TABLE 2: *dimensions of assertiveness in International Relations*

	Assertive behaviour		Non-Assertiveness
	constructive	*destructive*	
defensive			
offensive			

This thesis has as its dependent variable the rise of Chinese and not its assertiveness, therefore, the dependent variables in the following chapters are economic: commercial relations, investments and bank credits. After all, figures 1, 2 and 3 show that China has grown, principally, economically. Since the variables chosen un this thesis are economic, the idea of 'rise' can be coupled with the one of economic statecraft, from the IPE literature, that defines it as "the use of economic means in the service of both economic and foreign policy ends" (Baldwin, 1985; Drezner, 1999). The data show that since the late 1990s there has been an exponential growth in both China's foreign direct investment in the world, China's participation in world trade and international aid, and lending to regions previously neglected by China (Africa and America Latin America) to finance infrastructure projects.

Figure 6 shows that while China has been a recipient of investment since the early 1990s, only in 2001 did Chinese companies begin to invest heavily in the world.
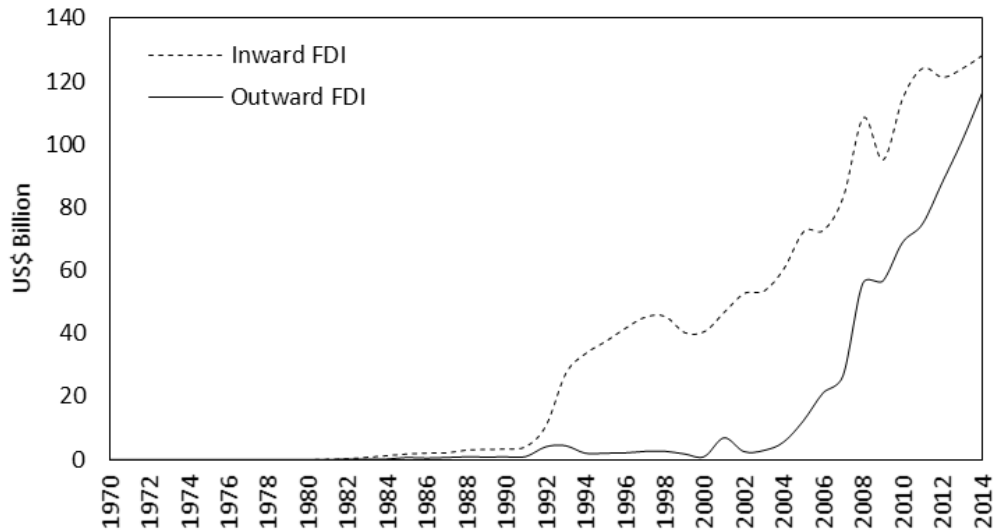
FIGURE 6: Boom of Chinese Investment Boom'.
Note: US billion dollars at current prices and current exchange rates.
Source: UNCTAD (2016).

Figure 7 shows that the Chinese participation in world trade has grown since 2001, surpassing the United States, which was the main actor, in 2011.
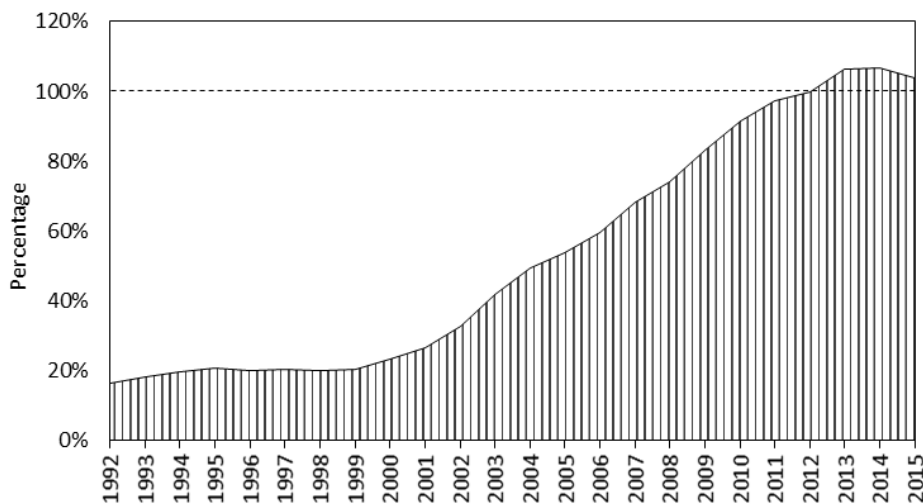
FIGURE 7: Chinese Trade as a Share of American Trade.
Source: United Nations Comtrade (2016).

Figure 8 shows that despite by the end of the 1980s China began to provide foreign direct aid, the amounts increased exponentially in 2005.
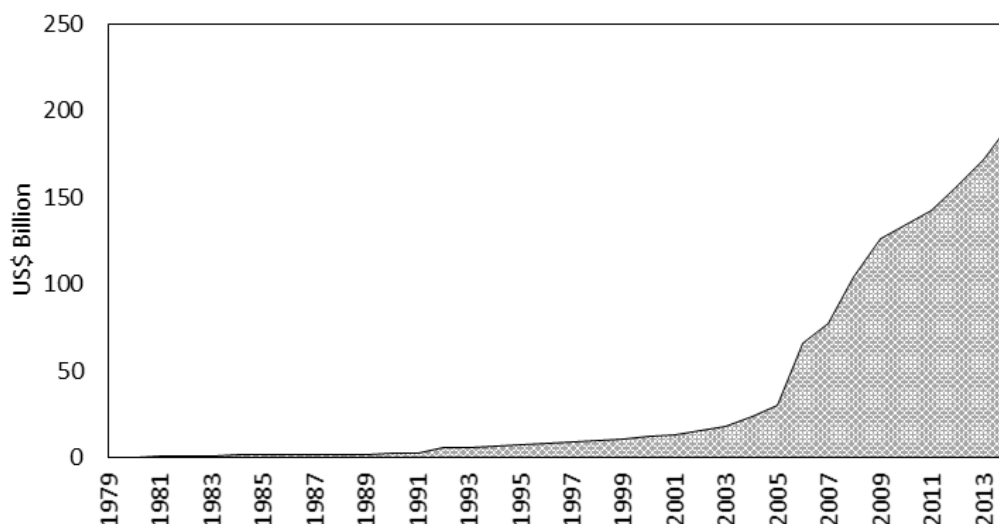
FIGURE 8*: '*Boom*' of Chinese Foreign Aid.*
Note: US billion dollars at current prices and current exchange rates.
Source: National Bureau of Statistics of China (2016).

Finally, figure 9 shows that it was also from the year 2001 that Chinese banks began to provide loans in Latin America and Africa.
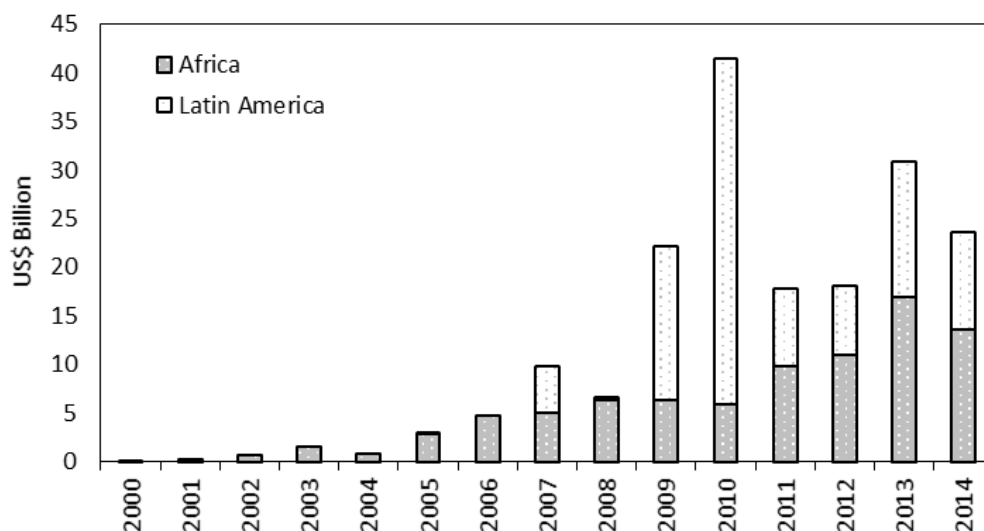
FIGURE 9: Evolution of Chinese Bank Loans.
Note: US billion dollars at current prices and current exchange rates.
Source: InterAmerican Dialogue and China Africa Research Initiative (John Hopkins) (2016).

For all of the above, three conclusions can be drawn: firstly, China's material capabilities have grown and the gap with the United States has narrowed. Secondly, there is still theoretical disagreement on how to call this phenomenon, and even more about the political implications this phenomenon has for the United States. Finally, studies of an empirical nature, as defined in this case in Latin America, help bring the debate forward.

The independent variable: American hegemonic influence

Since we have defined our dependent variable as the Chinese assertiveness, operationalized by activities of economic statecraft (trade, investments, credits), we now define the independent variable.

The literature on hegemony in international relations in general — and on American hegemony in particular —is very broad. However, it presents the methodological challenge of its operationalization. Since it is an extremely abstract variable, its empirical measurement requires a methodological effort. In his recent book, *Latin America Confronts the United States*, Tom Long (2015) offers an interesting analysis through case studies of the agency of the Latin American countries towards American hegemony. He goes through some of the most remembered facts of the exercise of hegemony in the region, among which we could highlight the Monroe Doctrine, the Roosevelt Corollary, the Platt Amendment, the coups of Guatemala 1954 and Chile 1973, the interventions at the Bay of Pigs, Santo Domingo, and Operation "Just Cause" in Panama.

In his book he identifies three schools of study of American hegemony in Latin America. The first grouping, to borrow Russell Crandall's term, is the "establishment" school. Robert A. Pastor described the "security thesis" as the central tenet of this school. The security thesis shares much

with a realist vision of the world, as Gregory Weeks has noted. First advanced by Samuel Flagg Bemis, this thesis argues that the overriding goal of U.S. policy in Latin America has been to prevent any extra-hemispheric power from establishing a base within the hemisphere from which it could threaten the continental United States. (2015: 4-6)

The second school is what he calls the "revisionist synthesis" solidified during the 1980s and early 1990s. This school goes well beyond the acknowledgment of imperfections or aberrations in U.S. policy to reject its fundamental precepts. "This synthesis draws upon the work of scholars like Walter LaFeber, who saw a union of U.S. business and government interests in a quest to economically dominate Latin America. LaFeber argued that U.S. geography allowed it to be isolationist, but "internal developments, as interpreted by American policymakers, led the United States to imperial behaviors" (2015: 6).

These two schools condense the great majority of the scientific production and suffer the defect of not recognizing the agency of the Latin American countries. That is why Long proposes what he calls an "Internationalist Approach", which assumes that Latin American countries are not passive actors but have agency to react to the hegemonic actions of United States. My thesis could be framed in this school as the relations between China and the countries of Latin America are studied on how they have reacted to our independent variable. The next chapter advances an empirical specification of the concept of hegemony, for which I create a composite index. However, it is good to anticipate that by US hegemony in this thesis, I mean Robert Keohane's definition of hegemony as, "control over capital, markets, and raw materials" (Keohane, 1984: 139). Having determined our dependent and independent variable, I will proceed to delimit the time and space in which I have observed the relation of these two.

The historical and geographical context: the War on Terror and the Obama Doctrine in Latin America

Since the fall of the Berlin Wall, the American hegemony in the region has gone through two stages. The first of these from the fall itself to September 11, 2001, a period marked by the paradigm of the New World Order (Hurrell, 1992), influenced by the neoliberal thinking of the Washington Consensus, with a return of the United States to the Latin American region, and a systemic configuration of unipolarity, which lead Huntington to name United States as the "lonely superpower" (1999). The second period runs from September 11, 2001, which began the War on Terror, followed by the Obama Doctrine that lasted until November 9, 2016, as a referential date in which Donald Trump was elected.

9-11   A →   11-9   B →   9-11
(1989)   (2001)   (2016)
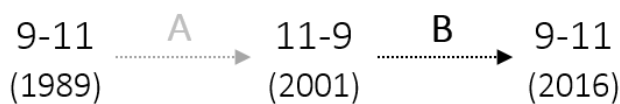
FIGURE 10: The two main phases since the fall of the Berlin Wall.
Note: This thesis draw conclusions for period 'B'.

Although it is necessary to contextualize both processes, A and B (Figure 10), my thesis draws conclusions only for period B. In his recent book, *Latin America in International Politics: Challenging US Hegemony*, Tulchin (2016), one of the most renowned latinamericanist to date, performs a detailed analysis of the characteristics of American hegemony throughout this period. The characteristics of the US influence in Latin America, and of the power configuration of the international system are summarized in Table 3.

TABLE 3: *characteristics of the period of study*

	US approach towards Latin America	Region's systemic configuration
New World Order	Hegemonic order	Lonely superpower
War on terror	Retreat	Lonely superpower
Obama Doctrine	Posthegemony	Proto-bipolarism

The terrorist attacks in 2001 and "the mad rush of the George W. Bush administration to militarize unilateralism threw the hemispheric community into disorder in ways that were reminiscent of the Cold War. The war on terror destroyed the euphoria the end of the Cold War had generated. It also made the end of US hegemony more problematic. That meant that as the experience of agency in the world community became more familiar, it appeared inevitable that opposition to US hegemony would become adversarial" (Tulchin, 2016: 129). The United States focused on the Middle East, the emergence of ISIS in northern Africa, and containing Russia's aggressive foreign policy, and left Latin America as a second-class priority. For instance, the usefulness of the Organization of American States (OAS) had eroded decades before. In this sense Tulchin says: "For a few years, the OAS became an effective element in hemispheric governance and looked as if it would become the chosen instrument of Latin American agency in collective action. After 9/11, the United States lost interest, the budget was gutted, and the new regionalism initiatives from Latin America served to erode the influence of the OAS." To this is added a turn to the left, which was called the Pink Tide, very critical of the Washington Consensus, the Free Trade Area of the Americas (FTAA) and favored by a period of high commodity prices that allowed Latin American countries to pursue an agenda of strong state investment (Panizza, 2009; Mazzuca, 2013; Campello, 2015; Mares & Kacowicz, 2016).

When Obama assumed the presidency, his administration delineated a posthegemonic policy which aimed at developing equal-to-equal relationships rather than the historical paternalistic approach, which came to be known as the Obama doctrine (Drezner, 2011). After the lessons of the 1990s, it was clear that despite "unequaled military and economic power, the use of that overwhelming power, what the military called supreme dominance, could not guarantee specific political outcomes or protect US interests" (Tulchin, 2016: 159).

The dilemma posed by the Obama Doctrine in hemispheric affairs during this period was that "despite the diplomatic rhetoric, most US policymakers believe that the asymmetry of power in the hemisphere means that the United States is bound to lead and the nations of the hemisphere should follow with good grace. Latin American policymakers, in contrast, will go to extraordinary lengths to avoid following that lead and avoid US hegemonic control, even if that appears to go against their own interests" (Tulchin, 2016: 160). Furthermore, now China was emerging as an alternative source of loans, investments and the main buyer of commodities filling a void left by the US in the region. The regional systemic configuration tends, at the time this thesis is being written, towards a proto-bipolarism. The criteria I follow to define this period is by following Schweller (1993) in his classic paper on material capabilities during WWII in which he established the rule that to be considered a pole a country must deter greater than half the resources of the strongest pole. This condition is met when considering the CINC indicator, and barely also the AMS and CASS versions of the CNP. The trends for the next decades is that China will shorten the power gap with United States and the system could start to show clear patterns of bipolarism (Waltz, 1964; Waltz 1993).

Methods and thesis structure

This thesis is based on the concern that the majority of the literature on the relations between China and Latin America has avoided considering: American hegemony as a fundamental variable to understand how China has been linked with countries, and with which countries. The countries of Latin America are not isolated from their continental context, on the contrary, they are strongly affected throughout their history by links with the United States. Also, the study of U.S.-Latin American relations focuses largely on foreign policy analysis, is mainly descriptive, relies overwhelmingly on qualitative methods, and is fairly detached from the main research trends in international relations (Bertucci 2013: 119).

The methodological approach of this thesis is strongly influenced by Seawright (2016) who calls his approach an *integrative* multi-method research. Integrative designs are multi-method designs in which two or more methods are carefully combined to support a single, unified causal inference. Rather than assuming than each method served to answering certain types of questions, Seawright believes that different methods serve to look at the object of study from different angles. Only using panel regressions, or only using case studies is less robust than using both techniques. With such a design, one method will produce the final inference, and the other is used to design, test, refine, or bolster the analysis producing that inference (2016: 19). I have used quantitative and qualitative techniques to address the issue as deeply as possible since the causal claim that American hegemony negatively affects the Chinese assertivness in Latin America is the ultimate goal of the thesis.

The thesis is structured as follows: The next chapter uses panel regression models to draw conclusions generalizable to the entire Latin American region. This is the main chapter of the thesis, which provides the

general snapshot under which is constructed the rest of the thesis. The third chapter explores, from China's side, the assumption that it is the Chinese government's action that causes China to avoid confronting the United States. To this end, it focuses on domestic mechanisms, studying the effect of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the state's participation in multinational companies. The fourth chapter turns to Latin America, and attempts to explore the central hypothesis of the thesis (that American hegemony affects negatively the Chinese assertiveness in Latin America) looking not at the countries as unit of analysis, but at individuals. This chapter shows that, in addition to having a political intention on the part of China, Latin American citizens are also sensitive to an idea of competition between the United States and China. The unit of analysis of the next two chapters are individuals, not regular citizens but political decision makers. The fifth chapter explores the destabilizing impact that the Chinese assertiveness could have on the institutional strength of Mercosur. This issue touches tangentially on US hegemony since the United States failed to break the Mercosur bloc by proposing an FTA with Uruguay years ago, but recent events suggest that China may be able to. Chapter six studies how the political discourse is structured towards Chinese investments, in the specific case of the space observation station installed in Argentina in 2015, and finds that concerns towards historical bonds with US were central to the discourses.

Appendix of Chapter 1: *Components of the CINC Index*
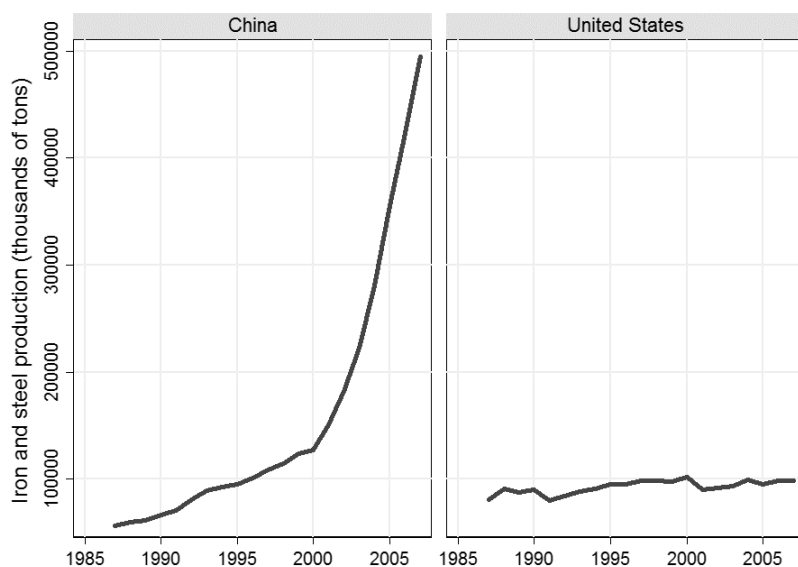
FIGURE 11: First dimension of CINC index: Iron and steel production. Source: *Correlates of War (2014).*
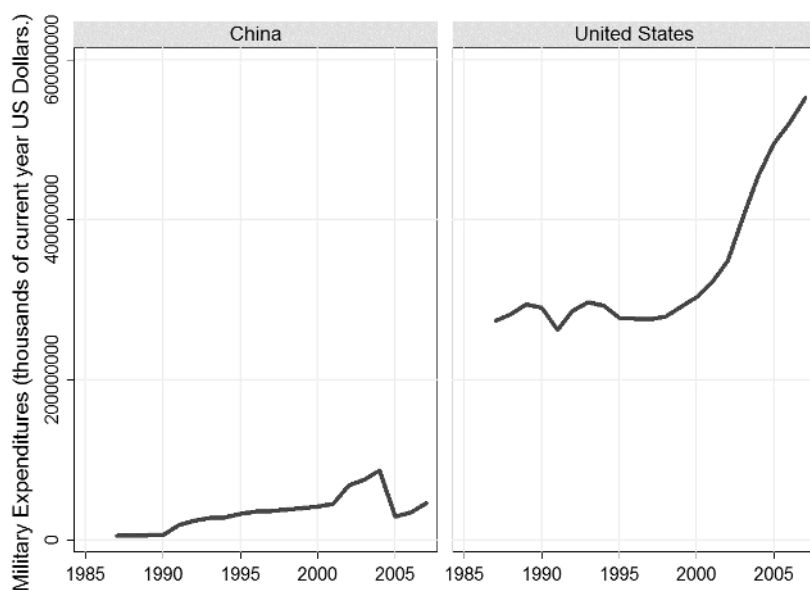
FIGURE 12: Second dimension of the CINC index: Military expenditure. *Source:* Correlates of War (2014).
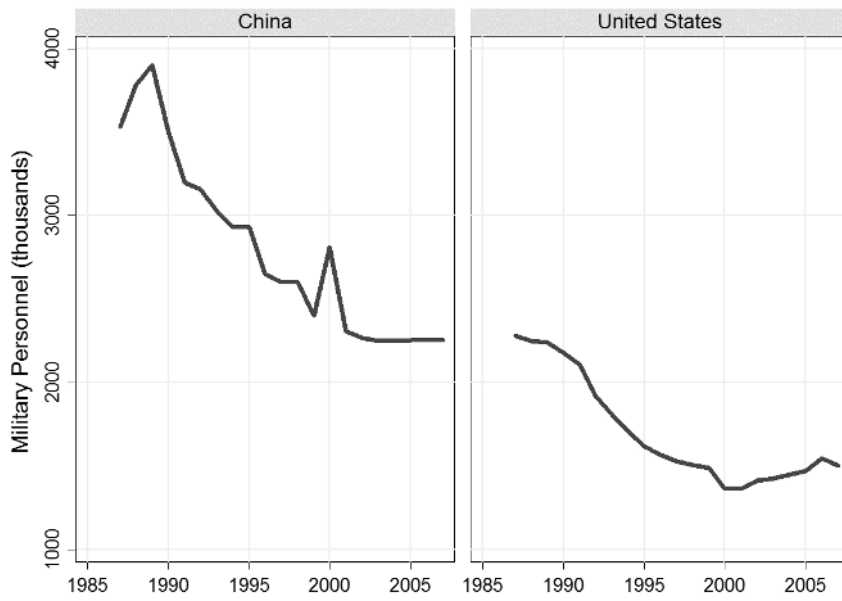
FIGURE 13: Third dimension of the CINC index: Military personnel. Source: *Correlates of War (2014).*
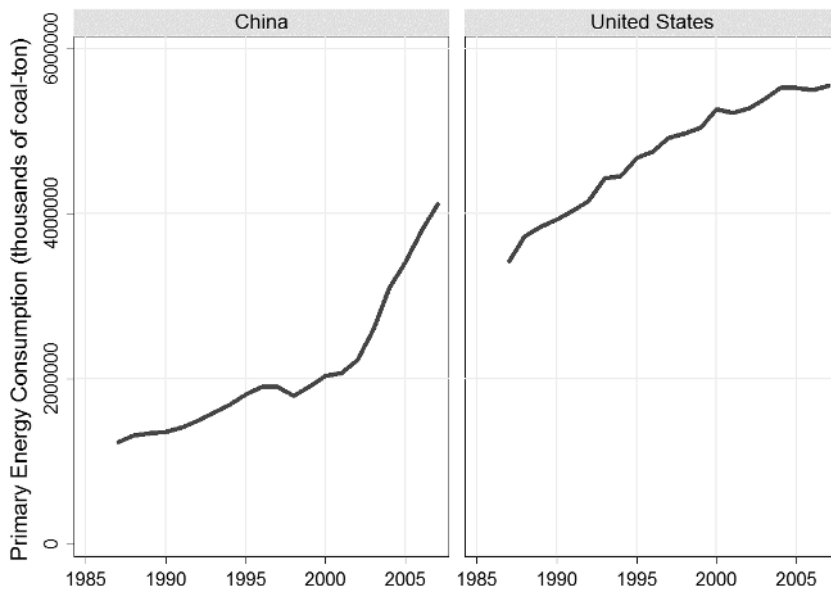
FIGURE 14: Fourth dimension of the CINC index: Energy consumption. *Source:* Correlates of War (2014).
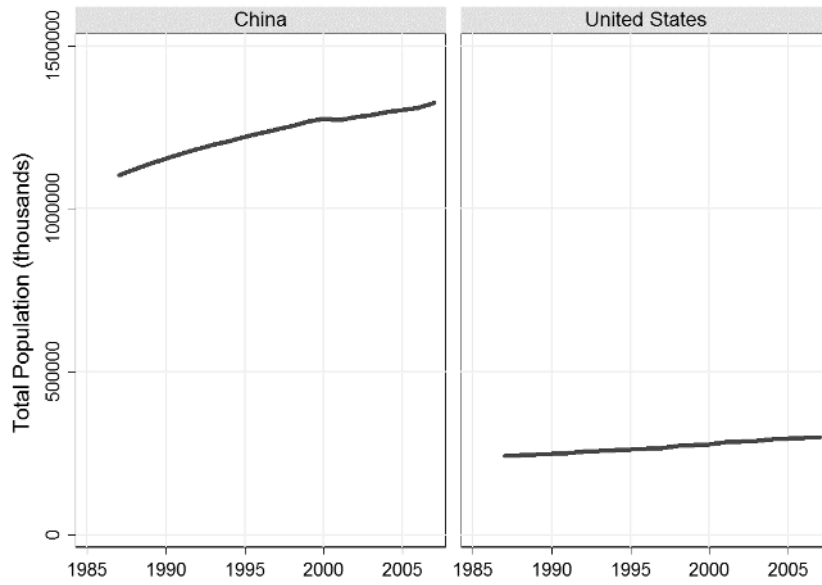
FIGURE 15: Fifth dimension of the CINC index: Total population.
Source: Correlates of War (2014).
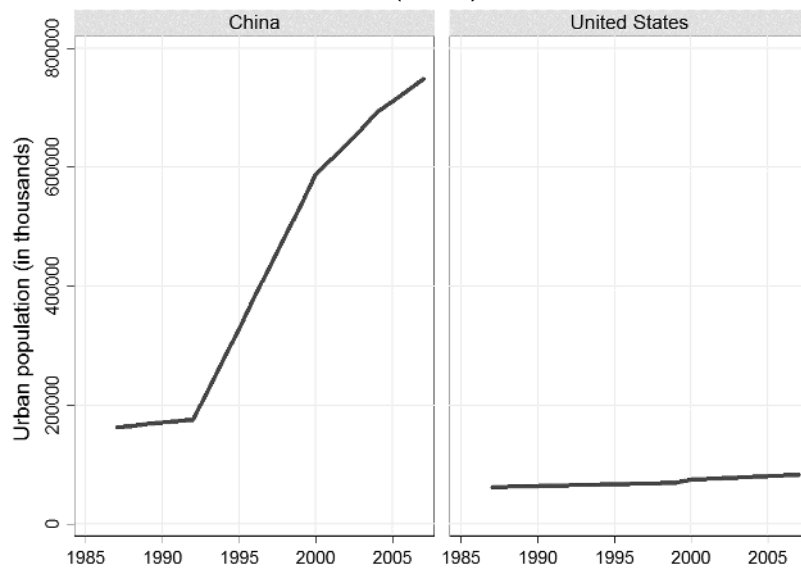
FIGURE 16: Sixth dimension of the CINC index: Urban population.
Source: Correlates of War (2014).

Chapter 2 – Did the American Hegemony Conditioned Chinese Assertiveness in Latin America?[2]

The 'grand strategy' debate regarding the implications of China's rise is divided into two camps. On one hand, hegemonic stability (Gilpin, 1983) and power transition (Organski, 1958)[3] theories, together with offensive realism (Mearsheimer, 2001)[4], agree that as the Chinese economy continues to grow, geopolitical competition will increase between Beijing and Washington reaching beyond Asia. On the other hand, balance of power theorists, power diffusion adherents, and defensive realist scholars (Schweller & Pu, 2011; Mastanduno, 2009) believe that a stable bi- or multi-polar world is possible if China decides to respect "the rules of the

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[2] This chapter is based on the published article: Urdinez, F., Mouron, F., Schenoni, L. & de Oliveira, A. (2016). *Latin American Politics and Society*. doi: https://doi.org/10.1111/laps.12000
[3] For a particular focus on China see Tammen & Kugler (2006) and Lim (2015). For a critique of this theory see Chan (2007).
[4] For a particular focus on China see Mearsheimer (2010).

game" whilst "[avoiding] challenge[s to] other powers in their hemispheres" (Odgaard, 2013). Most non-realist scholars who avoid problematizing geopolitical competition share the latter argument[5].

Latin America is a critical region for analyzing this power transition (Paz, 2012). Due to Washington's overwhelming superiority in the military and economic realms, the region has been considered the backbone of American hemispheric hegemony ever since WWII (Mearsheimer, 2001). However, Latin America's political and economic alignment with the United States –which had reached unprecedented levels in the aftermath of the Cold War – would be fundamentally revised in the 21st century, partly due to China. While the 9/11 attacks drew United States attention to the Middle East and Central Asia downgrading the foreign policy priority of Latin America (Hakim, 2006), the region experienced a leftist turn amongst its leaders, many of whom became emboldened by the Chinese-led commodity boom while vociferously opposing traditional rules of hemispheric governance (Castañeda, 2006; Ferchen, 2011; Malamud & Schenoni 2015).

This chapter explores whether Chinese economic expansion into Latin America was mediated by political considerations regarding United States influence. Specifically, it inquires whether United States linkages (see Levitsky and Way, 2010) with specific countries affected trade flows, FDI inflows, and bank loans coming from China. Previous research has analysed whether the Chinese development model proposes an alternative to the 'Washington Consensus' (Ferchen 2013)[6] and to what extent trade

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[5] For an English School understanding see Buzan & Cox (2013). For a Liberal Institutionalist insight see Ikenberry (2009).

[6] Ferchen (2013) discusses if China represents an alternative to the Washington Consensus through a 'Beijing Consensus' or 'China Model'. Although we do not intend to compare the effects of Chinese trade on local development models, our results suggest that more state-led Chinese FDI and bank loans imply a political trade-off between Washington and Beijing. However, this does not mean that the United States and China are antithetical. The Chinese alternative, as we

relations between China and Latin America have led to foreign policy convergence between the two (Flores-Macías and Kreps 2013).

I find that there is an inversely proportional relationship between the investments made by Chinese SOEs, bank loans, and manufacturing exports, and United States influence in the region. I support the hypotheses by using control groups. These groups show that the pattern does not apply to investments made by Chinese private enterprises, Western bank loans, or Chinese commodity imports. These results help to disentangle whether China is strategically engaging these countries – an external push – or specific countries in Latin America disenfranchised by the United States are searching for Beijing – an internal pull. The findings give credence to the idea that it is Beijing who is filling the "vacuum" left by diminishing links between the United States and countries in its sphere of influence.

This chapter is structured as follows: I first review the tenets and predictions of hegemonic stability theory (HST), specifically in regards to trade and finance, and derive three specific causal mechanisms – contestation, accommodation and diversification – that may underpin the correlation between the growing Chinese presence in Latin America and the shrink of American hegemony in the same region. Then, I test the chapter's hypotheses using a sample of 21 Latin American countries from 2003 to 2014. Before detailing the baseline mode, I explain how was created the index of American hegemonic influence using principal components analysis. Finally, I contextualize the results and discuss the policy implications derived from the study's findings.

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will further explore in the econometric models, implies a mix of market-oriented and political-oriented forces that affect differently trade, investments and credit depending on Washington's influence.

Literature review and hypothesis definition

It is indisputable that Chinese-Latin American relations reached an unprecedented level at the onset of the 21st century (Bingwen et al., 2011). By 2014, China was already the region's second largest trade partner (Trademap, 2015) and second largest investor, only behind the European Union (ECLAC, 2015). Furthermore, several Latin American countries established strategic partnerships with Beijing via bilateral cooperation agreements. The China-driven commodity boom became a long-term boon (see Ferchen, 2011) as relations went far beyond trade to include financial and political components. Beijing is now involved in the most ambitious projects of infrastructure in the region: (a) three nuclear plants and the improvement of trains in Argentina[7]; (b) a transcontinental train between Brazil and Peru[8]; (c) one of the largest oil refineries in the region in Ecuador[9]; (d) the Toromocho project administered by the Chinalco

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[7] The nuclear plants were agreed upon on during the 2016 Nuclear Security Summit in Washington DC, for the amount of 15 billion dollars. The improvement of 3,000 kilometers of *Belgrano Cargas* railway, which runs through 14 provinces and connects with Chile, Bolivia and Paraguay, totals 1.2 billion dollars. The latter was one of the most celebrated achievements during Cristina Fernandez de Kirchner's mandate.

[8] In November 2014 a first tripartite memorandum among Peru, Brazil and China was signed and estimated the cost of the work would be 10 billion dollars and that its construction would require six years of intense work.

[9] The construction of the Pacific Refinery in Ecuador, estimated to cost 10.5 billion dollars, is funded primarily SOE Sinomach.

mining in Peru[10]; (e) a project to create a transoceanic canal in Nicaragua[11], and (f) a LAC-China Infrastructure Fund in partnership with the Interamerican Development Bank (IDB)[12].

If one takes Robert Keohane's definition of hegemony as, "control over capital, markets, and raw materials" (Keohane, 1984: 139), there can be little doubt that these developments undermine United States economic hegemony in Latin America, both in the trade and financial realms. The main question is whether these dynamics reflect an underlying political competition between China and the United States, as HST would expect, or they are just the consequence of independent economic developments.

Regarding trade, HST argues that waning hegemonies intensify competition for the control of natural resources, which materializes in new trade alliances (Krasner, 1976; Gilpin, 1981). Recent research on Chinese trade relations with Latin America has led to three stylized conclusions. First, trade has expanded rapidly after 2002. Second, growth in demand has turned China into a prominent destination for the region's exports. Third, such trade involves a limited set of natural resources and is tied to an increase in Chinese exports of manufactures (Ferchen, 2011). Although it is not yet clear whether this trade is politically driven, the pattern conforms to HST's expectations.

In the financial realm, HST has specific expectations related to bank credits and FDI. In contexts of hegemonic competition "the motivation

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[10] The project as a whole employs more than 15,000 Peruvians and pays royalties important rents in the national government. In total Chinalco has invested some 7 billion dollars: two billion dollars between 2008 and 2011 and 4.8 billion more in 2013 million investment that Peru has consolidated as the third largest copper producer, behind Chile and China; Toromocho and in particular the second world's largest copper project.

[11] Among all the mentioned projects, this is the most obscure and less economically viable. However, Taiwan is worried the project could cost it its diplomatic relations with the Latin American country.

[12] Approved in 2012 and in force since July 2015, for the sum of two billion dollars. As noted in the agreement, one of the three pillars of the project is intended to attract foreign companies, especially Chinese ones, and interest in develop mining, energy and agriculture projects.

for direct investment [and loans] (…) is primarily the acquisition of markets and managerial control (…) [creating] economic and political relations that are permanent and significant" (Gilpin, 1976: 184). In line with HST, Chinese FDI strategy has been described as focusing on securing natural resources, gaining preferential access to available output, and extending control over extractive industries (García-Herrero & Santabárbara, 2007; Ng & Tuan, 2001; Kotschwar, 2014). However, the international political economy of Chinese FDI and bank loans remains still to be explored.

The missing piece of the puzzle is politics, and in particular, how Washington and Beijing interact in specific geographies. HST implicates that in hegemonic transitions, patterns of trade and finance will be determined by the competition between the hegemon and the challenger in a given system. This would be the case if Chinese trade, outward FDI flows and bank loans behaved not according to a commercial logic but responding to political considerations regarding the influence of the United States in specific Latin American countries. Consequently, this chapter asks if China has occupied the vacuum left behind by the declining American hegemony or, alternatively, the patterns of trade and investment followed a mere economic logic. As we see it, if the Chinese economic assertiveness in Latin America has been conditioned by the United States' hegemonic posturing in its "backyard" this would provide further support for HST. The following is the first hypothesis that this chapter set to test:

Hipothesis 1: Chinese penetration into Latin American countries was stronger in areas where the United States exerted less hegemonic influence, ceteris paribus.

Three stories could explain such relation: (a) Chinese contestation, (b) Chinese accommodation and (c) Latin American diversification.

It could be the case that China is actively contesting the United States hegemony by enacting some form of economic statecraft – i.e. "the use of economic means in the service of both economic and foreign policy ends" (Baldwin, 1985; Drezner, 1999). This strategy could be based on the understanding that "friends that share at least some of its values and principles in international politics would help China to promote its vision of global order" (Strüver, 2014: 3), and those friends are to be taken from the American claws by intensifying economic bonds. Alleviating the region's dependence vis-à-vis Washington can therefore be a way of forging alliances with Latin American states that can prove useful allies in the multilateral realm (see Layne, 2008; Roett & Paz, 2008; Paz, 2012). As previous research has suggested (Flores-Macias and Kreps 2013), these changes in foreign policy could be attained by the empowerment of pro-Chinese domestic constituencies that results from increasing trade and investment (Kirshner, 2008). That China is purposively making friends abroad is no longer taboo. Beijing has recognized several countries as "Strategic Partners," paying State visits and signing cooperation agreements in areas such as science, investments and finance (Dominguez, 2006). The question is if these types of political relations are random or are intended to loosen these countries' ties with the United States Alternatively, it could be the case that China is accommodating rather passively to the changing strategic environment in Latin America. From this vantage point, Beijing could be blending its economic and political goals by expanding purposely at the peripheries of United States' areas of influence, trying not to disturb Washington. Recently, some authors started to pay attention to the political underpinnings of Chinese investments, highlighting the special influence governmental agencies hold over the decision-making of Chinese multinational enterprises (MNEs) (Luo et al., 2010; Sauvant & Chen, 2014; Nolan, 2014). In a patent example of accomodation, the Chinese Ministry of Commerce (MOFCOM)

asked Chinese embassies and consulates in host countries to review investments and determine if they were in the MOFCOM "blacklist" or if the proposed investment would affect the interests of a third country (Sauvant & Chen 2014: 147). It is based on this literature that I believe that a country's relation with the United States may have deterred specific Chinese investment in Latin America. Unlike the contestation mechanism, accommodation does not necessarily involve any change in the foreign policy of Latin American countries, but still, it pictures Beijing as a political agent, discretely moving where the American hegemony is weaker, trying not to wake up the hemispheric giant.

Finally, it is possible to envision a third mechanism by virtue of which countries marginalized by the United States can pursue diversification and turn to China as an alternative trading partner. This argument gives agency to Latin American countries and accounts for the ideological affinities between China and leftist governments in the recent past. In fact, these governments also opposed the FTAA and have been at odds with Washington in several respects. Mazzuca (2013) has suggested that a "rentier-populist coalition" – amalgamating the government and state bureaucrats with the unemployed and informal workers – blossomed in these countries. This coalition had specific incentives to abandon the ties with Western investors and institutions and turn to China as a new partner. In a nutshell, his argument is that commodity exports to China provided an enormous source of taxable income that these governments could appropriate. This rent would then be used to pay the costs of abandoning the rigid rules of the Washington Consensus and build a political coalition based on public expenditure.

In principle, all three mechanisms – contestation, accommodation and diversification – could explain the relation denoted in the first hypothesis. However, the third mechanism provides distinct observational implica-

tions, as it gives agency to Latin American countries and neglects any involvement of the Chinese government in the process. Furthermore, it suggests that United States influence should be negatively correlated with commodity exports to China – a sector that is overwhelmingly determined by prices and where the state has a very limited role. To test for the importance of the Chinese government in this story, I include a second hypothesis:

Hipothesis 2: The relation stated in Hipothesis 1 is true for entities closely related to the Chinese government – SOEs FDI, Chinese bank loans, and manufacturing exports — but does not hold for commodity exports to China or private agents.

Therefore, the second hypothesis is set to test whether the filling of the vacuum left by the United States (Hypothesis 1) – a primarily political dynamic – is driven by actors influential to Beijing's decision-making process (see Jakobson & Knox 2010: 24) or Latin American countries benefited by the commodity boom and intending diversification. In other words, if the second hypothesis is confirmed, then there will be empirical evidence to affirm that the Chinese state has some degree of agency in the process either by pursuing accommodation or contestation.

Although I have discussed these three mechanisms in detail, I am aware of the limitations that a cross-national time-series design entails for testing particular causal processes. No doubt the three causal mechanisms I lay out in this section deserve to be further explored, and the chapters with case studies will be especially suitable to unearth these nuances.

How to measure economic statecraft?

To test the hypotheses, I constructed a dataset for 21 Latin American countries from 2003 to 2014 [13]. I empirically measured the dependent variable, Chinese assertiveness, with three different strategies: (a) Chinese FDI; (b) Chinese bank loans; and (c) Chinese manufacturing exports to Latin America. These three dependent variables are measured in per capita terms so that we can observe the average impact in each country depending of its size.

I divided Chinese FDI into investments made by SOEs and privately-owned enterprises (POEs) expecting that the political bias would be clearer among SOEs. Assuming that loans from Chinese banks due in fact reflect a geo-economic strategy given the strong state intervention in the decision-making process (Yazar, 2015; Collins & Gottwald, 2014), I compare them to loans granted by the International Bank for Reconstruction and Development (IBRD) and credits from the International Development Association (IDA). Finally, building on the discussion on revealed comparative advantages, I test if Chinese manufacturing exports were conditioned by proximity to the United States and compare them to Chinese commodity imports. Table 4 contains the description and sources for the three dimensions of my dependent variable.

TABLE 4: *Dependent Variable Measure and their Controls*

Name	Description	Sector	Source

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[13] The countries included in the sample were determined by data availability.

FDI_{SOEs}	Outward Chinese FDI made by state-owned enterprises per capita (US dollars).	Investments	China's Global Investment Tracker (Heritage Foundation)
FDI_{POEs}	Outward Chinese FDI made by privately owned enterprises per capita (US dollars).		
$LOANS_{CHINA}$	Annual Chinese bank loans per capita (US dollars).	Credit	China-Latin America Finance Database (Inter-American Dialogue)
$LOANS_{WEST}$	Annual International Bank for Reconstruction and Development (IBRD) loans and International Development Association (IDA) credits per capita (US dollars)		World Bank
X_{MANUF}	Chinese manufacturing exports per capita (US dollars).	Trade	International Trade Centre - Trade Map
M_{COMM}	Chinese commodity imports per capita (US dollars).		

As discussed above, each of the causal mechanism behind the hypotheses has specific empirical implications regarding the dimensions in Table 4. If one found that Latin American countries were (a) equally receptive to Chinese SOE and POE investment independent of the level of American hegemony in the Latin American country (b) Chinese loans were not sensitive to American hegemony and that (c) Chinese exports were influenced by the American hegemony as much as the exports to China, wecould argue that the degree of penetration by Beijing was mainly determined by the will of host countries to deepen relations with China. This would be a situation where the first hypothesis holds in the trade dimension, but the second hypothesis is rejected, in line with the diversification argument described in the previous subsection.

On the other hand, if we observed that (a) SOEs were more reactive to the American hegemony than POEs, (b) Chinese loans were sensitive to American hegemony and (c) Chinese exports to Latin America, but not

Latin American exports to China, were sensitive to American hegemony, we would have evidence of the Chinese government following a foreign policy strategy of "filling the void" left by the U.S in its natural area of influence. Although we would still be unable to say whether Beijing is pursuing a strategy of contestation or accommodation, I could assert with more certainty that it was Chinese economic statecraft what was driving these political patterns of interaction.

To further reinforce the argument that Chinese economic engagement in Latin America is not purely commercially but also politically driven, and to differentiate between a strategy of contestation or accommodation, I explore the effects that having diplomatic relations with Taiwan (to observe the effect of the One China Policy), and establishing Strategic Partnerships with China have on Beijing's economic penetration. The findings suggest that these political considerations were far from being mere 'cheap talk' and significantly influenced Chinese economic statecraft through a proactive contestatory engagement.

Investments

Data on Chinese FDI was retrieved from the Chinese Global Investment Tracker maintained by the Heritage Foundation (Scissors, 2011). This is the only publicly available Chinese investment database that allows other scholars to replicate the information. One of the database's advantages is that it includes information on both failed and successful Chinese investments, which makes the information more reliable.[14] This tool excludes tax havens, such as Hong Kong, the British Virgin Islands, and the Cayman Islands, and only considers final destinations rather than transit

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[14] By successful, we mean investments that were announced and completed. Failed investments were announced but not completed and were common in the years tudied, so special care has to be taken with them.

points of OFDI[15]. Perhaps the main advantage, however, that explains our source choice over alternative tools is that investments can be easily sorted by firms, which allowed me to filter by SOEs and POEs. The method to sort them was by reviewing the public reports of each of them. This was a complex and time-demanding process, but one that provides a new contribution to a literature that tests only aggregated values of FDI in the region[16]. In the next chapter, I explore a more robust method to measure State control over the firm.

Bank loans

A second means of Chinese assertiveness in Latin America came via the increasing importance of Beijing's bank loans in the region. Since 2005, China provided more than $100 billion in loan commitments. If we recall Figure 9 from Chapter 1, these amounts grew considerably in Africa, too. Its banks (particularly the China Development Bank and the China Export-Import Bank) became important sources of financing for a significant set of countries, namely, Argentina, Brazil, Ecuador, and Venezuela. Chinese investment allowed these countries to skirt their penalization in global capital markets and Western international financial institutions, such as the IMF and WB (Gallagher et al., 2012: 5).

While the literature is lacking about the political drivers of Chinese bank loans, there is empirical evidence to suggest a positive relationship between traditional Western lending institutions such as the IMF and the

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[15] This exclusion has a significant impact on the results because more than seventy per cent of China's OFDI reported by MOFCOM is received by tax havens.

[16] While we determined Scissor's database to be more suitable MOFCOM and Thomson Reuters (which is not publicly accessible), it is also important to mention that this source has as a main disadvantage in that it is built using news reports and not from official information directly from Chinese companies. It is true that media reports are known to be problematic, however, that issue is carefully controlled for in the Heritage China Global Investment Tracker since for a project to be registered as successful in the database it has to have strong signs of progress.

World Bank and the receiver's alignment with the United States (Dreher et al., 2009; Kilby, 2009). Taken together with the hypotheses, I assumed that Chinese loans followed a similar political trajectory, acting as counterweights to Western institutions in the region.

That is, it was easier for Chinese banks to lend money to leftist countries outside of the good graces of Western agencies and in need of fresh money to finance infrastructure projects. This would not have been possible if commodities were not at historical highs. Campello argues that when commodity prices are high and leftist governments are in power "abundant export revenues boost economic growth, dollar inflows, and public revenue, releasing governments' demand for foreign funds at the same time that favorable fiscal prospects make sovereign bonds more attractive to creditors. Leftist governments' greatest autonomy from market discipline occurs when high commodity prices coincide with low interest rates, which reduce investors' risk aversion and increase their propensity to divert capital to emerging economies" (2015: 17). I retrieved loan data from 2005 to 2014 on Chinese bank activity in Latin America from a database coordinated by the Inter-American Dialogue[17]. The data spans 76 loans to 14 different countries.

Trade with China

The vast literature on Latin American trade with China acknowledges the fear from domestic industrialists about Chinese manufacturing exports to the region's countries, and I indeed look at Chinese manufacturing exports to the region in this chapter (Armony & Strauss, 2012; Jenkins et al., 2008; Mesquita Moreira, 2007). During this period, Chinese manufactures were subject to numerous antidumping investigations. Industrial

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[17] Inter-American Dialogue: http://thedialogue.org/map_list

chambers and political parties expressed their concerns over a damaged national industry and Chinese manufacturing imports became an issue for political deliberation (Urdinez & Masiero, 2015).

On the other hand, Latin American countries found China to be an active buyer of raw materials and natural resources, which made Beijing not only a major trading partner for the region, but in some cases even the main buyer. Media and public opinion began addressing this phenomenon, and China became a major topic when speaking about economic growth in the region. Due to the opposition of Latin American domestic lobbies and the fear of an "invasion" of Chinese products, Chinese exports to Latin America were more subject to political deliberation than the flow in the other direction, namely, China's buying of Latin American commodities. To measure the importance of China as a trade partner, we used data from the UN Comtrade[18] and Trade Map[19] to calculate the per capita quantity of Chinese manufacturing exports and commodity imports. Now that we have defined our dependent variable, I will advance our discussion to incorporate our main independent variable in the sext section.

American hegemony in Latin America

Even though a uniformly accepted definition of hegemony remains elusive in the literature, it seems clear enough that a hegemon must combine

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[18] UN Comtrade: http://comtrade.un.org/db/
[19] Trade Map: http:// www.trademap.org/.

military[20], economic[21] and ideological[22] elements to support its political supremacy. Among these three factors, historians have noticed that the economic component of hegemonism is key to maintain both military and ideological primacy in the long-term.[23] United States' influence in Latin America has been studied mostly through a historiographical approach that has put little emphasis on measurement (Blasier, 1985: 211-306; Connell-Smith, 1976; Schoultz, 1987). Some recent exceptions include Finkel et al. (2007), Levitsky and Way (2010), and Mainwaring and Perez-Liñán (2014), although these works focus on regime transitions and only tangentially discuss American influence per se. To contribute to this gap in the literature, I measured United States hegemonic influence through political and economic engagement indicators in the host countries, which I then used to create an index of American Hegemonic Influence in Latin America. The index covers the years from 2003 to 2014, defined by data availability.

A major problem that researchers who build indexes face is to determine an appropriate aggregation strategy to combine multidimensional variables into a composite index. Using five proxies recurrent in the literature, I created a composite index using a dynamic principal components analysis (PCA). PCA is a useful technique for transforming a large number of variables into principal components that account for much of the variance among the set of original variables (Havre & Williams, 2010).

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[20] Robert Gilpin, *War and Change in International Politics* (Cambridge: Cambridge University Press, 1981). Stephen Krasner, 'State Power and the Structure of International Trade', *World Politics*, Vol. 28, No. 3 (1976) pp. 317-347.

[21] Robert Gilpin, *War and Change in International Politics*; *Robert Keohane, After Hegemony* (Princeton: Princeton University Press*, 1984). Charles Kindleberger, *The World in Depression, 1929-1939* (Berkeley: University of California Press, 1973).

[22] Robert Cox, 'Gramsci, Hegemony and International Relations: An Essay in Method', *Millennium*, No. 12 (1983) 162–175.

[23] See Paul Kennedy, The Rise and Fall of the Great Powers (Lexington: Lexington Books, 1987). Robert Keohane defined economic hegemony as entailing, "control over capital, markets, and raw materials". In other terms, economic hegemony requires a certain degree of political control over trade and financial markets in a certain region.

The variance maximization of the chosen indicators is obtained by performing an eigenvalue decomposition of the correlation matrix for the chosen indicators. Because PCA is sensitive to scale differences in the variables, we first standardized the data. I followed Kaiser's rule and retained only factors with eigenvalues larger than unity. I examined a scree plot of the eigenvalues to determine the number of factors explaining a variation larger than one. I also ran a Kaiser-Meyer-Olkin measure of sampling adequacy to determine the appropriateness of conducting a PCA, which was successful. The resulting scores were rescaled to score between 0 and 1, where 1 was the highest observed proximity value to the United States in the period. Table 5 describes the chosen proxies for American hegemony.

TABLE 5: *proxies for American Hegemony Influence in Latin America*

Name	Description	Proxy For	Source
ECOAID	Annual per capita economic aid received from the USA (United States$ million) by each Latin American country.	Economic proximity to the United States	United States Overseas Loans and Grants (Greenbook)
INVEST	Annual FDI from American companies (United States$billion) relative to host's GDP (constant 2005 United States$ billion) as a percentage	Economic proximity to the United States	United States Bureau of Economic Analysis and World Bank
MILAID	Annual per capita military aid received from the USA (United States$ million) by each Latin American country.	Political proximity to the United States	United States Overseas Loans and Grants (Greenbook)
UNGA	Annual share of common votes with the United States on important issues in the UNGA	Political proximity to the United States	United States Report to Congress (Unclassified) - Department of State
XUS	Annual share of exports to the United States relative to total.	Economic proximity to the United States	International Trade Centre – Trade Map

I measured economic proximity to the United States through (a) American-bound exports as a share of total exports (XUS) and (b) incoming American FDI relative to the host's country GDP (INVEST). For XUS, I retrieved trade flow data from Trademap and population data from the World Bank. Data on American FDI in Latin America was obtained from the United States Department of Commerce Bureau of Economic Analysis[24], which offers information on American OFDI sortable by country and industry from 1982 to 2014. It has previously shown that trade and investments boost political relations (Keshk et al, 2004); The United States has FTA agreements with 11 countries in the region, BITs with 9 countries and is one of the top three investors and trade partners for most of the region's nations.

To measure a nation's political proximity to United States, I used (a) the United States's economic aid per capita (ECOAID), (b) its military aid per capita (MILAID), and (c) level of convergence in the United Nations General Assembly on important votes (UNGA). The data for ECOAID and MILAID were gathered from the United States Overseas Loans and Grants Report, informally known as the "Greenbook", which contains United States government foreign assistance data since 1945. The Greenbook classifies foreign assistance on either "economic" or "military" grounds and organizes the data by the recipient country and geographic region. I believe the United States has used economic and military aid as a foreign policy tool, of which Plan Colombia is probably the most visible example. The specialized literature on the political determinants of aid is vast and well-developed enough to show that the political alliances between the donor and the receiver are sizable factors in the distribution of aid (Alesina & Dollar, 2000).

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[24]Accessed at http://www.bea.gov/international/di1usdbal.htm, December 2014.

For data on UNGA, I used data from the United States Department of State's Bureau of International Organizations Affairs. This source distinguishes between overall votes and important votes; we consider the latter, which are more politically driven. If the United States records a "yes" vote on an issue while another country votes "no," that country is identified as having cast an opposing vote to the U.S, and vice versa. For countries' annual totals, UN Opposite Vote = (number of opposite votes + abstentions + absences) / total votes, where total votes = (number of opposite votes + number of identical votes + abstentions + absences). Recent empirical evidence on Latin American countries' alignment with the United States in the United Nations General Assembly shows that voting patterns reflect political alignments (Mouron & Urdinez, 2014; Neto & Malamud, 2015). Table 6 offers mean values for all five indicators at the beginning of the period of study and at the end of it, showing that during this period all five indicators decreased.

TABLE 6: *proxies for American influence over time*

	ECOAID	INVEST	MILAID	UNGA	XUS
2003	5.46	6.4%	0.65	45%	34%
2014	5.24	0.23%	0.39	26%	23%

The advantages of working with a composite index are numerous. First, it allows for a single variable that condenses several variables of interest that are all proxies for a broader concept. Second, the PCA technique does not subjectively weigh the components, but rather works with the common correlation among them. Finally, the index contains a replicability factor that can be used by other researchers in hypotheses within and outside the field. Figure 17 plots a chromatic map of the composite index.

FIGURE 17: Chromatic Map of American Hegemonic Influence in Latin America.

Note: Equal intervals map elaborated using GeoDa. Shapefile elaborated using ArcGIS. Countries that are not in the sample are not included in the map.

According to the index, Mexico and Colombia are the two countries most influenced by the United States, while Cuba the least. The following table displays the values of each component of the index per country, and they are sorted from largest to smallest values in the index.

TABLE 7: *United States Influence Index Score (2003-2014)*

	Components				
	UNGA	*ECOAID*	*MILAID*	*IN-VEST*	*X/XTOT*
Colombia	31.01	581.1	198.94	2.96	0.4

Mexico	41.6	205.8	42.9	8.84	0.82
Haiti	33.48	468.3	1.27	1.31	0.82
Peru	47.95	167.8	10.14	66.9	0.33
Brazil	30.95	78.6	1.17	5.03	0.15
El Salvador	30.06	104.7	10.22	10.4	0.41
Guatemala	45.27	109.7	5.64	2.49	0.39
Honduras	46.37	91	5.1	7.03	0.43
Ecuador	30.37	47.64	17.58	2.03	0.43
Bolivia	30.06	136.2	3.15	3.68	0.11
Trinidad-Tobago	27.01	0.55	0.43	24.38	0.56
Panama	45.48	19.9	5.63	27.98	0.25
Nicaragua	31.94	68.1	3.48	3.36	0.36
Costa Rica	41.36	6.29	2.05	7.89	0.4
Chile	41.51	4.6	2.05	15.03	0.13
Venezuela	20.45	9.65	1.11	6.81	0.29
Argentina	41.22	4.81	1.55	4.73	0.08
Paraguay	40.5	25.4	1.35	0.84	0.02
Uruguay	40.65	0.56	0.66	4.66	0.09
Suriname	26.2	1.2	0.71	6.16	0.03
Cuba	13.45	15.73	0	0	0

Empirical findings

Each model was defined with controls for variables previously tested in the literature to limit omitted variable bias (see Table 8). The models include a lagged dependent variable as control and a panel-specific AR1 autocorrelation structure[25].

TABLE 8: *Control Variables*

Name	Description	Source
TAIWAN(*)	=1 if host country has diplomatic relations with Taiwan.	Elaborated by the authors
STRATEGIC PARTNERSHIP	=1 if country has a Strategic Partnership with China.	Feng & Huang (2014)
COMMODI-TYBOOM	All Commodity Price Index, 2005 = 100, includes both Fuel and Non-Fuel Price Indices.	IMF Primary Commodity Prices Index

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[25]We made sure our models did not suffer from multicollinearity testing it through correlation matrices and also through VIF. The replication files offer these tests.

AGRICULTURE	Cereal yield land under production – thousand kg per hectare.	World Bank
BIT	Bilateral Investment Treaty in force between China and the host country.	UNCTAD - International Investment Agreements Navigator
CORRU	Freedom from corruption score (0-100).	Index of Economic Freedom (Heritage Foundation)
DEBTSERV	Debt service (long-term public and publicly guaranteed debt and repayments to the IMF, % of exports of goods, services and primary income).	World Bank
EDUCATION	Government expenditure on education, total (% of GDP).	World Bank
EXCHRATE	Official exchange rate (LCU per United States$, period average).	World Bank
FINFREEDOM	Financial freedom index (0-100)	Index of Economic Freedom (Heritage Foundation)
FTA	FTA with China, in force.	Elaborated by the authors
GDP	Annual GDP (United States$ billion).	World Bank
GDP PC	Annual GDP per capita (constant 2005 United States$).	World Bank
IMPORTS	China's imports from Latin American partner as a share of total imports.	International Trade Centre – Trade Map
INFLATION	Inflation, GDP deflator (annual %).	World Bank
INVFREEDOM	Investment freedom index (0-100).	Index of Economic Freedom (Heritage Foundation)
INDUEMP	Employment in industry (% of total employment).	World Bank
LEGALSTR	Strength of legal rights index (0=weak to 10=strong).	World Bank
M2	Money and quasi money (M2) as % of GDP.	World Bank
MANUFTAX	Tariff rate, applied, simple mean, manufactured products (%).	World Bank
MINERAL	Iron and steel production (Thousands	World Bank

		of tons).
OIL	Energy production – million kilotons of oil or equivalent.	World Bank
OPENFDI	Ratio of inward FDI stock to host GDP.	UNCTAD FDI database
PROPERTY	Property rights respect index (0-100).	Index of Economic Freedom (Heritage Foundation)
TAXWEIGHT	Net taxes on products per capita (constant LCU).	World Bank
TIMETAX	Time to prepare and pay taxes (hours).	World Bank
TERMSTRADE	Terms of trade per capita.	World Bank
TRADEFREEDOM	Trade freedom index (0-100).	Index of Economic Freedom (Heritage Foundation)
TRADEOPEN	Trade (% of GDP).	World Bank

Note: (*) The countries that have diplomatic relations with Taiwan in the sample are: El Salvador, Guatemala, Honduras, Nicaragua, Panama and Paraguay.

The main challenge comes in the presentation of n and t. I followed Beck and Katz, which argued that many of the data sets used in political science are characterized by both a t and n, and thus the generalized least squares (GLS) estimates derived from this set cannot be trusted (Beck & Katz, 1995; Wilson & Butler, 2007). The authors' recommendation consists of three essential steps: (a) pool the data from different countries into one dataset and apply ordinary least squares (OLS); (b) adjust for autocorrelation by either adding a lagged dependent variable to the model or transforming the data based on an estimate of autocorrelation of the error terms, assumed to be common across panels; and (c) calculate panel-corrected standard errors (PCSEs). The estimates are based on these suggestions.

In order to test the hypothesis I compare model (1) to (2), (3) to (4) and (5) to (6). The baseline models of this chapter are defined as follows:

$$FDI_{(SOEs)i,t} = \beta_0 + \beta_1 FDI_{(SOEs)i,t-1} + \beta_2\, U.S.\,influence_{i,t}$$
$$+ \sum_{i=1}^{i=21} \beta_c\, controls_{i,t} + \varepsilon_{i,t} \qquad (1)$$

Where the controls for (1) are: TAIWAN, STRATEGIC PARTNSEHIP, COMMODITYBOOM, AGRIBUSINESS, BIT, EDUCATION, EXCHRATE, GAS, GDP, GDP PC, MCOMM, INVFREEDOM, LEGALSTR, MINERAL, OIL, OPENFDI and PROPERTY.

$$FDI_{(POEs)i,t} = \beta_0 + \beta_1 FDI_{(POEs)i,t-1} + \beta_2\, U.S.\,influence_{i,t} \qquad (2)$$
$$+ \sum_{i=1}^{i=21} \beta_c\, controls_{i,t} + \varepsilon_{i,t}$$

Where the controls for (2) are the same as for (1).

Secondly,

$$LOANS_{CHINA\ i,t}$$
$$= \beta_0 + \beta_1 LOANS_{CHINA\ i,t-1} + \beta_2\, U.S.\,influence_{i,t} \qquad (3)$$
$$+ \sum_{i=1}^{i=21} \beta_c\, controls_{i,t} + \varepsilon_{i,t}$$

Where the controls for (3) are: TAIWAN, STRATEGICPARTNSEHIP, COMMODITYBOOM, AGRIBUSINESS, DEBTSERV, DEBTSTOCK, ENERGYMATRIX, FINFREEDOM, GAS, GDP, GDP PC, INFLATION, INTEREST, M2, MINERAL and OIL.

$$LOANS_{WEST\ i,t}$$
$$= \beta_0 + \beta_1 LOANS_{WEST\ i,t-1} + \beta_2\, U.S.\,influence_{i,t} \qquad (4)$$
$$+ \sum_{i=1}^{i=21} \beta_c\, controls_{i,t} + \varepsilon_{i,t}$$

Where the controls for (4) are the same as for (3). Finally,

$$(5)$$

$$X_{MANUF\ i,t} = \beta_0 + \beta_1 X_{MANUF\ i,t-1} + \beta_2\ U.S.\ influence\ _{i,t}$$
$$+ \sum_{i=1}^{i=21} \beta_c\ controls_{i,t} + \varepsilon_{i,t}$$

Where the controls for (5) are: TAIWAN, STRATEGICPARTNSEHIP, COMMODITYBOOM, EXCHRATE, FTA, GDP PC, INDUEMP, INFLATION, TRADEOPEN, MANUFTAX, TAXWEIGHT, TERMSTRADE and TRADEFREEDOM.

$$M_{COMM\ i,t} = \beta_0 + \beta_1 M_{COMM\ i,t-1} + \beta_2\ U.S.\ influence\ _{i,t}$$
$$+ \sum_{i=1}^{i=21} \beta_c\ controls_{i,t} + \varepsilon_{i,t}^{(6)}$$

Where the controls for (6) are: TAIWAN, STRATEGIC PARTNERSHIP, COMMODITYBOOM, AGRIBUSINESS, EXCHRATE, FTA, GAS, GDP PC, INDUEMP, MINERAL, OIL, TRADEOPEN, TERMSTRADE and TRADEFREEDOM.

The results are presented in Tables 9, 10 and 11: In line with the first hypothesis, the American hegemony was negatively related to increasing Chinese investment, trade, and credit penetration during the period of study. On the other hand, my control groups show they were not affected by it, which give robustness to the findings. In line with the second hypothesis, by analyzing US INFLUENCE, TAIWAN and STRATEGIC PARNERSHIP I observe that entities closely related to the Chinese government targeted countries with strategic partnerships and low US INFLUENCE and avoided countries with diplomatic relations with Taiwan and high US INFLUENCE. The interpretation of these findings tells us that China applied either an accommodation or a contestation strategy.

In order to visualize the expected values of the dependent variables in each model, I employed statistical simulations to convert the raw output of statistical procedures into results that are simpler to understand, independent of one's statistical training (King et al., 2000).

The Effect on State-Owned Enterprises

The main finding of model (1) confirms the hypothesis for SOEs. Holding all variables constant, increasing the influence index by one unit translates into a decrease in SOE Chinese FDI of $81 USD per capita. This effect is considerably large. In standardized beta coefficients, it represents a decrease of 0.72 standard deviations from the dependent variable.

TABLE 9: *Regression results for Chinese investment*

	Model 1: Investments	
	FDI_{SOEs}	FDI_{POEs}
Lagged DV	−0.187	−0.181
	−0.157	−0.0923
US INFLUENCE	−80.84***	−4.815*
	−25.95	−2.175
TAIWAN	−15.47*	−2.102*
	−6.384	−0.872
STRATEGIC PARTNERSHIP	52.97***	−5.147*
	15.45	−2.228
COMMODITYBOOM	−0.106*	−0.0124**
	−0.052	−0.0039
AGRIBUSINESS	0.00002*	−0.00006
	0.000009	−0.12
BIT	36.88*	5.3
	18.12	2.13
CORRU	−0.468	0.079
	−0.391	−1.25
EDUCATION	1.777	0.914***
	2.987	0.238
GDP	−0.0621**	0.00299
	−0.02	0.00226
GDP PC	0.00406	0.000376

	0.00346	0.00039
MCOMM	−0.0768	0.0605***
	−0.0633	0.018
INVFREEDOM	−0.147	−0.0137
	−0.217	−0.0266
LEGALSTR	4.135***	−0.398
	1.102	−0.29
MINERAL	0.0545	−0.629*
	0.848	−0.252
OIL	−2.048	0.109
	−1.105	0.0809
OPENFDI	0.206	11.66***
	22.77	2.32
PROPERTY	−0.654	−0.0963**
	−0.339	−0.0334
MANUFTAX	1.72	−0.253
	1.633	−0.174
Constant	59.44*	2.526
	23.6	−2.42
Observations	156	156
Adjusted R^2	0.42	0.21

*p<0.05, **p<0.01, ***p<0.001

Notes: The table contains coefficients and standard errors. For a robustness check we used the System Arellano-Bond (AB) dynamic data method of moments (GMM) estimator (Blundell and Bond 1998), which allows for consistent coefficient estimation based on the lagged dependent variable. The basic idea of this figure is to calculate the dynamic equation's first difference in order to eliminate individual-specific heterogeneity, which is the source of autocorrelation within the lagged dependent variable.

Figure 18 illustrates the expected effect on investments as the American influence index increases at 95% confidence interval. Keeping all other variables constant, when American influence is low, yearly investments are expected to reach as much as $60 USD per capita a year. The expected investments remain positive as the index increases despite the fact that the confidence interval narrows.
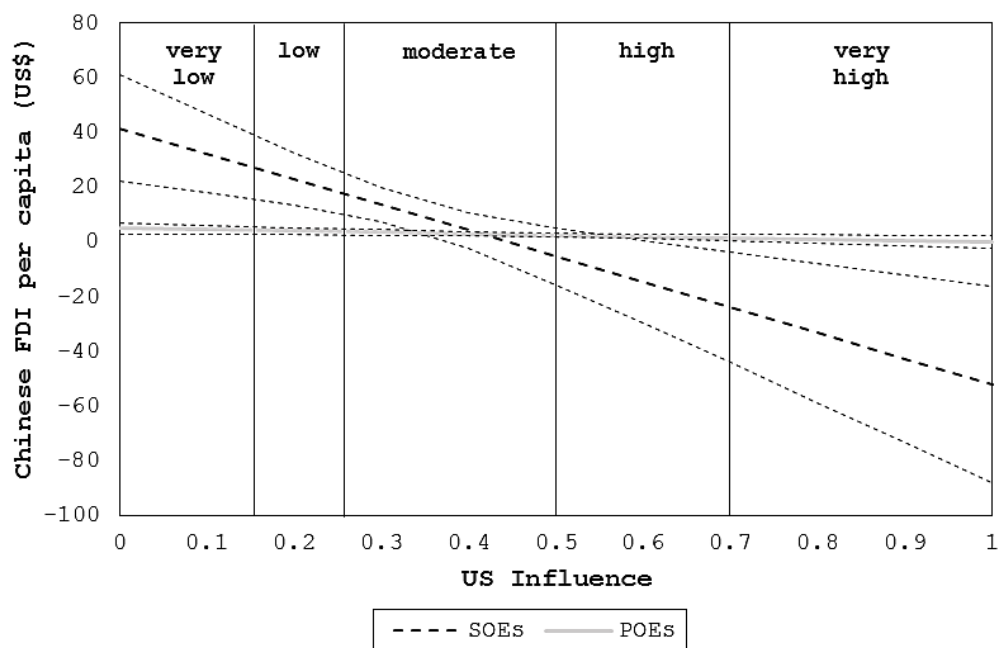
FIGURE 18: Expected Investment by SOEs & POEs.

Together with US INFLUENCE, I have highlighted TAIWAN, since I believe the latter's effect to be complimentary to the former as it reflects the One China Policy, which is politically driven, and also STRATEGIC PARTNER-SHIP showing that these status is not merely 'cheap talk'. During the period studied, Chinese SOEs invested on average $15 USD less per person in countries that maintain diplomatic ties with Taiwan, and 53 more in countries with Strategic Partnerships, ceteris paribus. This is not a minor detail considering that this indicator also denotes a political determinant behind the investments.

I controlled for three motives for why companies engage in foreign markets: natural resource seeking, market seeking, and efficiency seeking (Dunning, 1999). Natural resource seeking FDI is justified by the fact that these resources—e.g. minerals, raw materials and agricultural products—tend to be location specific. Resource endowments (GAS, OIL, MINERAL, and AGRIBUSINESS) and the existing trade relations for these goods (MCOMM) are the main reasons behind these types of FDI. Investment-

friendly government policy (BIT, CORRU, INVFREEDOM, PROPERTY, LE-GALSTR and OPENFDI) and market size (GDP) are the main reasons behind market seeking FDI.

Within the statistically significant controls, AGRIBUSINESS is positively related to SOE FDI. The coefficient's size is small, but still statistically significant. Chinese firms have faced several obstacles to investment in Latin American agricultural sectors. Some of the region's domestic legislation has limited Chinese investment in land acquisition[26]. Despite these obstacles, however, China has continued to invest in land, mainly with infrastructure projects to improve the transportation of commodities. COMMODITY BOOM has been introduced in the model to control for the effect described by Ferchen (2011), and the findings show that SOEs FDI were higher during periods in which commodity prices were actually going low.

Part of the literature on Chinese investments predicts that the larger the domestic market (captured by GDP and GDP per capita) and better the business environment (CORRU and LEGAL), the larger the amount of investment (Cheung & Qian, 2009). Other authors, however, have found that Chinese investments are positively related to political and economic risk (Buckley et al., 2007; Kolstad & Wiig, 2012). This chapter is in line with Cheung & Qian (2009), since LEGALSTR denote that SOEs have been sensitive to expropriation and bribery risks, and also have been boosted by BITs. In the absence of an international investment oversight vehicle, BITs constitute the most important mechanism for the protection and regulation of OFDI, and China has signed more BITs than any other country in the world, save for Germany (Wang & French, 2014). When analyzing host-country determinants of Chinese OFDI between

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[26] For a good example of such failed investment, one should look at soy production in Patagonia, Argentina in 2010.

2003 and 2008, Amighini et al. (2013) test the BIT variable and report a positive effect. I found it to be significant only for SOEs.

GAS is also negatively related to the dependent variable. Bolivia and Trinidad and Tobago are the two countries with largest gas expenditures and have not received high levels of investment from SOEs. While most of Chinese energy investments have gone to oil (of the $20.8 billion USD invested, over 50% has gone to Brazil, followed by Venezuela, and Argentina), only $3.4 billion USD has been invested in gas. Again, Brazil received 50% of those investments, followed by Argentina and Venezuela.

Model 2 treats POEs as a control group for SOE investments and gives robustness to the findings since they were subject to American influence in Latin America in an almost null way (see Figure 18). Even when POEs were negatively affected by the One-China Policy, investing less in countries that maintain formal relations with Taiwan, POEs paid more attention to countries with no Strategic Partnerships with China.

The controls also highlight differences between POEs and SOEs. POEs are positively associated to GDP -measured market size, and are negatively related to GDP per capita of each country. This means that POEs are targeting large, but not necessarily the richest markets. They are also positively explained by Chinese commodity imports per capita, itself an FDI control related to two-way feedbacks between trade and investment between two countries.

In contrast to SOE FDI, EDUCATION is positively associated with POE FDI, a sign of Chinese FDI seeking competitive markets with a skilled labor force. This is a pattern found in investment coming from telecommunications companies and private banking. Furthermore, OPENFDI is statistically significant, showing that private companies' behaviour is highly sensitive to the domestic policies of the host countries.

The Effect on Chinese Bank Loans

Model 3 gives support to the hypothesis, namely that Chinese bank loans were negatively related to American influence within host countries. An increase of one unit in the index translates to a decrease of $63 USD per capita in loans. Such a change is high. In standardized beta coefficients, this decrease accounts for 0.4 standard deviations from the dependent variable. Figure 20 illustrates the American influence index's anticipated effect on loans as the index increases at a 95% confidence interval.

TABLE 10: *Regression results for Chinese loans*

	Model 2: Loans	
	LOANS$_{CHINA}$	LOANS$_{WEST}$
Lagged DV	0.169	0.000933
	−0.168	−0.0993
US INFLUENCE	−63.38***	−37.94
	−18.1	−25.92
TAIWAN	−20.78***	1.681
	−6.055	−7.529
STRATEGIC PARNERSHIP	14.92	−13.75
	−8.091	−7.974
COMMODITYBOOM	0.195***	0.042
	−0.0184	−0.0857
AGRIBUSINESS	0.000019***	0.000021*
	−0.000005	−0.000009
DEBTSERV	0.477*	−0.153
	−0.227	−0.262
DEBTSTOCK	0.302*	−0.42
	−0.126	−0.246
ENERGYMATRIX	0.0874	−0.0415
	−0.0625	−0.0724
FINFREEDOM	0.17	−0.428**
	−0.204	−0.143
GAS	−1.812*	−0.861
	−0.753	−0.896
GDP	0.00325	−0.00104
	−0.00778	−0.0125
GDP PC	−0.00104	0.00388
	−0.000726	−0.00256
INFLATION	1.574*	−1.199

	−0.718	−0.64
INTEREST	−0.878	−0.115
	−0.525	−0.478
M2	0.177	−0.231
	−0.0992	−0.161
MINERAL	−0.789*	−0.568
	−0.388	−0.83
OIL	0.147	−0.103
	−1.091	−0.32
Constant	−26.83	−59.57
	−19.53	−38
Observations	138	120
Adjusted R^2	0.37	0.75

*p<0.05, **p<0.01, ***p<0.001

Notes: The table contains coefficients and standard errors. For a robustness check we used the System Arellano-Bond (AB) dynamic data method of moments (GMM) estimator (Blundell and Bond 1998), which allows for consistent coefficient estimation based on the lagged dependent variable. The basic idea of this figure is to calculate the dynamic equation's first difference in order to eliminate individual-specific heterogeneity, which is the source of autocorrelation within the lagged dependent variable.

Keeping all other variables constant, when the United States's influence is low, loans were expected to be $15 to $35 USD larger per capita a year. The American influence index expected effect on loans remains positive as the index increases despite the fact that the confidence interval narrows, which can be observed with SOE investment. When one increases above 0.5 in the index, investments no longer maintain this positive relationship as the lower bound crosses the threshold of zero loans.
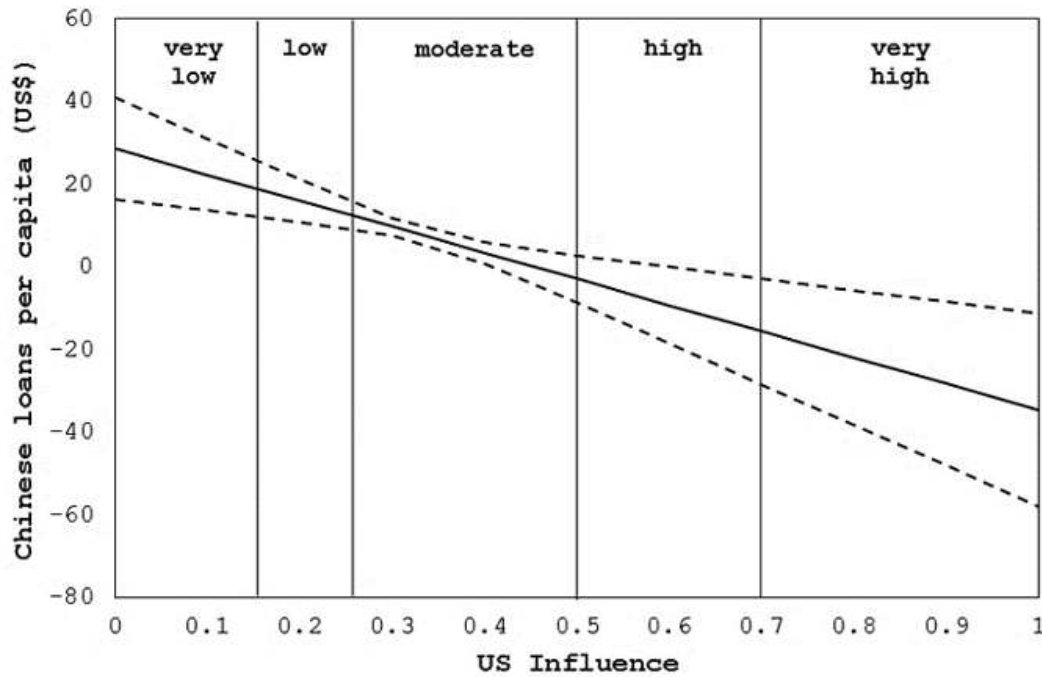
FIGURE 19: Expected Loans Activity by Chinese Banks.

The control set is different from the tools used to test FDI. As suggested by Gallagher et al., Chinese loans are likely an alternative source of capital for countries unable to obtain loans from Western agencies (Gallagher, 2012: 5). Thus, I set DEBTSERV and DEBTSTOCK as the controls. Furthermore, I controlled for variables commonly referenced in the literature such as M2, INTEREST and FINFREEDOM.

As in Chinese FDI, the One China Policy has a negative effect on loans, as countries diplomatically friendly with Taiwan are expected to lose $21 USD per capita more per loan, ceteris paribus. However, Chinese bank seem to have lended indistinctly to countries independently of them having or not Strategic Partnership status. Furthermore, lending from the IMF and the WB has comparatively lower inflation rates and greater financial freedom (FINFREEDOM) (Easterly, 2005). Chinese loans seem to exhibit higher tolerance to these variables. The coefficients indicate that loans are directed to countries with significant natural resources, such as energy matrices operating on sufficient quantities of oil and gas, as well

as countries with agribusiness resources. Furthermore, the commodity boom enhanced loans by Chinese banks.

Per the Inter-American Dialogue database, a large share of Chinese loans was directed to infrastructure projects such as ports or railroads to specifically improve the movement of grains, or for oil-related projects. Finally, loans are subjected to the foreign debt holdings of host countries. If one look at IRDB loans, they are—as expected—immune to both United States influence and the One China policy.

The Effect on Chinese Exports

The fifth model confirms the second hypothesis, once again. Manufacturing exports per capita are negatively affected by American influence. Keeping all other variables constant, one unit increase in the index translates into an export loss of $15 USD per capita. Translated into standard deviations this increase represents a change of 0.06. This finding is in line with the results of Flores-Macias and Kreps who argue that the effects of bilateral trade on vote convergence in human rights issues at the UNGA was larger for Africa vis-à-vis Latin America, probably because "Latin America has historically resided in the United States' sphere of influence, hindering realignment toward China" (2013: 368).

TABLE 11: *Regression results for trading relations*

	Model 3: Trade	
	X_{MANUF}	M_{COMM}
Lagged DV	1.205***	0.885***
	−0.0377	−0.136
US INFLUENCE	−15.03***	−18.59
	−4.335	−12.73
TAIWAN	2.964	−0.216
	−2.064	−5.339
STRATEGIC PARTNERSHIP	−8.508***	19.48

	−1.918	−16.57
COMMODITYBOOM	0.164***	0.0231
	−0.0135	−0.0592
AGRIBUSINESS	−	0.000013*
	−	−0.00005
EXCHRATE	−0.00156***	−0.000478
	−0.000309	−0.00191
FTA	7.706***	1.874
	−1.412	−7.807
GAS	−	0.0494
	−	−0.43
GDP PC	0.00323***	0.00256***
	−0.000918	−0.000394
INDUEMP	−0.692**	−0.25
	−0.215	−0.333
INFLATION	−0.032	−
	−0.0695	−
MINERAL	−	4.092*
	−	−1.766
OIL	−	−1.186*
	−	−0.565
TRADEOPEN	0.151***	−0.106
	−0.0417	−0.0671
MANUFTAX	−0.000012*	−
	−0.000005	−
TERMSTRADE	0.00009	0.00047
	−0.000051	−0.0004
TRADEFREEDOM	−0.406***	0.279
	−0.0812	−0.249
Constant	2.63	−10.3
	−9.93	−14.54
Observations	143	143
Adjusted R^2	0.94	0.93

*$p<0.05$, **$p<0.01$, ***$p<0.001$

Notes: The table contains coefficients and standard errors. For a robustness check we used the System Arellano-Bond (AB) dynamic data method of moments (GMM) estimator (Blundell and Bond 1998), which allows for consistent coefficient estimation based on the lagged dependent variable. The basic idea of this figure is to calculate the dynamic equation's first difference in order to eliminate

individual-specific heterogeneity, which is the source of autocorrelation within the lagged dependent variable.

When compared with the American influence held on FDI and Chinese loans, Washington's effect on trade is considerably smaller. Figure 20 visualizes this effect. Between countries with weak and strong American influence there is a difference of approximately $10 USD per capita. Here too, Chinese manufactured exports were indifferent to the One China policy, but Strategic Partnerships affect them negatively. The negative relation between Strategic Partnerships and Chinese manufacturing exports could indicate the interest of Beijing in negotiating these agreements with markets that were relatively close to their manufactured goods. Alternatively, the Strategic Partnerships may have served as an opportunity for Latin American countries to negotiate some protection for their own manufacturers.
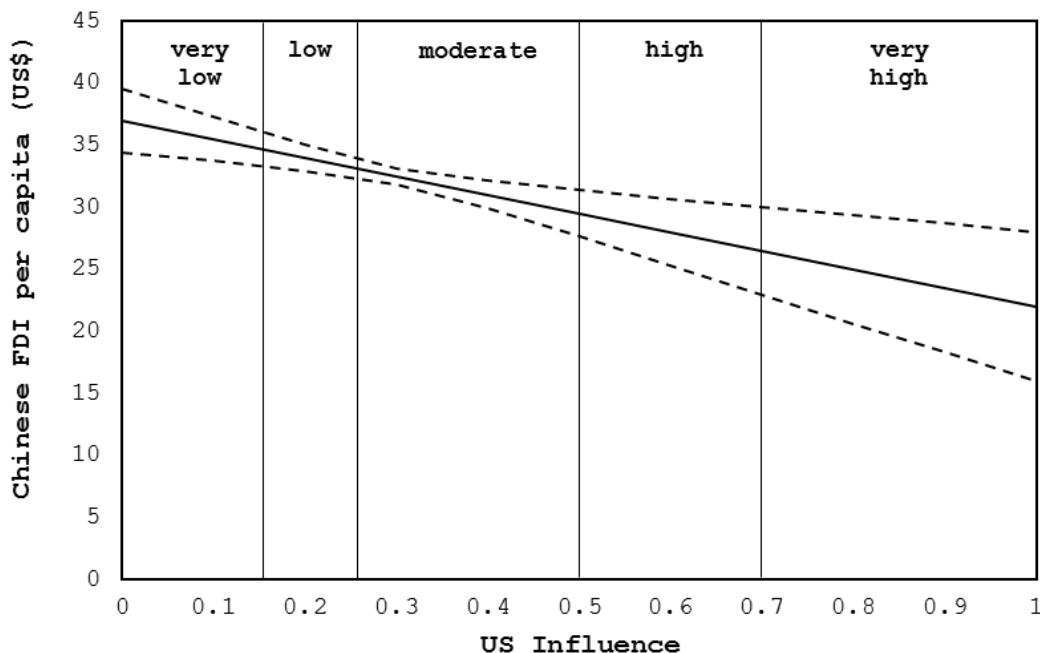
FIGURE 20: Expected Chinese Exports.

In addition to common indicators for market size and economic performance, I also include an openness to trade proxy (TRADEOPEN) because I wish to control for bilateral memorandums that establish that any Chinese export increase is contingent on less-stringent protectionism towards Beijing's products in domestic markets. I further control for the existence of active FTAs between China and the host country, which is statistically significant and has a substantive effect on exports.

I included a control for the importance of industry in the economy (INDUEMP), which is negatively associated with the level of Chinese exports. This suggests a potential competition between Chinese products and Latin America's domestic ones, ceteris paribus. I also controlled for macroeconomic variables affecting bilateral trade, such as exchange rates and terms of trade. The former is negatively associated with exports, which is consistent with the expectations since currency devaluations make imports more expensive. Terms of trade are positively associated with increased exports. This is consistent with the expected, since favorable trade terms increase the purchase capacity of a country. Indeed, I also controlled a country's tax structure, which can act as a deterrent for imports. Two variables controlled for this structure, MANUFTAX and TAXWEIGHT. While it is true that TAXWEIGHT resulted in no effect, MANUFTAX is positively related to Chinese manufacturing exports, which is intuitive. Countries which tax their local industries at a greater rate have a smaller risk of cost negatively affecting Chinese manufactured goods.

As a control group, I used Latin American countries' commodity exports to China. While this variable captures an important portion of bilateral trade relations between Latin America and China, it avoids the larger question of Chinese penetration into Latin America in favor of the region's access to the Chinese market. While it captures the economic incentives for the trading relationship, I was able to isolate the political motivator of Chinese exports. Latin American commodity exports are not

subject to the United States' influence or to the One China Policy. In sum, this information gives credence to the argument that China has been buying commodities from a pure economic standpoint.

Regarding the controls, both AGRIBUSINESS and MINERAL reflect positive coefficients, while OIL shows a negative coefficient, giving a signal that Latin American soybeans, meat, iron ore, and copper have been the main products of Chinese interest. While it is true that the region's open countries were more receptive to Chinese manufacturing, they were not the ones driving the commodity boom to China.

Concluding remarks

The presented empirical evidence indicates that Beijing's penetration into Latin American countries has been negatively related with American influence when the Chinese government was involved in the decision-making process. These results suggest that China strengthened its ties with those countries where the United States' influence was weak. In other words, Beijing filled the "void" left by a declining American presence in Washington's own "backyard". To a considerable extent, these results seem to be in line with the expectations of HST, a theory that has gloomy predictions when it comes to the United States-China transition.

The mechanisms behind this broad trend deserve to be studied in depth, and this chapter provides a first conceptual and theoretical framework to do so. On the Latin American side, one could argue that governments pursuing diversification are the true agents behind this new pattern of interaction with Beijing, but if that is the case, it is still curious why only Chinese state-influenced actors – as opposed to other Chinese private actors – are responding to this demand. Furthermore, the observational implications of the diversification mechanism indicate that commodity

trade with China should be negatively related with American influence, which is not the case.

Two particular stories appear to pass the statistical tests. First, it could be that China is contesting the United States and affecting the foreign policy of Latin American by employing economic statecraft to empower pro-Chinese domestic constituencies – an argument that is already out in the literature. Second, it could be that China is simply accommodating to the changing strategic environment in Latin America, avoiding to engaging those countries where the United States has a vested interest. The empirical evidence suggests by analysing United States hegemonic influence, One China Policy response and the effect of Strategic Partnerships a contesting policy, by actively engaging with pro-Chinese domestic constituencies.

Due to its large-n design, this chapter could do little to flesh out particular causal processes. However, it has unveiled the existence of a clear trade-off in Latin America between being under the wing of the American eagle and attracting the attention of the Chinese dragon, which I will explore in the following chapters.

Chapter 3 – Understanding how Chinese firms are influenced by domestic factors: Exploring the role of State equity and SASAC[1]

Chapter 2 proved that two particular stories pass the statistical tests. First, it could be that China is contesting the United States and affecting the foreign policy of Latin American by employing economic statecraft to empower pro-Chinese domestic constituencies – an argument that is already out in the literature. Second, it could be that China is simply accommodating to the changing strategic environment in Latin America, avoiding to engaging those countries where the United States has a vested interest.

The empirical evidence suggests by analysing United States hegemonic influence, One China Policy response and the effect of Strategic Partnerships a contesting policy, by actively engaging with pro-Chinese domestic constituencies. However, to give robustness to this finding, this chapter

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[1] A version of this chapter is under review at the journal Business & Politics, co-authored by Jing Duanmu.

explores the causal mechanism that affects Chinese MNEs to act the way they do. I will explore the two mechanisms (accommodation and contestation) for the allocation of investment in the world as compared to Latin America.

While earlier studies on host country determinants of Foreign Direct Investment (FDI) have mainly focused on economic variables (see Caves 1996; Blonigen 2005), recent research begins to take into account the effect of political factors, such as military power, economic dominance, and diplomatic relations (e.g. Li and Vashchilko 2010; Duanmu 2014). However, one of the noticeable gaps in this stream of research is that it does not consider US global dominance, and its impact on global FDI distribution. Despite the fact that US global political dominance and its advocated economic globalization have defined the post-Cold War international political landscape (Layne 2009), the interactions between US international coercive power and Chinese economic decisions have been rarely examined in the literature. Given China's emerging and unique position in the international political and economic landscape, we theorize a strong relationship between US political influence and the current global distribution of Chinese' outward FDI. One of the components of China's growing power, as well as its increasing integration into the global economy, rests on its outward foreign direct investment (OFDI). Although China only recently became a source of FDI, the United Nations Conference on Trade and Development (UNCTAD) predicted that China would become the second largest source investment after the US in 2015 (Yao and Wang 2014). The official policy, labelled as 'Going Global' policy, is the result of strong political will from the central Chinese government that has shifted China from a passive receipt of inward FDI to an active source of outward FDI in the last decade. The period of study (2005-2010) of this chapter captures the "boom" in Chinese OFDI (see figure 6).

The most widely cited literature on China's OFDI has focused on the traditional economic, institutional, and geographical factors of FDI (e.g.

Buckley et al. 2007; Kolstad and Wiig 2012; Ramasamy, Yeung and Laforet 2012). Although the role of bilateral political relations in bilateral trade and investment flows is considered in political economy literature (Nigh 1985; Pollins 1989; Morrow, Siverson and Tavares 1998; Gartzke Li and Boehmer 2001), and in recent studies in international business literature (Li and Vashchilko 2010; Duanmu 2014), how the global political structure, such as US hegemony, may influence bilateral investment flows between two countries remains an under-studied area that links Political Science and International Business theories.

It is clear that US hegemonic power has gradually declined in recent decades. In chapter 1 I have already discussed CINC and CNP indicators. Although China does not have the overwhelmingly military means that the US has, its growing economic power renders it a future threat to American hegemony.

Theoretically, in this chapter I adopt the Soft Balancing concept, and hypothesize –from the findings reported in the previous chapter—that China tends to locate less (more) investment in host countries which have strong (weak) political proximity with the US; and I also contend that this tendency is stronger the larger the state control within the company. China's OFDI provides us with a unique opportunity to assess empirically the influence of the US on the trajectories of emerging powers integration into the world economy, since Party–business relations increasingly influence decision-making processes and policy outcomes in the Chinese polity (Brødsgaard 2012; Naughton 2015).

My finding provides empirical substance to the notion that China used foreign investment as an economic diplomacy tool as suggested in Naughton (2008), Chan (2009), Bayne and Woolcock (2011), Nolan (2014) and Naughton (2015). I have attained supportive results for the hypothesis using several sources of data and different model specifications. This chapter contributes to empirical studies on political drivers of investment in general, and those on Chinese OFDI in specific. The evidence regarding the global strategic avoidance of Chinese investment in

countries under strong US influence gives strength to the argument of accommodation over the argument of contestation, and could become more complex if US hegemony continues to decline, paving the way to a multi-polar political landscape in the future.

The remainder of the chapter is organised as follows. In the next section, I outline the key literature on Chinese OFDI. I then build up the hypothesis integrating the soft balancing behaviour in international relations with the relationship between Chinese state control and political goals of multinational enterprises (MNEs). I explain the empirical strategy in the following section. The empirical results are then presented and discussed. The chapter concludes with theoretical reflections and policy discussions.

Chinese FDI institutional array and hypothesis development

Political proximity between two countries is capable of affecting their foreign investment, which can in turn foster political proximity. According to Sauvant and Chen (2014), the Chinese government shifted from restricting to facilitating, supporting, and then encouraging OFDI. After the Going Global policy was formalized in March 2000 during the Third Plenum of the 9th National People's Congress, in December 2001, the State Planning Commission (SPC) released the 10th FDI Five-Year Plan. Furthermore, in 2003, SASAC was established during the 10th National People's Congress as a primary government institution responsible for managing the nation's state-owned assets and leading the Chinese expansion abroad (Naughton 2008; Chan, 2009; Nolan 2014). State control over MNEs is expected to produce political outcomes. Politics driving FDI is more attainable in a country with 170 large state-owned enterprises (SOEs) controlled by a single institution and access to public financing to expand abroad. As Naughton puts it "if we call the distinctive

Chinese system that has emerged over the last three decades 'state capitalism', then SASAC is one of the key transmission belts in that system, since it is the institution through which the state manages its capital'' (2015: 47).

However, the institutional array is more complex than just the creation of SASAC and includes national banks, local and provincial institutions and special commissions (see Chen 2009 and Pearson 2015). As an illustrative example, in October 2004, China's State Development and Reform Commission (SDRC) and the Export–Import (EXIM) Bank issued a circular to promote (1) resource exploration projects to mitigate the domestic shortage of natural resources, (2) projects that encourage the export of domestic technologies, products, equipment, and labor, (3) overseas R&D centers to utilize internationally advanced technologies, managerial skills, and professional contacts, and (4) mergers and acquisitions that could enhance the international competitiveness of Chinese enterprises, accelerating their entry into foreign markets.

To stimulate these selected types of OFDI, the Chinese government offered firms preferential credit for these specifically promoted FDI (Luo, Xue and Han 2010, 76). Furthermore, through the so-called 'nomenklatura system', the Party controls "the appointment of the CEOs and presidents of the most important of these enterprises and manages a cadre transfer system which makes it possible to transfer/rotate business leaders to take up positions in state and Party agencies" (Brødsgaard 2012, 624). As a result, "the Chinese political leadership, which in the 1990s viewed the SOEs as a problem to be fixed, now increasingly views the same firms as convenient instruments that can help in the achievement of national goals" (Naughton 2015: 67)

Following the existing Political Economy literature, I assume three reasons that can explain how political proximity may directly affect investment: (a) by lowering information costs (Tesar and Werner 1995; Coval and Moskowitz 2001), (b) by reducing expropriation risk (Williams 1975; Acemoglu and Johnson 2005), and (c) by lowering bureaucratic barriers

(Armstrong and Drysdale 2009; Drysdale and Armstrong 2010). In fact, these authors investigate whether bilateral political relations can explain investment and trade flows from the United States and find that countries experiencing deteriorating political relations with the United States exhibit lower FDI flows into the United States and that the United States tends to invest less in unfriendly countries.

It is likely that political proximity increased the ease and convenience of investing for Chinese MNEs because of the preferential policies established by the central government (Duanmu 2014). However, could political proximity to the US work as a deterrent for Chinese investment? The objective of this chapter is to build on the findings of the previous chapter to determine whether political proximity to the US may act as a host-country deterrent of Chinese outward investment during the initial years of the 'Going Global' policy.

The HST proposed by neo-realists suggests that the preponderance of power held by a state allows it to offer incentives, both positive and negative, to other states to agree to participation within a hegemonic order, thus creating international stability (Kindleberger 1986; Lake 1993). This stable hegemonic order disappears, however, if another state grows strong enough to challenge the hegemon. Therefore, as time passes, the "distribution of power shifts, leading to conflicts and ruptures in the system, hegemonic war, and the eventual reorganization of order so as to reflect the new distribution of power capabilities" (Blum 2003, 247).

As mentioned in chapter 2, China's growth has sparked two opposing views on its geopolitical consequences. One view is that China is a growing security threat that could eventually challenge American geopolitical dominance, first in South East Asia, and later in other regions such as Africa and Latin America (Friedberg 2005; Sutter 2010; Kissinger 2012; Paz 2012). This line of argument sees China a new USSR, and hypothesizes a geopolitical order evolving to a proto-bipolarism and increasing Chinese business in Africa and Latin America as direct challenges to US global dominance.

On the other hand, there is a view that poses that China is still preoccupied with securing a more comfortable and decent life for its people (Ikenberry 2008; Mingjiang 2008; Buzan 2010), and therefore its rise will continue to be pragmatic and economical driven, prioritizing domestic-development ends (Buzan and Cox 2013). From this perspective the Chinese power is seen as merely economic, thus scholars often compare it not with USSR but with the case of Japan in the 1980´s when its economic growth was thought to challenge US power but eventually the concern was vanished (Vogel 1979).

The more recent "soft balancing" conceptualization offers an alternative- and intermediate-explanation by stating that major powers, such as China, are likely to adopt actions that do not directly challenge US military preponderance but use non-military tools to delay, frustrate, and undermine aggressive unilateral US politics (see Pape 2005; Brooks and Wohlforth 2005; He and Feng 2008). These tactics of soft balancing are intended to distract and wear down a dominant power rather than outmuscle it (Chan 2007).

Although soft balancing may be unable to prevent the United States from achieving specific military aims in the near term, "it will increase the costs of using US power, reduce the number of countries likely to cooperate with future US military adventures, and possibly shift the balance of economic power against the United States" (Pape 2005: 10). These characterizations converge with other scholars' analysis. Swaine, Daly & Greenwood argue that China's foreign policy during this period was driven by a "calculative strategy", characterized "by a non-ideological approach focused on market-led economic growth and the maintenance of amicable international political relations with all states, especially the major powers, to counterweigh the US dominance" (2000: 2).

China has, in theory, two ways to pursue its foreign policy goals: hard balancing or soft balancing. The former implies strengthening power through domestic military buildups or through external alliance for-

mation. This is the traditional means of balancing also called military balancing. However, when two states enjoy a close economic relationship, hard balancing against each other would prove very costly for them. "Hard balancing will increase enmity and hostility between two states and consequently hurt economic ties and social well-being. High economic interdependence thus reduces the incentive for two states to hard balance each other" (He and Feng 2008, 375). When it comes to the US, with which it has an enormous economic interdependence (US is the main trading partner of China, and China holds an enormous portion of the former's foreign debt), hard balancing may prove extremely costly. "The other way for a state to increase its relative power is to undermine the power and constrain the influence of the threatening state without direct military confrontation" (He and Feng 2008: 372). This type of balancing behavior can be called soft balancing, and it is the object of this chapter. In the same direction, Goldstein argues that China has built a "Grand Strategy" to engineer the country's rise to the status of a true global power that shapes, rather than simply responds to, current international system. To do so, it has been cultivating partnerships in an attempt to cope with the constraints of US power and to hasten the advent of an international system in which the US would no longer be so dominant. "Chinese spokesmen regularly emphasized that these partnerships were both a reflection of the transition to multi-polarity" (Goldstein 2001, 864), and an attempt to avoid the idea of bipolarism.

The political economy view proposed here is not common in studies of OFDI, or specific studies on that from China, which have predominantly focused on economic, institutional, and geographic factors (e.g. Liu, Buck and Shu 2005; Buckley et al., 2007; Morck, Yeung and Zhao 2008; Cheung and Qian 2009; Cui and Jiang 2012; Ramasamy, Yeung and Laforet 2012). Although a few studies have adopted a more political economy view, such as Duanmu (2014), they primarily develop their analytical framework in a bilateral context, namely, how the home-host country relationship influences investment flows, thereby ignoring how

the global hierarchical political structure, i.e. US international dominance, may have influenced investment behaviour.

This chapter contributes to this gap by hypothesising that the global distribution of China's OFDI should be such that countries under greater US political proximity will receive less investment because China uses FDI as a means for economic statecraft. By this, we mean the use of economic means in the service of both economic and foreign policy ends (Baldwin 1985; Drezner 1999). Such a strategy also enhances China's ability to craft its own model of political and economic development, and to make itself "an attractive partner", especially in a world in which the US is seen as an overbearing power (Zakaria 2011).

Some examples of China's strategy are its efforts to build "strategic partnerships" with main allies that involve trade, investment and scientific cooperation (see Lo 2004; Muekalia 2004; Sautenet 2007; Strüver 2014) and the soft-power approach in Africa, which has caught great academic attention (e.g. Alden, Large and De Oliveira 2008; Brautigam 2009).

Chinese firms remain substantially influenced by the political agenda of the central government (Luo, Xue and Han 2010; Nolan 2014), although they are much more independent than they were forty years ago. State owned enterprises (SOEs) are particularly subject to political impositions because they usually operate as the spearheads of a developmental and geopolitical vision that emanates primarily from the central state (Gonzalez-Vicente 2011). I have mentioned the role that SASAC plays on SOEs as its the primary government institution responsible for managing the nation's state-owned assets and leading Chinese expansion abroad (Naughton 2008; Nolan 2014). Consequently, SOEs—in and perhaps beyond China—often carry non-economic goals in their overseas investment (Ellstrand, Tihanyi and Johnson 2002), such as securing energy to fuel domestic economic growth (Urdinez, Masiero and Ogasavara 2014), accessing advanced technologies, and increasing geopolitical influence (Gill and Reilly 2007).

The existing literature argues that the Chinese government exerts its influence on SOEs through both positive incentives, such as those delineated in the Countries and Industries for Overseas Investment Guidance Catalogue, or the nomenklatura system and negative incentives. For instance, MOFCOM has sensitivity criteria for prohibiting investment that jeopardize bilateral diplomatic relations and/or violate bilateral agreements (Sauvant and Chen 2014: 145). In addition, "MOFCOM consults Chinese embassies or consulates in host countries, and investment are reviewed if the country was on a MOFCOM 'blacklist' or if the proposed investment would affect the interests of a third country" (Sauvant and Chen 2014: 147).

In terms of positive incentives, SOEs often receive extensive support from the state government in their overseas expansion, including access to state finance and political protection for their operations in risky environments (Duanmu 2014). The political affiliation of SOEs with the state is likely to make their investment abroad much more sensitive to the host country's relation with the US than in cases where the state does not impose its influence.

By contrast, Chinese privately owned enterprises (POEs), although also under political influence, are usually driven by "institutional escapism" to avoid competitive disadvantages incurred by operating exclusively in the domestic market. This view suggests that POEs are sometimes pushed abroad because of a poor institutional environment at home, including rampant corruption, regulatory uncertainty, under-developed intellectual property rights protection, and government interference, among other factors (Luo, Xue and Han 2010; Witt and Lewin 2008). This is in stark contrast with their state counterparts, which enjoy a variety of advantages, such as easy access to strategic resources, political support and finance, and monopolistic incumbent positions at home that can support their foreign expansion (Wei, Clegg and Ma 2014: 2).

Having discussed in depth the literature, I formalize the hypothesis I will test

Hypothesis 1: Chinese companies under State control invest more (less) in a country the less (more) closer is politically from the US.

Methodological design: introducing firm level data

In this chapter, differently from the previous one, I use both country and firm level data to investigate the chapter's hypothesis. This is mainly driven by the fact that the country level data has certain limits and potential bias, which I will discuss shortly. By using firm level data as complements, I wish to establish robustness of our analysis with data as well as method triangulation. Another difference with the previous chapter is that now I do not focus exclusively on Latin America, but the sample is on a global scope and Latin America is incorporated in the model as a fixed effect.

Measurement of independent variables

In this chapter, due to limitations in the data for other regions of the world, I proxy "Political proximity with US" with the share of common votes of the host country with the US on important issues at the United Nations General Assembly (UNGA) (Dreher and Jensen 2013). The data was retrieved from the unclassified reports to Congress of the Department of State of the United States, and the criteria for differencing important from non-important votes was defined by the Department of State. I believe that important ones are those to which the State Department gave more importance, thus, they better reflect political alignments. Gupta and Yu (2007) apply this proxy for political proximity and find a positive relationship between voting convergence and FDI flows from the United States and its partners. This variable has also been analyzed in other contexts, indicating a positive, statistically significant effect on the relationship between World Bank and IMF loans and countries whose

voting patterns are more similar to G7 countries (Dreher and Sturm 2012). In addition, a statistically significant relationship is observed between larger amounts of financial aid from the United States and recipients that voted in line with the United States at the United Nations General Assembly (Dreher, Sturm and Vreeland 2009). Finally, Duanmu (2014) tests UNGA convergence with China to test whether political proximity to China lead to a larger amount of Chinese investment.

To measure the degree of State control over each company, I used the Chinese state's equity share, which can range from 0 to 100%. In the sample it has a mean of 25%. I used a dummy variable, which assumes the value of "1" if state equity is 50% or above, "0" otherwise. I use this dummy variable to make sure that we are measuring majoritarian state influence over a firm. 53% of our firm level observations have 50% state equity or above.

The selection of our control variables is primarily based on Duanmu (2014), who kindly shared her data. I have included country-level variables: geographical distance, GDP, exchange rate, natural resource endowments, exports to China, political proximity to China and size of the Chinese diaspora in the host country, as well as year fixed effects. Firm level variables are age, profitability and total assets.

I outline the main rationales of these control variables in the estimation. For country level controls, domestic market size is the most commonly considered determinant of FDI and has proven to be a robust determinant across studies of Chinese FDI. A country with a large market likely attracts FDI, "as such investment promotes economies of scale in terms of production and distribution" (Blanton and Blanton 2007: 147). The proxy used to test for market size is the host-country's GDP.

Natural resources have been extensively discussed to be one of the motives of China's outward FDI, although a more refined analysis shows that natural resources only matter in some resource-related industries (De Beule and Duanmu 2012). Literature typically used host-country exports

of ores and minerals (Liu, Buck and Shu 2005; Buckley et al. 2007; Ramasamy, Yeung and Laforet 2012). I added to the exports of ores and minerals the export of oil and gas derivatives, as energy resources have proven to be key for Chinese FDI allocation (Urdinez, Masiero and Ogasavara 2014).

Furthermore, I control for the export dependence of other countries on China, measured by the ratio of the country's export to China with its total export to the world. I draw export data from Trademap and Mongolia scores the highest with an average value of staggering 75% of export dependence on China during the period. Other countries heavily relying on the Chinese market as their export destination include Sudan (72%), North Korea (54%) and the Democratic Republic of Congo (42%). A control for the exchange rate of the host country is considered because strong Yuan means greater purchasing power abroad, which could be another incentive for outbound investment (Cushman, 1985). I also include geographic distance as a common controller in FDI models, despite its ambiguous impact on FDI (Carr, Markusen and Maskus 2001).

Finally, I included a control for the Chinese diasporas abroad. Literature has found that persistent ethnic networks effects can be explained by their functional capabilities such as promoting information flows (Bowles and Gintis 2004). Additionally, I believe that the presence of Chinese ethnic networks in a host country may generate natural "legitimacy" for investors, who tend to cluster in countries/locations with their peers from the same home country, also called "country of origin agglomeration" because of the rich information flows as well as fertile collaboration opportunities (Tan and Meyer 2011). It is noted that we include the control for political relations with China, proxied with the convergence in votes at UNGA with China, since it is shown to be an important antecedent of Chinese outward FDI in Duanmu (2014).

Regarding the firm-level controls, I sought parent information from Global Business, GTA Information Technology, which is a commercial

database company based in Hong Kong. I matched observations for which parent information was available and included controls for MNEs' fixed assets, years in business and profit value scaled by number of employees. Past studies have demonstrated that these factors influence the decision and the scale of FDI (Asiedu and Esfahani 2001; Buch, Kleinert, Lipponer and Toubal 2005; Javorcik and Spatareanu 2005). The summary of key variables is presented in Table 12. I find no issue of multi-collinearity in the datasets.

TABLE 12: *Descriptive statistics for the variable and their definitions*

Variables	Measurement	Source	Mean	SD.	Min.	Max.
Country level						
Political relations with US	Common votes with US in UNGA	US State Department	44.66	29.70	0	88.9
Chinese diaspora	Number of Chinese immigrants in host country (million people)	World Bank	0.1912	0.6847	0	5
Natural resources	Host-country's exports of minerals, metals and oil (million US$)	Trademap	24.81	42.02	0	364.64
Distance	Air km between Beijing and foreign capital city (thousand Km)	Online distance calculator	7100	3474	1091	19297
GDP	GDP in current million US$	World Bank	1144	1242	2.52	5495.3
Exchange rate	Real exchange rate (LCU per US$)	IMF	1262	3886	0.49	18612
Exports	Percentage of export to China over total exports	UN Comtrade	0.063	0.12	0	0.85
Political relations with China	Common votes with China in UNGA	Voeten et al. (2009)	68.10	26.27	0	99.3
Political relations with Russia	Common votes with Russia in UNGA	Voeten et al. (2009)	80.11	9.27	32.1	1

Firm level

Age	MNE´s number of years of operation	This study	11.58	8.73	0	84
Total assets	Total fixed assets (billion Yuan)	This study	23.2	2.89	15.5	30.09
Profitability	Profit per employee in Yuan	This study	50.04	124.98	0.0001	1040
State equity	Company with more than 50% of equity controlled by the State	This study	0.25	0.33	0	1
SASAC control	Company regulated by SASAC	Szamosszegi and Kyle (2011)	0.13	0.33	0	1

Dependent variables and model specification

A.   Country level data and estimation method

Firstly, I retrieved country-level Chinese OFDI between 2005 and 2010 from China's Global Investment Tracker compiled by the Heritage Foundation (Scissors 2013) as I did in chapter 2. There are 66 countries which have received positive amounts of Chinese FDI in this period, therefore I constructed a balanced panel data for estimations. A drawback of this database is that it only includes investment larger than 100 million US dollars. This threshold excludes hundreds of small investment, and results in over-representing large investment made. The amount of investment is strongly right skewed, with a mean amount of US$ 1777 million a year and a median amount of US$ 980 million.

To address the drawback, I chose to use the number of investment per country in each year as the dependent variable, captures the country level extensive margin of FDI. Thus, I use a count variable and construct a balanced panel based on host countries and the time dimension. I use a

panel Poisson specification with country fixed effects, and the model can be written as follows:

$$Number\ of\ investments_{t,k} = \beta_0 + \beta_1 Political\ proximity\ with\ US_{k,t} + \sum_{k=1}^{k=66} \beta_k\ Country\ Controls_{k,t} + \sum_{t=2010}^{t=2005} \omega_y\ Year_t + \sum_{k=1}^{k=66} h_k\ Country_k + \varepsilon_{k,t} \qquad (1)$$

The equation models the annual number of projects in the host country k in the year t. The subscript k includes the following country-level controls: the Chinese diaspora in the host-country, the host-country's GDP, the distance between Beijing and the host-country's capital, the host-country exchange rate, the percentage of exports of the host-country to China and the country's exports of minerals, metals and oil, as a proxy for natural resource exports. Since it is not possible to measure state equity at the country level, this country level model primarily focuses on the first hypothesis of the chapter. Therefore, the key interest is β_1, which I expect to be statistically significant and negative to support the first hypothesis.

B. Firm level data and estimation method

To provide robustness to the results from the country-level model, and more importantly, to test the second hypothesis, I specified a firm-level model with cross sectional data of Chinese MNEs greenfield investment between 2005 and 2010. The firm-level data was drawn from fDi Markets gathered by the Financial Times. It is comprised of 720 firm level observations in this six year period. The dependent variable here is the sum of invested capital by each firm in a particular year. This is the most direct way of capturing firm level FDI. The subscript k is comprised by

the same controls as the country-level data model described in the previous paragraph. The subscript c includes the following firm-level controls: total assets, age and the annual profit per employee. Our firm level model can be expressed as follows:

$$
\begin{aligned}
Capital\ invested_{k,c,t} =\ &\beta_0 + \beta_1 Political\ proximity\ with\ US_{k,t} + \\
&\beta_2 State\ Equity_{c,t} + \beta_3\ State\ Equity\ \times\ Political\ proximity\ with\ US_{k,c,t} + \\
&\sum_{k=1}^{k=115} \beta_k\ Country\ Controls_{k,t} + \sum_{c=1}^{c=720} \beta_c\ Firm\ Controls_{c,t} + \\
&\sum_{t=2010}^{t=2005} \omega_y\ Year_t + \ \varepsilon_{k,c,t}
\end{aligned} \quad (2)
$$

There are 115 host countries in the sample. In this model, our key interest is β_3. I sought firm level control variables from Global Business, GTA Information Technology. I use an OLS with robust standard errors specification in the estimation.

Due to the fact that the data are drawn from two different sources, this has resulted in some sample attrition (number of observations from 875 to 261 in the full model, a reduction in 70%) that may not be random. I followed the following procedure: First, to investigate potential bias, I used a simple t-test to check variables such as the amount of FDI and country-level controls. I found a small but systematic difference between the missing observations and the available observations. To correct for this bias I included zeroes in the database by creating a dyadic version of it, in which the dependent variable is dichotomous (1 if the MNE invested in the country on that year, and 0 otherwise). I now discuss this "Dyadic" model.

C.   Dyadic data and estimation method

Combining both previous datasets, I created a dyadic dataset that assumes the value of "1" when the Chinese MNE invests in a host-country, and "0" otherwise. This dataset allows us to combine country-level and firm-level controls, as well as to have zeroes in the database to control for potential selection biases of previous models. The dataset is comprised of 9669 observations, and the model is specified as follows:

$$Investment_{k,c,t} = \beta_0 + \beta_1 Political\ proximity\ with\ US_{k,t} +$$
$$\beta_2 State\ Equity_{c,t} + \beta_3\ State\ Equity\ \times\ Political\ proximity\ with\ US_{k,c,t} +$$
$$\sum_{k=1}^{k=112} \beta_k\ Country\ Controls_{k,t} + \sum_{c=1}^{c=609} \beta_c\ Firm\ Controls_{c,t} +$$
$$\sum_{t=2010}^{t=2005} \omega_y\ Year_t + \varepsilon_{k,c,t}$$

The equation models the capital invested by each Chinese firm c in the host country k in the year t. The k term is an index for the host country. The subscripts c and k use the same controls as the models specified before. I employ a logit specification.

It is noted that the models use greenfield investment in both country level and firm level dataset, because they are more sensitive to political risk, official regulations, and political pressure than other types of FDI, such as mergers and/or acquisitions (Demirbag et al. 2008). In addition, greenfield was the main market entry choice by Chinese MNEs, approximately 60% larger than the money invested through M&As in our sample period (Wang and Lu 2016). I do not include FDI of other market-entry modes due to data unavailability.

Empirical results

Table 13 offers the results of the three baseline models, country-level, firm-level, and dyadic level data. In Model 1, the dependent variable is the number of greenfield investment per year at the country level. On

average, each host country received less than a greenfield project a year (0.83) and only two countries received investment in every single year of the sample (Australia and Indonesia). The independent variable for political relations with United States is statistically significant and has a negative coefficient of -0.020. This means that an increase of 1% in the political proximity of the host-country with US translates into a decrease of 2% in the number of projects, ceteris paribus (Long, 2016). The results in Model (1) lends support to our first hypothesis: Chinese investors locate more investment projects in countries with low political proximity with the United States.

In Model 2, the dependent variable is the sum of capital invested by individual Chinese MNEs in million US dollars. I find supporting results for both hypotheses. The interactive variable between political proximity with United States and state equity is statistically significant and has a negative coefficient (-4.77).

While the host country's political distance with the US increases Chinese firms' investment, this effect is only applicable for firms with majoritarian level of state equity. In the sample 71% of the capital invested was under the control of companies with majoritarian state control, which means that the hypotheses apply to a large portion of the sample. The magnitude of the effect can be observed in Figure 22.
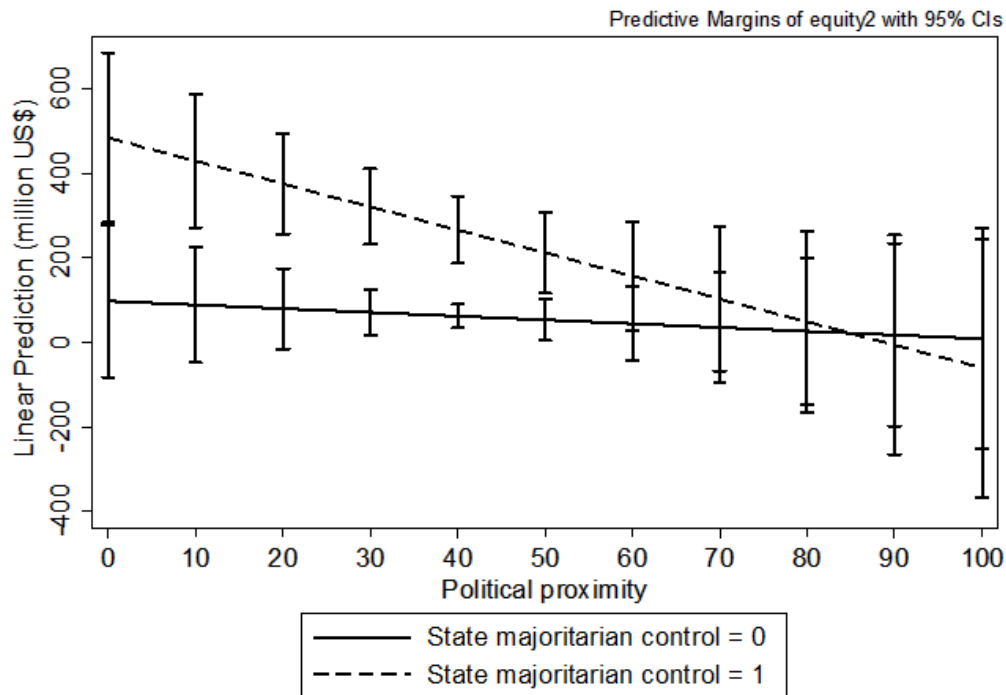
FIGURE 21: Effect of US's political proximity on Chinese investment.

In Model 3, the dependent variable is a dummy that assumes the value of "1" when the company invested in certain country-year, otherwise "0". Once again, the interaction of the political proximity with US and the majoritarian State equity is statistically significant and reports a negative coefficient (-0.0114). For each unit increase in the proximity with US, it is expected a 0.011 decrease in the log-odds of a Chinese investment, holding all other independent variables constant.

From the standpoint of the literature of International Relations previously reviewed, these findings support the hypothesis that FDI is being used by the Chinese government as a soft balancing tool. Models 4 and 5 test an alternative measure for state control over the MNE: being under the control of SASAC (Naughton, 2008). The correlation of both State Equity in the MNEs and SASAC control in the sample is of 0.35. In the sample, 45% of the capital invested was through companies within SASAC. Model 4 has the same specification as Model 2, and Model 5 has

the same specification as Model 3. I confirm the chapter's hypothesis which gives robustness to our findings.

This is a finding that concerns to a recently created domestic institution in China. As the literature has expressed, "SASAC might act as an institutional deterrent, the same way is the Countries and Industries for Overseas Investment Guidance Catalogue published by MOFCOM which has sensitivity criteria for prohibiting investment that jeopardize bilateral diplomatic relations" (Sauvant and Chen 2014: 14).

TABLE 13: *Political Relations with US and Chinese FDI*

	(1)	(2)	(3)	(4)	(5)
	Country level	Firm level	Dyadic level	Firm level	Dyadic level
Political relations with US	-0.020*	-0.165	-0.0057	-2.25	-0.0076*
	(-2.20)	(-0.09)	(-1.42)	(-0.96)	(-2.03)
State equity	–	393.98***	0.320	–	–
	–	(6.60)	(1.10)	–	–
State equity × political relations with US	–	-4.77***	-0.0114*	–	–
	–	(-4.02)	(-2.24)	–	–
Under SASAC control	–	–	–	224.98*	0.74
	–	–	–	(2.40)	(1.49)
SASAC × political relations with US	–	–	–	-8.64**	-0.032***
	–	–	–	(-2.96)	(-3.15)
Total assets	–	0.129	0.00085	0.5207**	0.0012*
	–	(1.19)	(1.48)	(2.89)	(2.04)
Age	–	-1.88	0.0035	-0.106	0.0036
	–	(-1.49)	(0.65)	(-0.07)	(0.77)
Annual profit	–	5.94	0.049**	2.77	0.0511***
	–	(1.58)	(2.95)	(0.62)	(3.41)
Chinese diaspora	-14.55	-545.2	-2.062***	-0.00037	-2.07***
	(-0.42)	(-0.27)	(-3.71)	(-0.52)	(-3.17)
GDP	0.0014	-0.0005	0.00056***	0.2081	0.00056***
	(0.65)	(-0.01)	(6.92)	(1.21)	(6.27)
Distance with China	.	0.0055	-0.00005*	-0.150	-0.000047*
	(.)	(0.30)	(-2.52)	(-1.08)	(-2.43)
Exchange rate	0.00038	-0.0008	-0.000042	0.169	-0.000043

	(-1.65)	(-0.14)	(-1.45)	(1.16)	(-1.56)
Political relations with China	-3.21	95.82	-1.20**	-364.69	-1.239**
	(-1.20)	(1.06)	(-2.49)	(-0.67)	(-2.75)
Exports	-1.29	-79.51	-1.21	-1339.21	-1.191
	(-0.66)	(-0.05)	(-1.43)	(-1.07)	(-1.34)
Natural resources	-0.00773	0.439	0.0044***	-0.395	0.0044***
	(-1.76)	(0.41)	(4.62)	(0.70)	(5.15)
Constant	–	38.06***	-3.22**	2427.15	-3.028**
	–	(8.08)	(-2.79)	(1.45)	(-2.77)
Country fixed effects	Yes	Yes	No	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes
Industry fixed effects	–	No	Yes	No	
Adjusted R squared	–	0.20	–	0.17	–
Pseudo R squared	0.38	–	0.10	–	0.10
Observations	274	355	10138	376	10138

T-tests in parentheses.
Note regarding significance: * p<0.05, ** p<0.01, *** p<0.001.

After establishing the main results, I assess the robustness of the findings through two different tests. The first is to use country level outward FDI data from Taiwan as "counterfactual" to that of China. The idea is that to establish that Chinese FDI is deterred by US political dominance over the host country due to China's unique political and economic position in the world, I need to demonstrate that in a "counterfactual" world this tendency would not exist if it were not for China's unique political and economic position in the world. While a perfect counterfactual is difficult to find, I feel that Taiwan's outward FDI in the same period might serve the purpose for two distinct reasons.

Taiwan was separated from China in 1949 during the Chinese Civil War in which the Communist Party of China (CPC) took power of mainland China and forced loyal forces to the Kuomintang to base in Taiwan, which claim the legitimate government of all China since then. This means that had the political event not happened, Taiwan and China

would have been one country. Secondly, despite inherited similarities between the two, they have distinct political regimes, and their relationship with the US follows very different trajectories. If we find that Taiwan's FDI does not respond in the same way as China's FDI to the US political dominance over the host country, then that would enhance our theoretical argument regarding the political mechanisms that explain the distribution of China's FDI.

I extracted Taiwan's FDI data from UNCTAD. Taiwan has FDI in 27 countries in 2001-2012. I constructed a country level balanced panel data. I find that US political dominance has no statistically significant effect on Taiwan's FDI. The coefficient is positive but not statistically significant. The results are presented in Table 14.

TABLE 14: *Robustness checks. Political Relations with US and Taiwan FDI*

| | (5) |
	Country level
Political relations with US	-0.0798
	(-0.24)
Chinese diaspora	-881.11
	(-1.96)
GDP	0.021
	(0.31)
Distance from Taiwan	0.0255
	(0.19)
Exchange rate	0.00385
	(1.42)
Political relations with China	61.58
	(0.70)
Exports	52.90
	(1.23)
Natural resources	0.0003
	(0.00)
Constant	-333.04

	(-0.23)
Country fixed effects	Yes
Year fixed effects	Yes
R squared	0.47
Observations	352

T-tests in parentheses.
Note regarding significance: * $p<0.05$, ** $p<0.01$, *** $p<0.001$.

The second test that I performed was to replace the independent variable: US political proximity with that of Russia. Although Russia can be seen as a secondary actor in current global hierarchy, a couple of characteristics make it a suitable setting for this falsification test. First, it is a member of the UN Security Council, just like United States and China. Second, it is a former communist country and a member of the BRIC, a key ally of China when it comes to confronting Western international regimes regarding human rights, authoritarian rule, and nuclear power. If the results based on Russia's political relations are consistent with those where we treat US as the "hegemon", then our theoretical arguments would be called in question. But if the results are inconsistent with those based on the assumption that United States is the "hegemon" that would then enhance our theoretical argument that it is US dominance that Chinese investors try to avoid.

The results are presented in Table 15. I basically replicated all estimations that we had in Table 13, but replaced the key independent variable, US political relations with that of Russia. I find that Chinese investment does not "soft balance" towards this secondary (but still relevant) actor in the international arena. The political proximity for Russia is actually positively related to Chinese investment at a firm level. These findings enhance our confidence in our theoretical argument.

TABLE 15: *A falsification test: Political relations with Russia and Chinese FDI*

	(6) Country level	(7) Firm level	(8) Dyadic level	(9) Firm level	(10) Dyadic level
Political relations with Russia	3.95	-1218.16	-2.874	-1395.64	-1.040
	(1.14)	(-1.85)	(-1.22)	(-1.95)	(-1.11)
State equity	−	-770.58*	-1.425	−	−
	−	(-2.05)	(-1.22)	−	−
State equity × political relations with Russia	−	1236.7*	1.351	−	−
	−	(2.25)	(0.94)	−	−
Under SASAC control	−	−	−	131.51	-4.874*
	−	−	−	(0.11)	(-2.17)
SASAC × political relations with Russia	−	−	−	-69.02	5.490*
	−	−	−	(-0.05)	(2.06)
Total assets	−	0.0496	-0.0002	0.2624	0.00036
	−	(0.26)	(-1.59)	(1.23)	(1.29)
Age	−	-1.555	0.0044	0.1050	0.00116
	−	(-0.94)	(0.93)	(0.09)	(0.23)
Annual profit	−	6.739	0.0866***	5.131	0.04844**
	−	(1.76)	(6.08)	(1.26)	(3.00)
GDP	0.0013	0.1952	0.00043***	0.1613	0.00029***
	(0.60)	(1.71)	(5.72)	(1.39)	(5.09)
Distance with China	.	0.647	-0.000079***	0.7207	-0.000047*
	(.)	(1.44)	(-4.01)	(1.54)	(-2.59)
Exchange rate	-0.00035	0.192	0.000031	0.176	0.000021
	(-1.09)	(1.00)	(1.35)	(0.82)	(1.04)
Political relations with China	-5.13	-282.73	0.246	-292.51	-0.0292
	(1.95)	(-0.84)	(0.57)	(-0.77)	(-0.08)
Exports	-1.44	-571.31	-0.479	-707.93	-1.285
	(0.33)	(-0.34)	(-0.70)	(-0.41)	(-1.64)
Natural resources	-0.00000064	-0.7701	0.0064***	-0.189	0.0046***

	(-1.59)	(-0.76)	(5.90)	(-0.18)	(4.88)
Constant	.	-5978.81	-8.921***	-6709.93	-3.44*
	(.)	(-1.29)	(-4.86)	(-1.40)	(-2.71)
Year fixed effects	Yes	Yes	Yes	Yes	Yes
Country fixed effects	Yes	Yes	No	Yes	No
Industry fixed effects	−	No	Yes	No	Yes
Adjusted R squared	−	0.37	−	0.31	−
Pseudo R squared	0.38	−	0.08	−	0.07
Observations	274	385	11108	378	12798

T-tests in parentheses.
Note regarding significance: * p<0.05, ** p<0.01, *** p<0.001.

Discussions and conclusions

In this chapter I have provided theoretical arguments and empirical evidence of how political factors regarding the power distribution of the international system influenced Chinese firms' investment. I found that distant political relations between the host and the US serve as an incentive to Chinese firms' under strong State control willingness to invest. Related to chapter 2 these findings give strength to the accommodation argument.

These results have significant implications to theory and practice. The political economy view has not been considered in studies of OFDI from China, which have predominantly focused on economic, institutional, and geographic factors. I incorporate theoretical concepts from international relations theory to understand this under-explored phenomenon of international business. If the United States retains its economic and military primacy under unipolarity, maintaining the power gap with other powers, then it can continue to enjoy the luxury of a unilateral

policy without worrying about hard balancing from others. The best other powers can do under unipolarity "is to attempt soft balancing to constrain United States' power rather than asserting a military challenge" (He and Feng 2008: 394)

The empirical findings give substance to soft balancing theory by demonstrating that major powers are likely to adopt actions that do not directly challenge US military preponderance but that use nonmilitary tools to delay, frustrate, and undermine aggressive unilateral US military politics. While previous studies find that political affiliation of SOEs with the central government has played an important role in facilitating SOEs' overseas expansion (e.g. Duanmu 2014), this research demonstrates that the benefits do not come without expense. What is clear is that the visible hands of the Chinese government exert significant influence on its SOEs' OFDI. Recent large infrastructure investments projects have shown the political variable to be highly relevant, as the projected transoceanic canal that crosses Nicaragua which is intended to compete with the Panama Canal (Daley 2016).

China, furthermore, might be interesting in "buying friends" through FDI, and those countries with less influence by US might be the easiest to seduce with large infrastructure projects. An important implication of the results is that US global dominance has long been embedded in the current economic globalization commencing after WWII. But if the world political order were to change, i.e. US influence may decline as did United Kingdom's after WWI, US influence on the distribution of FDI may diminish, which does not mean that we should not consider the political economy of globalization but that we should theorize how the new political order may replace the old regime and influence the trajectories of it.

Chapter 4 – Winning hearts in Latin America: understanding Pro-Chinese sentiments as a counterweight to American hegemony through survey data

The evidence presented in Chapter 2 shows that during the first years of the 21st century China had become a major actor in Latin which posed geopolitical challenges to the region in light of the long-standing American presence. Which are the effects the Chinese assertiveness has had on citizen's perception of proto-bipolarism in the region? This chapter returns to Latin America, since there is still a gap in the literature regarding how public opinion perceived the trend discussed in previous chapters, something surprising considering that public opinion nowadays plays a relevant role in the formulation of foreign policies (Sobel 2001; Foyle 2004).

The China-driven commodity boom that initially caught the attention of scholars regarding China's engagement in Latin America became a long-term boon (see Ferchen, 2011) during the Obama doctrine as relations went far beyond trade to include financial and political components. Chapter 2 has already mentioned that, for example, Beijing got involved

in the most ambitious projects of infrastructure in the region[28], and several Latin American countries established strategic partnerships with China via bilateral cooperation agreements that range from science and technology cooperation to cultural exchanges. This chapter examines the social consequences of Chinese economic statecraft which might have worked also as a tool of soft power – i.e. "the ability to shape the preferences of others through appeal and attraction in a non-coercive manner" (Nye, 2004; Hunter, 2009). These two dimensions are the result of China's increasing wherewithal that allowed it to pay attention to Latin America, a region which was, until the 90's, an exclusive area of US hegemonic influence (see chapter 1).

To a significant extent, the relative capabilities of both countries have followed opposite trends in the last three decades, as seen in Figure 4 and Appendix 1 of the first chapter. In the last decade, China found in a position of using its growing economic and diplomatic resources to exert influence in areas such as Africa and Latin America. In the aftermath of the foreign policy shift followed by the 9/11, the US moved towards a rollback position and therefore exacerbated its disengagement with Latin America. This context, opened the door to China to step in the region with its tempting economic means.

In Chapter 2, I departed from the assumption that a hegemon must combine military, economic and ideological elements to support its political supremacy and that among these three factors, historians have noticed that the economic component of hegemonism is key to maintain both military and ideological primacy in the long-term.[29] By 2014, China was

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[28] (a) three nuclear plants and the improvement of trains in Argentina; (b) a transcontinental train between Brazil and Peru; (c) one of the largest oil refineries in the region in Ecuador; (d) the Toromocho project administered by the Chinalco mining in Peru; (e) a project to create a transoceanic canal in Nicaragua, and (f) a LAC-China Infrastructure Fund in partnership with the Interamerican Development Bank (IDB).

[29] Paul Kennedy, The Rise and Fall of the Great Powers (Lexington: Lexington Books, 1987). Robert Keohane defined economic hegemony as entailing, "control over capital, markets, and raw materials". In other terms, economic hegemony requires a certain degree of political control over trade and financial markets in a certain region.

already the region´s second largest trade partner (Trademap, 2015) and second largest investor, only behind the European Union (in flows, not stock, where it remains far behind US, European countries and Japan) (ECLAC, 2015). Furthermore, between 2005 and 2015, the China Development Bank and the China Export-Import Bank became important sources of funding, which have allowed some Latin American countries to skirt their penalization in global capital markets and Western international financial institutions, such as the IMF and the World Bank (Gallagher et al., 2012).

While the literature on Latin America-China relations grew exponentially, to my best knowledge there is no research carried out in order to understand how Latin Americans perceive China's new protagonist role in light of a potential US-China rivalry for influence in the region, and, if this perception has affected their overall evaluation of Chinese engagement with their countries. Research on this type of issues is also very incipient for other countries (see Scotto and Reifler 2016). In this chapter, I use survey data from *The Americas and the World Project* (TAW) applied in 2015 on six Latin American countries, totaling 6829 observations, to put to test two hypotheses derived from the findings of previous chapters: (1) the appraisal a person will do of China's relations with its home country will be more positive if China is perceived as being an alternative to counterbalancing US's influence and ; (2) the former effect will be mitigated if the person has a negative opinion about the Chinese diaspora living in his/her home country.

The next section of this chapter presents a discussion on China's presence in Latin America from the standpoint of public opinion and identifies two hypotheses that flow from it. Subsequently, the chapter outlines the empirical approach to evaluating the hypotheses. Using the aforementioned surveys applied in six Latin American countries, I test empirically the two hypotheses using ordered logistic models. This is followed by a discussion of the results from the statistical analysis. The chapter

concludes by highlighting the policy implications of the findings and defining a research agenda.

Why would the Chinese assertiveness in Latin America affect public opinion?

It has become nearly conventional wisdom that China's rise represents a significant change in the global distribution of power. Indeed, the figures are telling. For over three decades, GDP in China has growth nearly ten per cent a year and it has lifted over eight hundred million people out of poverty. This represents the fastest sustained expansion by a major economy in history. It also has the biggest banking sector and its stock market is second only to the United States. China is now top trade partner of twice as many countries as the US and its economy and its military budget are the world's second-biggest. For all its current economic constraints, China has definitely secured a prominent place in world politics and will remain one of the few states with the potential to alter the strategic landscape in the years to come.

Yet, China's rise resists facile classifications. China may be a global power, but it has so far been reluctant to transform its wherewithal into a more coercive diplomacy, and it has consistently avoided being seen as having hegemonic pretensions. As I discussed in Chapter 1, even describing Chinese rise as assertive has been a matter of great academic debate. Beijing has also embraced, both domestically and abroad, the logic of capitalism, but it has been reluctant to endorse any kind of democratic overture. In the last decade or so, China has been, and will continue to be, an outspoken stakeholder openly discussing issues such as arms control, global trade, climate change or nuclear proliferation, but it did it so from a highly elaborated and deeply entrenched local standpoint, namely nationalism,

autonomy, and development. Last, China has developed a complex, sophisticated network of South-South cooperation partnerships in order to play with alternative arrangements to those designed by the West, yet it has avoided direct confrontation with Northern, established democracies (recall Chapter 3 findings, for example). The fundamental ambiguities that China exhibits today might explain why its assertiveness has attracted large proportions of media, diplomatic and scholarly audiences.

Within the discipline of International Relations, the emergence of China has followed predictable lines, but the more telling discussion is about the shifting balance of power between China and the US and its implications for global stability. The literature exploring this dynamic is rich and complex, although it can be organized along two competing narratives. The first narrative is the pessimistic one and puts together hegemonic stability theory (Gilpin 1981), power transition theory (Organski 1958; Lemke 2004; Tammen and Kugler 2006; Lim 2015) and offensive realism (Mearsheimer 2001, 2010).

These theories agree that as the Chinese economy continues to grow, political rivalry and confrontation between Beijing and Washington will only increase and such struggle for status may probably end up with hegemonic war. This view implies that, unless China's economy is able to grow without disturbing other powers' spheres of influence – as the United States grew to the Pacific, the Caribbean and Latin America in the late 19th century–the Chinese geo-economic expansion will increasingly challenge United States trade and financial hegemony. An agreement on spheres of influences is essential for a peaceful change (Gilpin 1981, 207), and since these agreements are hard to obtain, this theoretical camp draws parallels between the Chinese assertiveness and the bellicose ascent of Wilhelmine Germany.

The second narrative has a more optimistic tone. Proponents of balance of power theory, power diffusion, and defensive realism (Schweller and

Pu 2011, Zakaria 2011; Mastanduno 2009), together with most non-realist scholars (Buzan and Cox 2013; Ikenberry 2009) believe that the stability of a future bi- or multi-polar world is possible if China decides to respect "the rules of the game" (Yeophantong 2013) and "not to challenge other powers in their hemispheres" (Odgaard 2013, 239). This second camp emphasizes the similarities with the smoother American rise in the 20th century and believe that the logic of global capitalism and the growing interdependence between China and the United States are drawing these countries into a thickening web of institutional arrangements, reducing therefore the incentives for conflict on both sides.

Being the backbone of United States hegemony in the Western Hemisphere, Latin America provides unique conditions for those trying to discern whether China will undermine such hegemony – i.e. behaving as a challenger or 'revolutionary revisionist'– or accommodate to it, as a status quo or a 'reformist revisionist' (Buzan 2010) power would do. China's increasing relations with Latin America has been a game-changer for the region. It is, in 2015, the largest trading partner for Brazil, Chile and Peru and the second destination for exports from Argentina and Venezuela. Further, China, has entered into several free trade agreements, including Chile (2006), Perú (2010), and Costa Rica (2011). Yet, it is little known how the Chinese 'going out' strategy has been perceived by public opinion. From public opinion surveys carried out in the region we know two things: (a) that China enjoys a positive image in Latin America (Figures 23 and 24) and that (b) the image of the United States is very ambivalent, that is, it has a large variance (Figure 25 and 26). What we do not know, however, is if these two are correlated and understanding this relation is the gap this chapter tries to bridge.
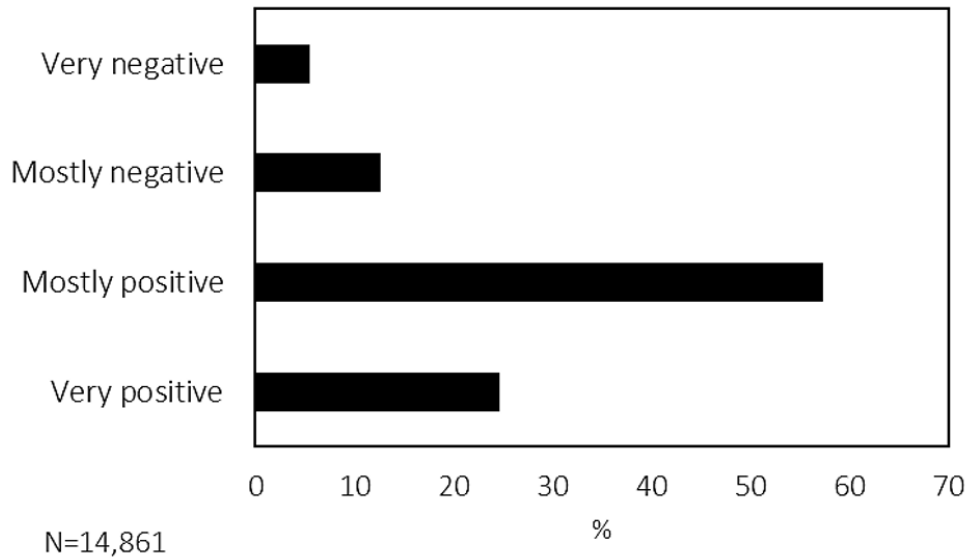
FIGURE 22: How would you rate the relations between your country and China? (2015). *Note:* Elaborated by the authors using data from Latinobarometer. This figure adds up all 18 countries.
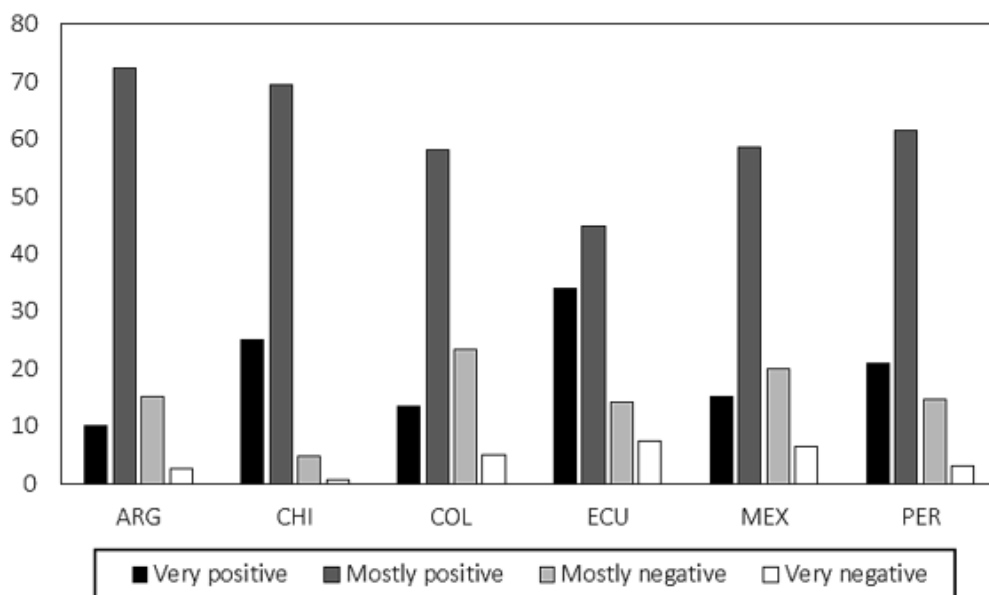
FIGURE 23: Figure 23 disaggregated for the countries of this study. Source: Elaborated by the authors using data from Latinobarometer.

There are two observations to make from figures 4 and 5. First, that the average perception towards the US has remained relatively stable during the last 20 years, and that at simple view it is not negative as expected. Second, that the mean itself has any value without also looking at its

standard deviation, as perceptions variate enormously within the existing the sample. When we look at the latest available data for the countries in our sample, we observe that the dotted lines, containing 95% of the values, include both very positive and very negative appraisals, and they all have similar means and distributions.
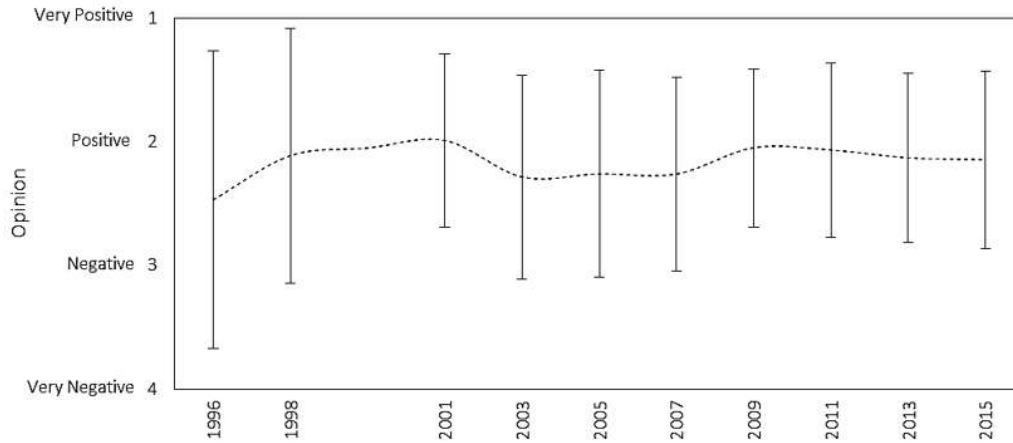
FIGURE 24: Average opinion about the US in Latin America per year.
Source: Elaborated by the authors using data from Latinobarometer. The vertical lines represent two standard deviations from the mean. N=167,560.
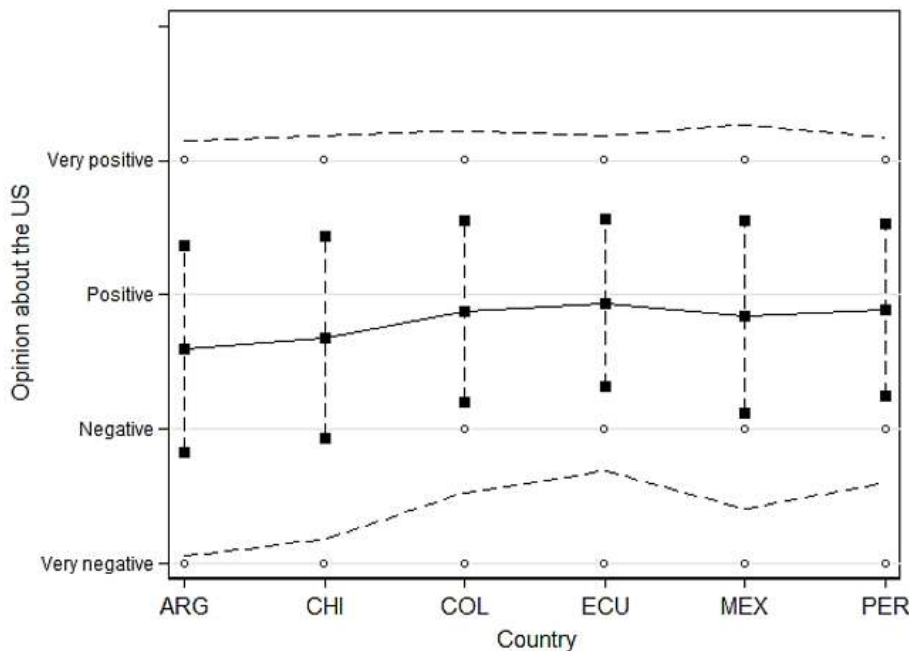
FIGURE 26: Average opinion about the US in 2015 by country.
Source: Elaborated by the authors using data from Latinobarometer.

Taking these figures as a starting point, and before moving to testing the chapter's hypotheses, some conceptual clarifications should be made. Anti-Americanism is a longstanding phenomenon that transcends borders and that can be briefly defined as a "psychological tendency to hold negative views of the United States and of American society in general" (Katzenstein and Keohane, 2007: 16). As a way of an example, not only in the Arab world (Rubin, 2002) or Russia (Shiraev, 2000), but also in regions in which the United States has stablished more friendly relations, such as Europe (Gienow-Hecht, 2006), anti-Americanism has been a constant in large sectors of many societies. Nevertheless, even when it may appear to be one of many, Latin American anti-Americanism is unique in its case. In this regard, following Rubinstein and Smith (1988) theoretical framework, there can be distinguished among three main types of anti-Americanisms in the region[30].

In the first place, the most extended way of anti-Americanism among Latin Americans is the one we can define as issue-oriented, a pattern of outbursts directed against US policies and actions itself. Since the emergence of Monroe doctrine, Washington has explicitly declared that Latin America was part of its area of influence (Dent, 1999) and, consequently, has interfered in the region in many opportunities when its interests were under threat (Smith, 2008; Long, 2015). Hence, besides American real intentions, a considerable proportion of Latin Americans have historically perceived that United States actions reduced their countries' autonomy and development (Sweig, 2006), boosting an anti-American feeling extended equally among intellectuals and elites (Radu, 2004), as well as the average population (McPherson, 2004: 147).

Secondly, other variant of anti-Americanism is what the authors describe as ideological, a belief that the United States is the villain in the world and

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[30] In fact, the authors distinguish between four types. Nevertheless, we will not consider the revolutionary one – trying to take from power regimes supported by the United States - because with the exception of *Sandinismo* in Nicaragua, none revolutionary movement arrived to power in Latin America through the weapons, strategy that in turn seems less probable in our days.

that American society epitomizes decadence and godless materialism (Rubinstein and Smith, 1988: 39). In this case, the core of critics are not American policies itself, but a cultural imperialism that would corrupt traditions through the expansion of the American way of living. Even when nowadays this type is much more common between radical Islamic movements, ideological anti-Americanism has fueled leftist movements all around Latin America, being the Cuban revolution and armed branches of leftist political parties during 70s the clearest example of this type.

Finally, we can also see all around the region and in different periods of time, how anti-American sentiments have been activated by several political movements in order to take advantage in the electoral domain. From the slogan "Braden o Peron" in Argentina during the 40s (Dorn, 2006), up to Hugo Chavez famous discourse at United Nations in 2006 in which he called then president G.W. Bush "the devil", anti-Americanism has been used instrumentally with the objective to mobilize domestic support. Therefore, anti-Americanism has been a site used mainly by populist movements in order to construct a discourse of "us-el pueblo" in contrast with "them-el imperio" (Laclau, 2005).

Upon this review, and given the longstanding anti-American sentiment among Latin Americans and its different sources and subtypes, I expect that for the period of study

Hypothesis 1: The appraisal a person does of China's relations with its home country will be more positive if China is perceived by that person as being an alternative to counterbalancing US's hegemonic influence;

In addition, besides controlling for socioeconomic and political variables that have previously shown to affect political attitudes towards domestic

issues[31], I believe that there might be other variables that should be considered in our analysis in the case of foreign affairs, due to its particularities. Since its inception, the traditional literature on public opinion and foreign affairs suggested that the average citizen has low interest and inconsistent perceptions about foreign issues (Lippmann, 1932; Almond, 1970). Since the 80s, however, what used to be known as the Lippmann-Almond consensus started to be contested. More recent studies have shown that foreign policy problems may gain more salience during electoral periods (Aldrich at al., 2006) and, therefore, that public opinion attitudes are taken into consideration by policymakers while formulating foreign policy (Foyle, 2004).

On the other hand, through a longitudinal analysis, Page and Shapiro, among others, have found empirical evidence that for the American case public opinion perceptions regarding foreign policy were more stable than was previously thought (Shapiro and Page, 1988; Page and Shapiro, 1992). Departing from this new evidence, the question moved from whether it was relevant to study public opinion and foreign policy, to which are the determinants that explain public opinion perceptions on this topic.

As stated for any domestic issues, perceptions about foreign affairs can be explained in part by socioeconomic and ideological preferences at the individual level. Notwithstanding, context also matters and the role mass media displays on shaping public perceptions on foreign issues is outstanding (Hill, 2003). In the end, most citizens do not have direct contact with what happens on other countries and mass media is the only channel through which they receive information about foreign affairs (Soroka, 2003). Without entering on the discussion about how media can influ-

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[31] As a way of an example, traditional literature on public opinion and political knowledge has shown that variables such as the level of education (Galston, 2001), income (Carpini and Keeter, 1993), gender (Mondak and Anderson, 2004) and ideology (Michaud et al., 2009) might explain differences on political perceptions at the individual level.

ence public perceptions, we would like to pick an idea about the afore-mentioned argument: the average citizen has no contact with foreign affairs and the sources of information it has about other countries are limited (Puglisi and Snyder, 2008: 3).

However, there is a source of contact at the domestic level with the foreign word, namely, the immigration diasporas. For much of the average population, all the knowledge they have about a foreign culture is reduced to what can be accessed in their own cities via culinary experiences, appraisals of the level of education and respect for social norms of these diasporas, their appearance and way of speaking. Having said that, my intuition is that:

Hipothesis 2: The effect expected on Hipothesis 1 was mitigated if the person had a negative opinion about the Chinese diaspora living in his/her home country.

The World Bank estimates that in 2013 there were 247 million China migrants in the world (World Bank, 2016), and that Chinese migration to Latin America has increased over the past fifteen years. As we can see in Figure 27, the big jump in migration has been in recent years, with the latest data available for 2013.
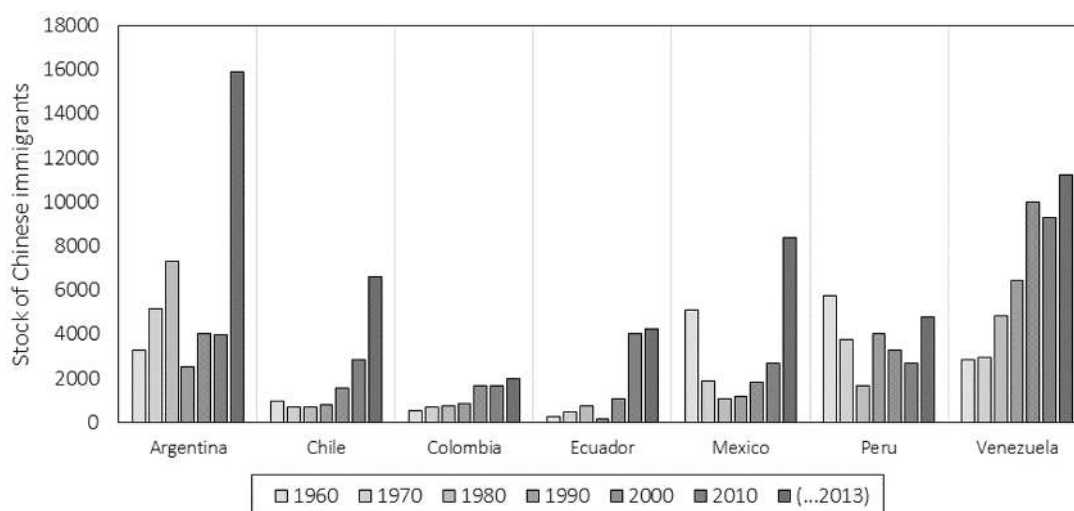
FIGURE 27: Growth of Chinese diaspora in Latin America.

Data from the World Bank matches with recent estimates by the United Nations (2016), so we can be quite confident about these estimates (see figure 28). It is important, though, highlighting that these are estimates on first-generation migrants, and not on the whole diaspora, which can be much harder to estimate. If one walks around Lima, Perú, the sensation is that Chinese diaspora is very large due to the fact that it has very deep historical roots.
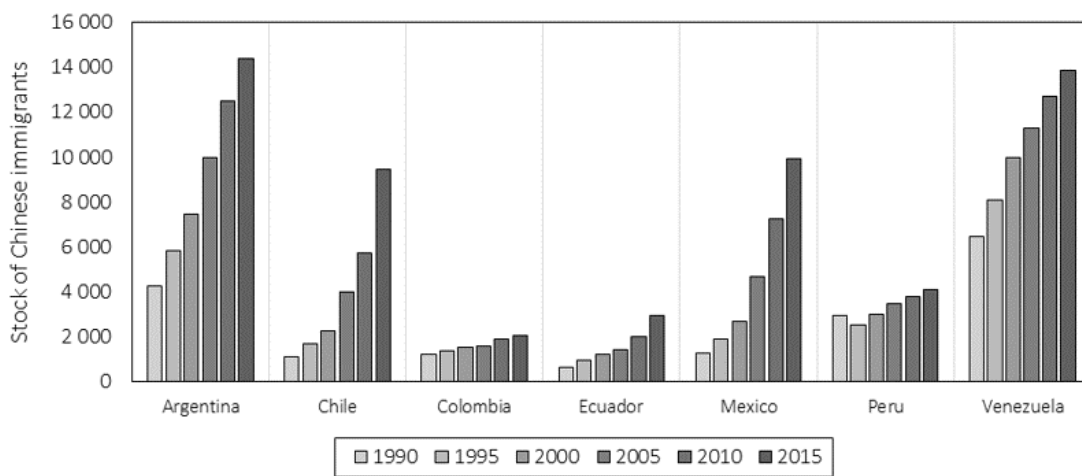
FIGURE 28: Growth of Chinese diaspora in Latin America.
Source: United Nations (2016).

According to these sources, the largest Chinese diasporas are in Argentina and Venezuela. However, it is in Chile, Ecuador and Mexico where migration has grown the most in percentage terms relative to the 90's. This phenomenon of strong growth in recent years has generated some episodes of xenophobia in cities like São Paulo (Marques, 2016), Lima (El Comercio, 2012) and Santiago de Chile (Novoa, 2015). Also in Chile is where Chinese diaspora is the largest relative to total population, followed by Venezuela and Argentina (see Table 16).

TABLE 16: *Chinse diaspora in comparative perspective*

	% growth since 1990	As % of total population in 2015
Argentina	348%	0.035%
Chile	744%	0.045%
Colombia	94%	0.004%
Ecuador	811%	0.022%
Mexico	657%	0.007%
Peru	27%	0.014%
Venezuela	95%	0.040%

Source: Elaborated by the authors using data from World Bank (2016) and United Nations (2016)

The existing peer-reviewed literature on Chinese immigration varies from country to country and the figures reported by these works on the size of the diaspora often do not correspond with those estimated by the data we used.

In Peru, for example, where the history of Chinese immigration dates back to the 1850s when 100,000 Cantonese were brought to work on plantations– these Chinese were locally known as 'coolies', nowadays used as a demeaning term for Asians in general—and replace slave labor after abolition (Stewart & Juilland, 1976) over the decades coolies were assimilated to local population, and in major cities, especially Lima, Chinese communities had strong economic weight in the commercial sector. Because many Chinese are second and third generations, official figures underestimate this historical Chinese migration phenomenon. In addition, in the social imaginary, people confuse Chinese and Japanese descendants, and they tend to be seen as the same thing. A good example of this is that Japanese ex-president Alberto Fujimori was known as "El Chino" ("Chinaman").

Another difficulty comes at distinguishing migrants from mainland China and Taiwanese. There is academic works on this topic coming from Argentina, mostly specific to the city of Buenos Aires where the

Taiwanese diaspora is the largest in the country and probably in the region (Bogado Bordazar, 2012)

Chinese immigration in Argentina started strong in the 80´s and while during this period most of the immigrants were of Taiwanese origin, during the 90´ immigrants this trend reversed and most immigrants arrived from the continent. In the last ten years or so, the Chinese community has turned toward managing small supermarkets (there are more than ten thousands now dotted throughout the country). This economic activity is strongly rooted in the imaginary that Argentines have of the Chinese living in the country (Trejos & Chiang, 2012; Denardi, 2015).

Research design

This chapter examines Latin American perceptions regarding the US-China geopolitical rivalry by using data from a survey conducted in 2015 in six Latin American countries, namely Argentina, Chile, Colombia, Ecuador, Mexico and Peru. This survey is, at the time this chapter is being written, the latest conducted under TAW Project, an ongoing research project aimed at studying public opinion and political culture in the Americas on key issues in foreign policy and International Relations. It is led by the Mexican Centre for Research and Teaching in Economics (CIDE), which collaborates with selected universities in all countries relevant to our study[32]. For each of them national representative samples

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[32] The following institutions were involved in the project: Universidad de San Andrés (Argentina); Instituto de Relações Internacionais da Universidade de São Paulo (Brazil); Universidad de Chile (Chile); Universidad de los Andes (Colombia); Facultad Latinoamericana de Ciencias Sociales (Ecuador); Centro de Investigación y Docencia Económicas (México); Universidad Católica del Perú (Perú). We excluded Brazil from the simple since the question we used to create our dependent variable was not asked.

were built, considering each country's specificities and following strict methodological criteria[33].

As a dependent variable, it was used a question which captures the perception of Chinese assertiveness in each country individually: "Overall, how would you rate the influence of China in your country, negative or positive?" The original question was ordinal, ranging from very positive (1) to very negative (5). I added up the positive answers into one category and the negative in other and excluded from the analysis those who answered 'nor negative nor positive', which were originally 4.2% of the observations.

As independent variables I considered two questions, and their interaction. To measure if the person believes it is positive if China reaches United States, I took into consideration the question: "In your view, if China's economy grows to be as large as the United States', do you think that this would be positive for the world?" whose answer is "yes" or "no". To measure the person's appraisal of the Chinese diaspora it was considered the following question: "What is your overall opinion on Chinese living in your country?" and created a dummy variable which assumes value '1' when the opinion on the Chinese diaspora is smaller than the average of all other nationalities being asked (American, Spanish, Bolivian, Peruvian, Uruguayan, Equatorial).

As controls I used the appraisal the person did of American influence in Latin America, the person's age, overall evaluation of other diasporas to control for general xenophobic reactions, gender, economic situation, political ideology (as a right left scale) and degree of information on international issues.

TABLE 17: *Description of variables*

Variables	Detail	Type	Mean	SD	Min.	Max.
Dependent variable						
Chinese influence	"Overall, how would you rate the influence of China in your country, positive (1) or negative (0)?"	Dummy	0.78	0.4	0	1

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[33] The samples were geographically representative of rural and urban populations, and socioeconomic variables such as class and income were also taken into account. A total of 10 544 interviews were conducted, comprising the following: Argentina (N=1 030), Chile (N=1 206), Colombia (N=1 500), Ecuador (N=1 800), Mexico (N=2 400), and Peru (N=1 200).

Independent variables

Good if China surpasses US	"In your view, if China's economy grows to be as large as the United States', do you think that this would be positive for the world?" Yes (1), No (0).	Dummy	0.54	0.5	0	1
Chinese diaspora	=1 if opinion about Chinese diaspora is worse than the average opinion of other immigrants	Dummy	0.25	0.43	0	1

Controls

US's influence in Latin America	"on a scale of 1 to 7, where 1 means 'very negative' and 7 'very positive', what's your opinion about US's actions in Latin America"	Ordinal	4.92	1.62	1	7
General appraisal of immigration	Average opinion very positive (1) to very negative (5) of other immigrants (Spanish, American, Chilean, Colombian, Ecuadorian, Bolivian, Peruvian)	Continuous	2.66	0.72	1	5
Age	Person's age in years	Discrete	41.12	16.3	16	92
Gender	Male = 1, Female=0	Dummy	0.48	0.5	0	1
Economic situation	"With the total family income, would you say it enough or not enough to live well?"	Dummy	0.54	0.5	0	1
Ideology	"Where would you locate yourself on a scale of 0 to 10, where 0 means 'politically leftist' and 10 'politically rightist'?"	Discrete	5.2	2.49	0	10

Degree of information	"How much are you interested in news about you country's relations with other countries?" Very interested (1) - Not interested at all (5)	Ordinal	2.01	0.93	1	5

Afterwards I tested for multicollinearity problems among the covariates and found no problematic values. Then, in order to see how the afore-mentioned perceptions affected the idea Latin Americans have from their relation with China, I defined a hierarchical ordered logit model.

Is there a relationship in citizen's perception?

I tested two models, one with the three independent variables to put the hypotheses to test, and a second model which adds the controls. The findings show that both the hypotheses tested in this chapter are confirmed. Regarding the first hypothesis, Latin Americans have a better perception of Chinese engagement in their country when they see with good eyes that US loses pre-eminence in the international arena against China. This finding dialogues with a rich literature of anti-Americanism in the region. Overall, the chances that a person thinks China is a good partner increase more than nine times when the person believes that it would be positive if China reached US in economic terms. These effects are very large in magnitude. Furthermore, for all the countries, the former effect is mitigated when the person has a negative perception of Chinese immigrants. Overall, the chances are reduced roughly by a 38%.

TABLE 18: *Regression models of public opinion*

	Model 1			Model 2		
	Coeff.	P-value	Odds Ratios	Coeff.	P-value	Odds Ratios
Good if China surpasses USA	2.21	0.000	9.12	2.13	0.000	9.42
Negative perception of Chinese diaspora	-0.32	0.000	0.72	-0.41	0.000	0.64

Good if China surpasses USA x Chinese diaspora	-0.40	0.002	0.66	-0.45	0.001	0.62
Controls:						
US's influence in Latin America	–	–	–	0.11	0.000	1.09
General opinion of immigrants	–	–	–	-0.40	0.000	0.70
Age	–	–	–	-0.007	0.002	0.99
Male	–	–	–	0.07	0.942	1.00
Income	–	–	–	-0.001	0.451	1.00
Ideology	–	–	–	0.03	0.035	1.03
Degree of information	–	–	–	-0.09	0.034	0.91
Constant	–	–	–	1.17	0.000	2.56
Number of observations		6829			4455	
Number of countries		6			6	
LR test against logistic model		0.000			0.000	
Chi-squared test		0.000			0.000	

These findings prove that the dynamics observed in chapter 2 had domestic effects in Latin American countries, and is shaping the way citizens perceive American hegemony in the region. The following two chapters will explore domestic effects of the China assertiveness, looking not at regular citizens but to political decision makers.

Chapter 5 – The destabilizing effect of China in Mercosur: Evidence from the political elites' perceptions[1]

In chapter 2 I discussed empirical evidence that supports the main hypothesis of this thesis, namely, that between 2001 and 2015 there was a negative relationship between the Chinese assertiveness and the American hegemony in Latin America. Chapter 4 explored the consequences of those findings on public opinion, finding that citizens were also sensitive to this dynamics. Now, in chapter 5, and also in chapter 6, I explore a different unit of analysis: political decision makers. While politicians share characteristics with common citizens, its role makes them an interesting unit of analysis. This and the next chapter study issues that caught much media attention in 2015 and 2016 whose policy consequences help to understand how China is perceived politically in Latin America.

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[1] This chapter is based on the published article: Urdinez, F., Lopez Burian, C. & Ribeiro, P.F. (2016). *New Global Studies*: https://doi.org/10.1515/ngs-2015-0015. This chapter was written in July 2016, before the FTA between China and Uruguay gained public interest in September, and Uruguayan president openly assumed the country's intention of signing a FTA with China.

China and the 'Uruexit'

Uruguay, with only 3.4 million people, is highly dependent on foreign markets, and trade represents 52% of its economy[2] (World Bank, 2015). The country has long requested that the two largest members of the MERCOSUR, namely Argentina and Brazil, support access to new markets through, on the one hand, the advancement of FTA negotiations between the block and the European Union (EU) and, on the other hand, greater flexibility in the so-called FTA clause (clause 32/00), which would allow members to freely negotiate bilateral treaties with other countries[3]. Currently, I argue, Uruguay is the member that is most willing to push the agenda of making MERCOSUR a more flexible institution in terms of trade integration[4].

Although the United States has historically been the most attractive market for Uruguayan governments, China is also an appealing alternative. In 2006, the president of the Chinese National Assembly, Wu Bangguo, visited Uruguay and began discussions toward pursuing a bilateral negotiation for deeper relations. Both governments signed three agreements: a Chinese preferential loan of 220 million yuan (over US$ 27 million) and two agreements concerning economic and technical cooperation for 20 million and 10 million yuan, respectively (US$ 2.5 million and US$ 1.2 million). During that visit, President Tabaré Vázquez said, "It is virtually agreed that a Joint Commission between the two countries will begin to study mechanisms to improve trade between Uruguay and the People's

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[2] Measured through an openness index: $(X_t + M_t)/GDP_t$

[3] An example of this is the waiver given to countries belonging to the Latin American Integration Association (LAIA) to sign trade agreements, which led to FTA negotiations between Mexico and Uruguay.

[4] There is a debate in the literature on the progress made by MERCOSUR in the process of integration among its members. Although authors cite a rigidity crisis in trade integration, they also mention the progress made in areas such as infrastructure, social issues and political rights (Carranza, 2003; Paiva & Gazel, 2003; Arieti, 2005; Malamud, 2005; Caetano, 2011; Doctor, 2013; Gómez-Mera, 2014; Baer & Elizagaray, 2014).

Republic of China"[5]. Since then, the Joint Commission has advanced trade negotiations through several bilateral meetings in Montevideo and Beijing.

During President Wen Jiabao's visit to South America in 2012, he expressed great interest in discussing an FTA with MERCOSUR members[6]. At that time, Uruguayan president José Mujica argued that "[…] we all know what China means and we should not be ashamed of saying it: the great big buyer and seller of our time"[7]. What Mujica did not say is that every FTA that MERCOSUR had negotiated as a block with large economies had stagnated due to internal discussions among Member States. Would it be possible to negotiate an FTA with China bilaterally? All aling 2016 this topic gained so much attention that came to be known as 'Uruexit' (Martinez, 2016).

This chapter aims at disentangling through case-study techniques the effects of the China-US emerging rivalry in Latin America in the domestic politics of these countries. The structure of this chapter is as follows: In the next section, I discuss the recent history of Uruguay's foreign policy in light of its membership in MERCOSUR and its search for partners outside the region. I then develop our hypotheses, relying on the International Political Theory literature. Thereafter, I explain our empirical strategy and describe our dependent and independent variables. I capture legislators' perceptions through an extensive survey carried out by political scientist Camilo López Burian. The empirical results are then presented and discussed.

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[5] The declaration was taken from the Presidency website: http://archivo.presiden-cia.gub.uy/_Web/noticias/2006/08/2006083014.htm, accessed on May 2015.

[6] By that moment China had signed three FTAs in Latin America: with Chile (in force since 2006), Peru (in force since 2010) and Costa Rica (signed in 2011) (Dosch & Goodman, 2012: 9).

[7] Declaration taken from La Nación (Argentina) (26/06/2012). China asks Mercosur for a free trade agreement. Available at: http://www.lanacion.com.ar/1485264-china-plantea-al-mercosur-un-acuerdo-de-libre-comercio (accessed 06/05/2015).

Trapped between "openness to the world" and "commitment to the region"

Although MERCOSUR has previously considered FTAs with the United States and EU[8], China has become a major foreign actor due to its increasing economic relevance. In Uruguay, for example, in less than 15 years, between 2001 and 2015, China went from the country's 4th to 1st trade partner and, as reflected in Figure 1, trade with China has grown at a faster pace than that with Argentina, Brazil, the EU or the United States in the last decade. In 2014, trade with China was 2.7 times larger than that with the United States and 10 times larger than that with the EU, and China was Uruguay's most important trade partner for both exports and imports, followed by Brazil—its historical main market—and this trend is expected to continue in coming years (UN Comtrade, 2015).
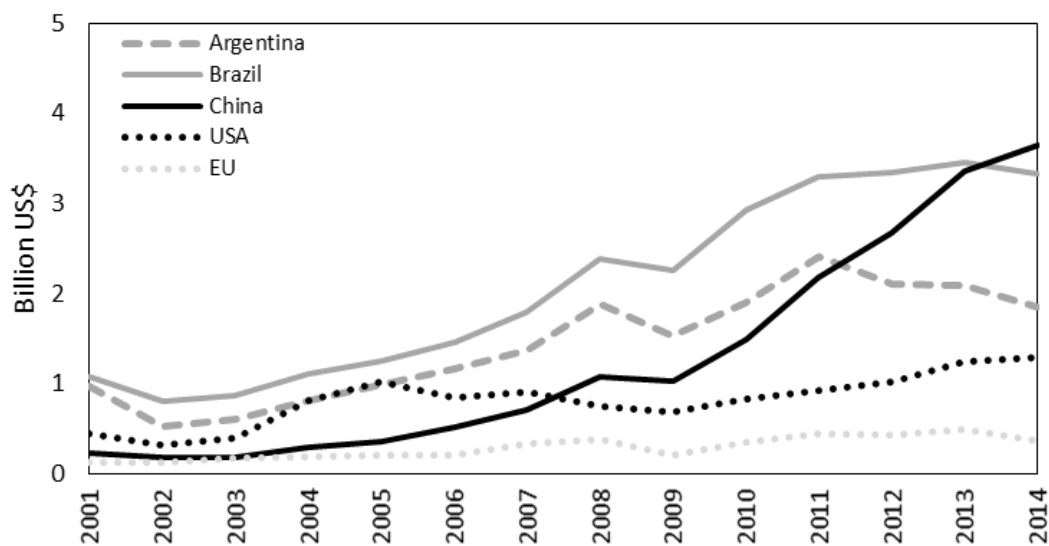
FIGURE 25: Uruguay's bilateral trade with its main partners.
Note: Elaborated using Comtrade data.

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[8] Between 1992 and 1995, progress was made in negotiating an FTA with the EU, which later stagnated, and in 2015—as of this writing—the negotiations continue. Furthermore, in 1991, seeking to move towards an FTA with USA, the Rose Garden Agreement was signed (also called the "4 + 1 agreement") within the framework of the Enterprise for the Americas Initiative, a program intended to increase hemispheric trade, released by President George H. W. Bush in 1990.

In 1999, the devaluation of the Brazilian currency started a crisis among MERCOSUR countries. In Argentina, the economic crisis led to the worst political and institutional crisis in the country's history, and in Uruguay, the crisis also had a marked social impact. The strategy developed by the Member States of MERCOSUR was to re-launch the integration process with the aim of creating an operational common market, an objective that had been postponed since 1991. In this context, in June 2000, the Common Market Council (CMC)[9] approved decision 32/00 (referred as "FTA clause"). Article 1 reaffirmed "[...] the commitment of Member States of MERCOSUR to jointly negotiate agreements of a commercial nature with third countries (or groups of countries) outside the zone in which tariff preferences are granted", and Article 2 stated that one year after the approval of the "FTA clause", the "[...] Member States may not sign new agreements [...] which have not been negotiated by MERCOSUR."

There is a normative discussion regarding the capacity of enforcement of Decision 32/00 because it was not incorporated into the domestic legal systems of any of the MERCOSUR Member States. In sum, those who seek greater flexibility claim that the "FTA Clause" is not applicable for incorporation into national legislation. However, those in favor of MERCOSUR insist on the political importance that the clause has for the integration process. The debate between these different visions continues.

In December 2001, China formally became a member of the World Trade Organization (WTO), which had a substantial impact on its integration into the world economy in the following years (Ianchovichina & Martin, 2001). However, it was not until five or six years later that China

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[9] This is one of the three decision-making bodies of Mercosur. It has decision-making authority over important issues and is composed of the Foreign Ministers and Finance Ministers of the Member States.

surpassed the United States as Uruguay's third main trade partner, and the increasing role played by China in the Uruguayan domestic economy coincided with a declining influence exerted by the United States in the domestic political debate. Before then, the United States was Uruguay's only serious alternative to Brazilian leadership in the region.

From 2000 to 2005, the Uruguayan government was in the hands of the liberal Colorado Party (PC). During his tenure, President Jorge Batlle increased Uruguay's openness to free trade by approaching the United States and distancing the country from MERCOSUR. That foreign policy failed to achieve consensus in the political arena. His campaign for free trade led him to take advantage of a waiver granted by MERCOSUR to its members to sign trade agreements with member countries of LAIA. In this context, in 2003, Uruguay signed an FTA with Mexico[10]. With the leftist Frente Amplio (FA) occupying the presidency in Uruguay after President Batlle's term, the Uruguayan government expressed its opposition to the FTAA during the Fourth Summit of the Americas and aligned with MERCOSUR under Brazilian leadership.

However, between 2006 and 2007, Uruguayan discomfort with MERCOSUR increased. A bilateral dispute with Argentina over the installation of cellulose processing plants on the Uruguay River margin (the border between the two countries) was the main reason for this discomfort (Payne, 2011). In an attempt to resolve the dispute, Uruguay moved closer to Brazil by calling for greater Brazilian involvement to resolve the dispute, which did not occur. In a move that International Relations theory would characterize as a classic bandwagoning strategy (Waltz, 1979), the FA, counting on a parliamentary majority, evaluated the possibility of signing an FTA with the United States and abandoning the regional block.

The proposal came from the more centrist wing of the FA, led by Economy Minister Danilo Astori, who initially had the support of President

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[10] AAP CE No. 60 within the framework of LAIA.

Vázquez and the favorable opinion of the business sectors and the opposition parties. The left wing of the FA, led by the Foreign Minister Reinaldo Gargano, combined trade unions and a set of neo-developmentalist intellectuals who opposed the proposal. Fears of economic retaliation from Argentina and Brazil influenced the decision. Finally, the president ended the negotiations under the justification that the proposed terms were not beneficial for the country (Garcé 2014).

As trade increased (see Figure 26), China began to be considered an appealing partner, particularly because efforts to strengthen ties with the United States had already proven to be a failure. In 2009, Uruguay recognized China as having Market Economy Status within the WTO during President Vázquez' official visit to Beijing. Between 2013 and 2014, under the government of José Mujica, Uruguay began to discuss the possibility of Uruguay becoming a full member of the Pacific Alliance, an alternative that would give Uruguay greater access to the Pacific, and in particular, to the Chinese market[11]. The proposal, as in the case of the FTA with the United States, was promoted by then Vice President Danilo Astori, leader of the centrist wing of the FA. Both the National Party (PN) and the PC, together with the business sector, considered this a beneficial proposal. The left wing of the FA objected, insisting on the importance of respecting the rules of MERCOSUR and the costs of political isolation from Argentina and Brazil.

Currently, there are two opposing viewpoints within the FA. The left wing of the FA, favoring regionalism, leans towards Brazilian leadership and encourages South-South relations. The center-right wing of the FA, by contrast, supports a model of "open regionalism", a euphemism that means more flexible rules within MERCOSUR to allow bilateral negotiations of trade agreements with third countries. The right-wing parties, PN and PC, advocate for relaxing the block's "FTA clause", and among

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[11] Despite China being merely an Observer and not a full member. The Member States are all Latin American countries with coastlines on the Pacific Ocean: Chile, Colombia, Mexico and Peru.

its most radical members, leaving MERCOSUR is a tempting idea (López Burian 2015).

The current political debate in Uruguay on international insertion focuses on "openness to the world" versus "commitment to the region". In the FA government program for the period 2015 - 2020, China is described as an actor of great importance, both commercially and politically, at the international level[12]. Overall, it is described as an attractive partner, but potential asymmetries and the importance of maintaining political and economic sovereignty during negotiations is also highlighted[13]. China went from being an insignificant partner to the main trade partner through its active engagement in the region in terms of trade, foreign investments and financing (Urdinez et al, 2015).

Formalizing a hypothesis on Brazil-China competition in Mercosur

This chapter will understand foreign policy decisions as a two-level game. This implies that domestic politics condition (and are conditioned by) foreign policy. The actors, in both arenas, are individual or collective. These actors formulate goals that guide their strategy, rationally using

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[12] "China participates in the main international organizations—both economic and political—on an equal footing with other powers. We regard a China growing in Africa, where it is the main economic partner, a China that expands its Foreign Direct Investment in Southeast Asia, and a China that is increasing the dynamism of the economies of Latin American countries. In this regard, the relationship with China must account for the principles of fairness and respect for political and economic sovereignty. China must understand its new role as a promoter of the global economy, as a new factor of equilibrium between powers and as an alternative to enable mutual growth. Commercial, cultural, touristic, political and military agreements with China must be mutually advantageous and recognize the asymmetries between the two "(FA, 2014: 140-141).

[13] "Any negotiation to conclude bilateral or multilateral trade agreements should ensure the needs and objectives of national development. The terms on which they agree to negotiate in areas such as competition rules, government procurement, intellectual property, services or technical barriers to trade should not impair the country's sustainable development, its labor sources or its power to implement public policies. Particularly, it should not affect the strategy of integration that has been taking place, especially our priority of belonging to MERCOSUR" (FA, 2014: 146).

their resources to implement it. Furthermore, they are interrelated within institutional frameworks, which define both formal and informal rules (Acuña and Chudnovsky, 2013). From these definitions, countries' preferences are expressed by an array of actors: political parties, their factions and their legislators, are major domestic players in the Uruguayan case. The reason is that in Uruguay, the Foreign Service is not an isolated bureaucracy; hence, corporations, unions and business actors use political parties as the main agents for mediating and representing their interests. Reviving Ikenberry's (1996) classic definition of leadership, a regional leader must: (a) possess the aspirations and resources necessary to assume such a position; and (b) enjoy recognition and acceptance from its neighbors, especially by other regional middle powers, which are the only ones that could counterbalance its power. Using this definition as a guide, we analyze if Uruguayan policymakers recognize Brazilian leadership *vis a vis* the material goods China provides the small nation. From a constructivist standpoint, the idea of leadership is not merely a title but a construction that depends on both the leader's own aspirations and the recognition of its followers. As Wehner (2015) puts it, to lead means that the leader's initiatives are based on a symbolic legitimacy that exceeds its material capabilities, which in turn would explain why other regional nations consent to be led. When we apply this thinking to our own analysis, we argue that Brazil's role does not exclusively depend on its self-awareness as the dominant material power in the region. It also depends on other nations' perceptions of itself, specifically whether or not the other regional actors recognize Brasilia as holding this specific status. In addition, Brazil's functionality as a leader depends on whether the secondary powers either support or resist its desire for greater global power (Wehner 2015:438).

There were reasons, at least until mid-2015, to theorize that the perception a legislator has of Brazilian leadership would influence the likelihood of supporting an FTA with China. Brazil emerged in the last two decades

as the most powerful country in South America, economically and politically (Schenoni, 2014) which raised great interest among International Relations scholars[14]. At the height of its international projection during Lula's government (2003-2011) it attempted to promote IBSA forum (de Oliveira & Onuki, 2010; Schor, 2014), interfere as a mediator in the Iranian nuclear program (Jesus, 2012), and even get a seat in the Security Coucil of United Nations (Mendes, 2015) In recent years, however, China has been regarded as a natural competitor of Brazil in South America, the latter's area of natural influence (Vadell, 2013; Jenkins, 2014; Burges, 2015) and China represents a potential partner for Uruguay to balance against Brazilian influence (Waltz, 1979; Genna & Hiroi, 2005; Merke, 2015). China, at the same time, has used trade agreements and its economic weight as a strategy of Soft Power (Houlden & Schmidt, 2014).

The role attributed to Brazil in the regional integration process also has normative implications. For example, Brazil has been identified as the leader in the South American region (Saraiva, 2010) the exponent of a "post-liberal regionalism project" in South America (Sanahuja, 2010) and a country that could improve the "regionness" in South America (Hettne & Söderbaum, 2006). For all these reasons, a congressman in favor of Brazilian leadership could be considered less likely to support any initiative that could potentially hamper this leadership.

The first hypothesis I want to test in this chapter is

Hypothesis 1: those Uruguayan politicians who disagree with the affirmation that Brazil has to be the regional leader will be more likely to support an FTA with China because most will regard it as an opportunity to balance against Brazilian power in the region.

I assume that regional economic integration produces winners and losers (Venables, 2003), and such losers are willing to break their commitment

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[14] The literature on Brazilian leadership peaked in 2010 but has steadily diminished since then which, I assume, is a sign that the idea is now being revisited by scholars.

to remain members of an agreement if the benefits of doing so exceed the costs (Milgrom and North 1990; Chayes and Chayes, 1993; Greif, 1993). Given the lack of formal enforcement within MERCOSUR, the costs of breaking the rules remain primarily political (Levy, 1997; Grossman and Helpman, 1995; Mansfield and Milner, 2012). From an economic perspective, it is clear that Uruguay would largely benefit from an FTA with China. Baier and Bergstrand (2007) found empirical evidence that, on average, an FTA approximately doubles two members' bilateral trade after 10 years. If such an agreement were reached in our case, China would surpass Brazil as Uruguay's main trade partner in a few years. From a political standpoint, leaving MERCOSUR would be costly for Uruguay, and Brazil would be seen as a weak leader in the Southern Cone.

There are also domestic costs to be considered. Suppose that an opportunity arises for these two countries to sign an FTA in the near future. Would such an agreement be politically viable? Grossman and Helpman (1995) argue that when an FTA reduces many or all (bilateral) tariff rates to zero, the negotiations pit the export interests in a country directly against the import-competing interests in the same country. The potential exporters covet preferential access to the partner's market, whereas the import-competing industries seek to preserve their protection by scuttling any agreement. This argument is in line with Rogowski (1989), who argues that increasing exposure to trade resulting from an FTA must result in urban-rural conflicts in economies that are abundant in land but scarce in capital and labor, such as Uruguay. Overall, the negotiation of an FTA is expected to produce political conflict among domestic economic sectors, which is likely to affect the negotiation.

Furthermore, the incumbent government is in a position to set trade policy, which means that it can either work toward a FTA or terminate the discussions. Politicians may receive contributions from the various interest groups hoping to influence its decision. Politicians value these contributions— because they improve politicians' re-election prospects or for

other reasons—but they also may care about the well being of the average voter (Grossman and Helpman, 1995). The tradeoff between representing the interests of the average voter and benefiting particular interests is key to understanding the behavior of each legislator. This means that, apart from a purely economic cleavage, as described by Rogowski (1989), we can expect to find a political cleavage between incumbent and opposition parties.

In the same direction, according to Mansfield and Milner (2012), trade agreements are often motivated by domestic political conditions. Political leaders focus on how trade agreements can reassure the public and domestic groups about their decision-making, but they also worry about domestic costs involved in ratifying agreements. A central domestic political cost of signing a preferential trade agreement involves the ratification process. For an agreement to occur, governments and certain domestic groups have to believe that reaching an accord is preferable to the lack of one. The ratification cost can be directly inferred from legislators' preferences. How can we capture their perceptions of the costs of negotiating an FTA with China?

Levy (1997) proposed a scenario in which a simple majority of voters is required to pass a proposal. Agents are presented first with a potential bilateral FTA and then with a multilateral FTA. Each potential agreement offers agents new equilibrium prices and product varieties. They will approve a bilateral agreement only if it is (a) preferable to a multilateral arrangement because it leads to higher welfare, or (b) if the bilateral agreement will not prevent the adoption of a preferred multilateral agreement. Because the second condition is not possible in MERCOSUR due to Clause 32/00, legislators will only consider a bilateral FTA if the benefits for representing interest groups are sufficiently large or if the legislators expect to benefit politically when they know that the FTA will provide the median voter with disproportionately large gains with relatively small losses. By asking legislators about MERCOSUR membership costs and

the personal costs of supporting FTA negotiations based on their constituency and their party, we can infer the political determinants of supporting this negotiation.

Derived from the classical literature we have discussed, I propose as a second hypothesis:

Hypothesis 2: the worse the opinion of a congressperson regarding Uruguay's benefits from being a MERCOSUR member, the more likely he/she will be to support an FTA with China.

There is also a set of auxiliary hypotheses that I wish to test:

The probability of supporting a bilateral FTA with China is conditioned by whether the legislator is a member of the incumbent party because the incumbent party has the power to advance the agenda and because a legislator from the incumbent party will face the costs of MERCOSUR member retaliation (H3); right-wing congressional representatives are more open to FTAs than left wing congressmen because they are aligned ideologically with the agribusiness export sectors, which would gain from increased access to Chinese buyers (H4); legislators from urban areas (in Uruguay, these are mainly in Montevideo, which has approximately 40% of the country's population) are less likely to support an FTA with China because they are more sensitive to pressures from local small industrialists who would be substantially harmed by Chinese imports (H5).

Research Design

Although foreign policy in Uruguay is a constitutional responsibility of the Executive Branch, the Congress has an important role in the policy-making process in foreign affairs. The latter can constrain the actions of the Executive, and if it reaches the necessary majority, it can vote to censure the Minister of Foreign Affairs' actions. If this happens, the President has two institutional options: to remove the Minister or dissolve

Congress and call new elections. In addition, the Congress ratifies international treaties signed by the executive branch; thus, it can block them by not passing them. This makes party discipline a key aspect of the success of foreign policy.

In Uruguay, parties and coalitions exhibit a high degree of party discipline because of the institutional resources that party leaders possess to control the behavior of legislators in parliament (Chasquetti, 2014). Although member of the FA's centrist wing represent the majority in the Executive Branch, the left wing has a majority in both houses of Congress[15]. Therefore, the balances among the three top leaders (President Tabaré Vazquez, the Minister of Finance Danilo Astori, and Senator and former President Jose Mujica) are key to party discipline. The FA has an adjusted majority, and hence a lack of party discipline by a single legislator would mean a minority in Congress. Building consensus within the FA in this area is complicated and has a history of conflict. The attempts to sign an FTA with the United States and Uruguay's entry as a full member of the Pacific Alliance did not reach the level of consensus needed for approval; internal conflict was intense, and it was decided not to advance these issues to preserve party unity.

To answer my research question I used data provided by urugayan political scientist Camilo Lopez Burian, who conducted a survey of Uruguayan congressional representatives. The survey was administered between June 15 and December 27, 2013, a period during which there were no major external shocks that could have biased the answers[16.] During this period, he obtained responses from 125 of the 130 members of

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[15] An indicator of the fractionalization of Uruguayan parties in Congress shows that PN and the PC have two fractions each, whereas the FA has four, which behave, at various times, like two separate wings. FA has a greater fractionalization and a greater ideological distance, and hence the wings of FA differ in their positions concerning the international economy and have greater difficulty achieving consensus than other parties (López Burian, 2015). This indicator is a measure proposed by Daniel Buquet (2000), analogous to the effective number of parties (NEP) prepared by Markku Laakso and Rein Taagepera (1979), which makes it possible to count the number of relevant parties, in this case, among parliamentarians. It is calculated by dividing one by the sum of the squares of the ratios (in this case, seats) of fractions. Its formula is NEP $= \frac{1}{\Sigma p_i^2}$.

[16] I hired 15 political science graduate students to administer the questionnaires.

congress, representing 96% of the universe[17]. As Uruguay does not record nominal votes, the best alternative way of measuring their preferences on foreign policy issues is by directly targeting them through a survey.

My dependent variable was operationalized using the responses to the following a question: "Would you be willing to strengthen the bilateral relationship with China, regardless of regional considerations, by signing a free trade agreement?" The response distribution for this question was 44.3% positive answers and 55.7% negative answers. As independent variables, I considered (a) a question regarding Brazil being a leader worth following; (b) two indicators of the legislator's opinion about MERCOSUR: one regarding the importance Uruguay should accord to MERCOSUR and another regarding the block's influence over Uruguay; (c) a question regarding each legislator's ideology on a scale ranging from 1 to 10, with 1 being extremely leftist; (d) variables for the party each legislator belongs to; and (e) interaction terms between ideology and partisanship. Because our dependent variable is dichotomous, I estimated a logistic model. Before analyzing the results, I ensured that robust and non-robust standard errors did not differ substantially, tested for specification errors to determine whether I had omitted relevant variable(s) or our link function was not correctly specified, and ran collinearity diagnostics. I tested our hypotheses using six different model specifications as will be furthered detailed in the next section.

Empirical Results

The regression results are presented in Table 19. The coefficients are presented as marginal effects. I specified six models, presented such that variables are added to the baseline model to test the two main hypotheses and identify the model with the best fit. Apart from coefficients, I report

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[17] Representing 30 of the 31 senators (97%) and 95 of 99 deputies (96%).

Pseudo R² and Akaike's information criterion (AIC) as measures of the goodness-of-fit of each model.

TABLE 19: *Logistic regression models*

	(1)	(2)	(3)	(4)	(5)	(6)
MERCOSUR is a priority	-0.29**	-0.38***	-0.38***	-0.44***	-0.38***	-0.41***
	(-2.63)	(-4.29)	(-3.67)	(-4.13)	(-3.28)	(-3.43)
MERCOSUR's influence	-0.062*	-0.029	-0.012	-0.03	-0.02	0.01
	(-2.42)	(-1.05)	(-0.42)	(-0.96)	(-0.56)	(0.32)
Brazilian leadership	-0.59***	-0.46***	-0.32*	-0.33*	-0.34*	-0.34*
	(-6.92)	(-3.80)	(-2.12)	(-2.16)	(-2.11)	(-2.11)
Congressperson's Ideology	–	0.23***	0.04	0.08	0.19	0.15
	–	(3.55)	(0.57)	(1.09)	(1.93)	(1.47)
Incumbent party (FA)	–	–	-0.66***	–	–	–
	–	–	(-5.42)	–	–	–
Opposition party (NP)	–	–	–	0.65***	0.91***	0.86***
	–	–	–	(5.43)	(8.94)	(5.53)
Opposition party (CP)	–	–	–	0.46**	0.90***	0.94***
	–	–	–	(2.76)	(15.79)	(16.20)
Urban area representative	–	–	–	-0.04	-0.05	0.002
	–	–	–	(-0.31)	(-0.37)	(0.02)
Opposition party (NP)×Ideology	–	–	–	–	-0.20	-0.13
	–	–	–	–	(-1.43)	(-0.83)
Opposition party (CP)×Ideology	–	–	–	–	-0.50**	-0.67
	–	–	–	–	(-2.96)	(-1.87)
Current relations with Chinese government	–	–	–	–	–	-0.05
	–	–	–	–	–	(-0.05)
Observations	116	114	114	114	113	97
Pseudo R²	0.25	0.41	0.51	0.50	0.53	0.55
AIC	127.3	101.2	87.1	94	92	81.5

Marginal effects at the means; standard errors in parentheses.

Model 1 tests our two main hypotheses without controls. Regarding the first hypothesis, of those who believe that Uruguay should prioritize the region and follow Brazilian leadership, have a 59% likelihood of supporting strengthening the bilateral relationship with China, regardless of regional considerations, by signing an FTA, ceteris paribus. As shown in Figure 27, legislators consider China to be the second-most influential player in Uruguayan foreign policy, just behind Brazil and ahead of the United States and the EU. This is not a minor finding considering that the Uruguayan government could regard an FTA as a future strategy to counterbalance Brazilian power to obtain something in return.
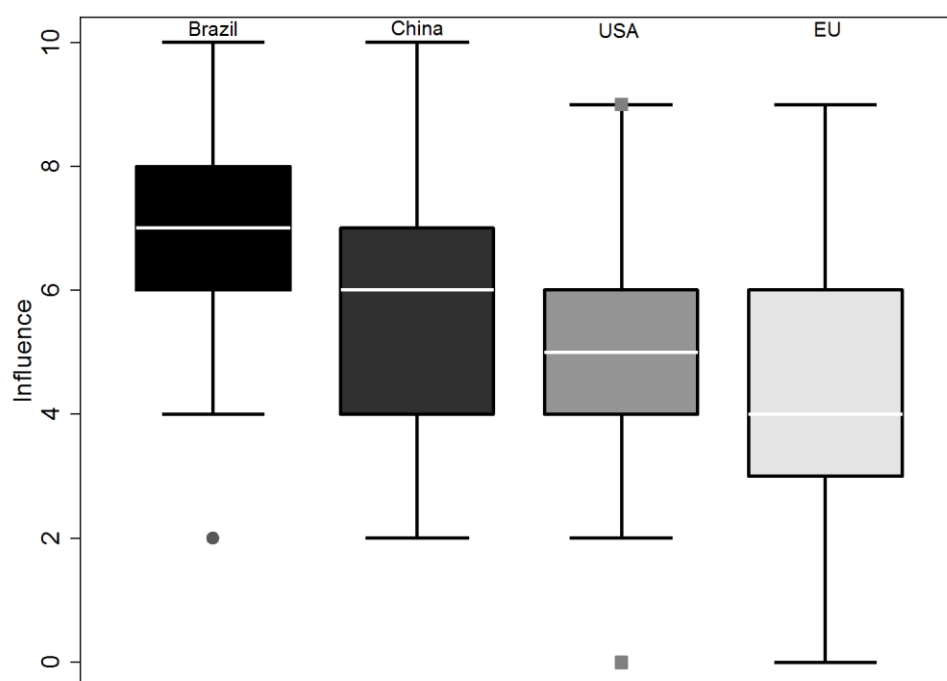
FIGURE 26: Box plots of the influence per country.

Regarding the second hypothesis, I considered two different independent variables. A dummy variable takes value 1 if the legislator believes that MERCOSUR should be the priority of foreign policy, and a continuous variable ranges from 1 to 10 according to the degree of influence that MERCOSUR should have in determining Uruguayan foreign policy.

Both are statistically significant and confirm our hypothesis: if a legislator believes that MERCOSUR should be the foreign policy priority, his/her probability of supporting strengthening the bilateral relationship with China, regardless of regional considerations, by signing an FTA is 62%, whereas the more influential MERCOSUR is perceived to be for Uruguayan foreign policy, the less likely a legislator is to regard China as a means of balancing against Brazilian leadership (see Figure 28).
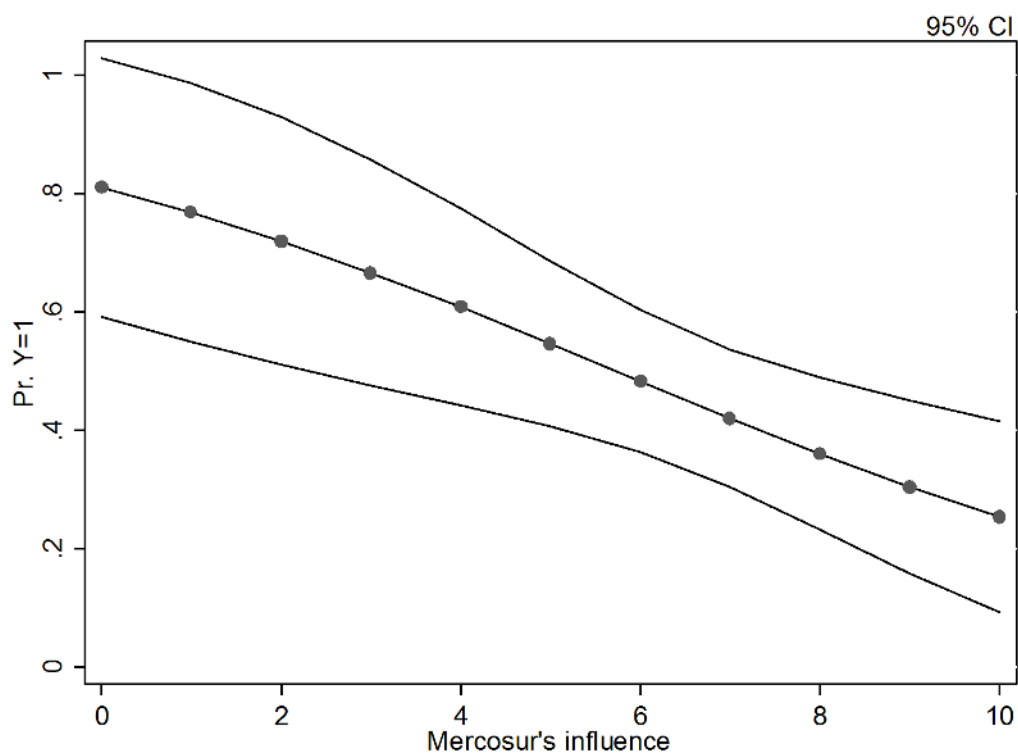
FIGURE 27: Predicted probability of answering positively to the dependent variable.

Model 2 differs from Model 1 in that it includes a control for the congressional representative's ideology. This variable is positively associated with the dependent variable, which means that without controlling for party membership, the more rightist a legislator is, the more likely he/she is of supporting a move towards China. Consistent with Model 1, those

who believe that Uruguay should prioritize the region and follow Brazilian leadership and those who believe that MERCOSUR should be the foreign policy priority are less likely to support strengthening the bilateral relationship with China.

Model 3 includes a dummy for government-opposition preferences, named "Incumbent party (FA)", because the ruling party when the survey was conducted was FA. The model shows that this variable is highly significant and its inclusion makes ideological positions non-significant. However, the perception of the importance of MERCOSUR remains significant, as does the perception of Brazilian leadership. By observing the marginal effects, I see that the combination of belonging to the incumbent party and believing in MERCOSUR and Brazilian leadership reduces the likelihood of supporting the dependent variable to virtually zero.

The purpose of Model 4 was to open the "black box" of the opposition parties to better understand which parties were more supportive of strengthening the bilateral relationship with China regardless of regional consequences. To accomplish this task, the dummy variable for government-opposition was replaced by dummies for the PC and PN, the two main opposition parties when the survey was conducted; furthermore, I also included a dummy to control for possible differences between legislators from Montevideo and from the rural areas of the country. The model shows that, although legislators of the two parties would support a strategy of balancing Brazil with China, PN supporters are more likely to do so than PC supporters. However, under this specification, the effect of each legislator's attitude towards MERCOSUR increased whereas the perception of Brazilian leadership remained significant and similar in magnitude to the results of previous models.

To deepen the understanding of the characteristics of legislators who would be more favorable to supporting an agreement with China, in Model 4, I incorporated two interaction variables between belonging to opposition parties and the ideology of the legislator. This model reveals

that within the PC, those with a leftist ideology are the most likely to support the agreement. By contrast, within the PN, legislator ideology does not have a clear effect. To better assess the results of this model I plotted predicted marginal effects, as seen in Figure 29[18]. We see that within the FA, the more right-leaning the legislator, the larger his/her probability of supporting an FTA with China, whereas within the PC, the opposite occurs. In the case of the PN, ideology has a small and ambiguous effect that can be ignored because the probability remains high (over 75%) independent of the legislator's ideology.
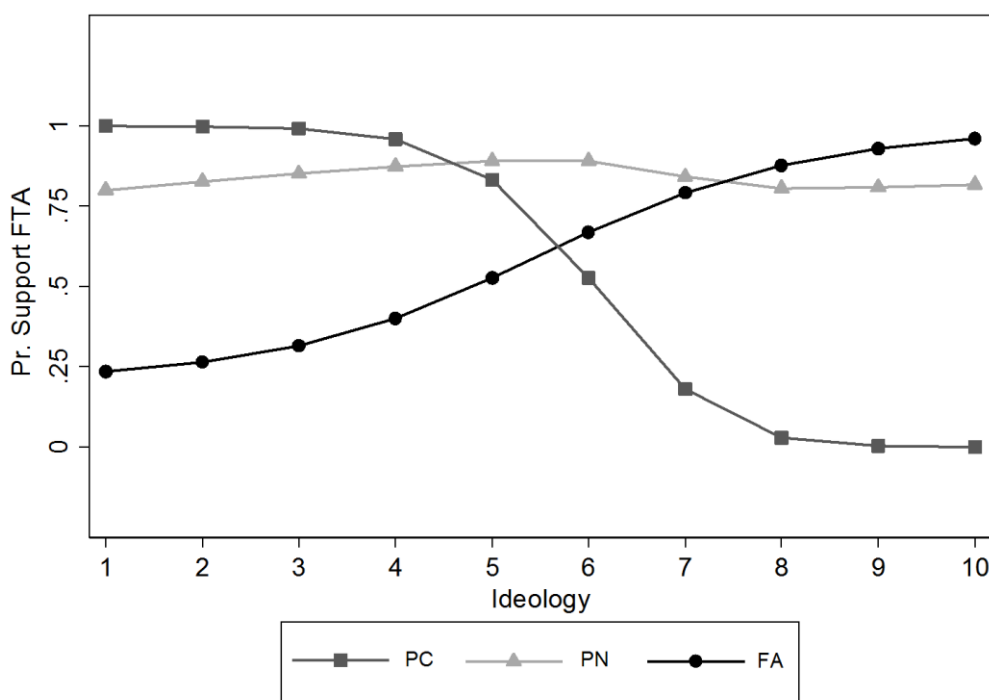
FIGURE 28: Marginal effect of ideology over Pr(Y=1).

Finally, Model 6 incorporates a dummy control variable that reports the answers to the question "Compared with 10 years ago, do you think that Uruguay's relations with China are better, the same or worse". I wished to test whether the growing importance of China in Uruguayan foreign policy could affect the answers. Although this variable does not show any

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[18] I removed the confidence interval lines to improve the view of the figure.

effect on the dependent variable, note that after including this variable, the results remained unchanged.

The models show consistent empirical evidence that support the two main hypotheses. I found that, overall, the probability of supporting an FTA with China increases (a) when a legislator's perception of MERCOSUR is that it is costly for Uruguay's national interests and (b) when Brazil is not regarded as a leader worth following. This effect is stronger (c) the more rightist the ideology of the legislator. Furthermore, parties diverge clearly on their positions. (d) Incumbent party (FA) legislators appear to be less likely to support signing an FTA with China relative to opposition party legislators (NP and CP); however, (e) the more right-leaning the FA's legislators are, the more likely they will be to support the agreement; this probability is over 80% when they are at the extreme right of the scale. Finally, I could not find significant evidence of differences between legislators from rural areas compared with legislators from urban areas.

Policy Implications

In Uruguay, the changes in the government following the arrival of the left (FA) involved a prioritization of the region and emerging countries, particularly Brazil, as strategic partners (López Burian, 2015). A key element to consider is that although positioning on this issue is relatively homogeneous within the opposition parties, this is not the case for the governing party (FA). Although the government of José Mujica (2010 - 2015) emphasized the region and South–South relations, the second government of Tabaré Vazquez, inaugurated in 2015, has begun to show a change in its foreign policy orientation through the prioritization of the open regionalism strategy.

In that context, President Vazquez and his Foreign Minister, Rodolfo Nin Novoa, have emphasized the importance of structuring foreign policy on the basis of commercial economic relations and seeking the commercial opening of MERCOSUR by streamlining its external agenda through the easing of the 32/00 clause. This orientation of the Uruguayan government was reaffirmed when Vazquez met with Brazilian president Rousseff, on May 21, 2015, when he expressed the idea of moving into a trade agreement with the European Union and that MERCOSUR members should join this agreement at different rates and not simultaneously.

These developments reflect changes in the regional situation. The first is the position of the government of Dilma Rousseff in favor of greater flexibility when negotiating with third countries. The idea of "different speeds" expresses the will to make progress on the external agenda under the implicit recognition that Argentina's model of economic development suggests that the country will not support joint negotiations that could affect some of its protectionist policies. Brazilian economic conditions and changes in the cabinet after the tumultuous impeachment against President Rousseff appear to be generating an even more favorable scenario for negotiations with third parties in MERCOSUR[19].

I foresee two different scenarios that bode favorably for the feasibility of an FTA with China, depending on the interaction between internal and external games. First, a MERCOSUR-friendly scenario would depend on agreeing to conduct negotiations "at different speeds" within the trade bloc's framework, which is likely to be supported by Tabaré Vazquez[20].

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[19] In Brazil, this approach was promoted by a strong corporate actor; the Federação das Indústrias do Estado de São Paulo (FIESP), in its position paper (Proposals for the External Integration of Brazilian Industry, 2014), stated: "The agreement MERCOSUR-EU is an immediate priority for Brazilian foreign policy […] the agreement may also be implemented at different speeds through scheduled differentiated tariff reductions [...]. "(FIESP, 2014: 1).

[20] Within the executive branch, the President, the Foreign Minister and the Minister of Finance are encouraging the easing of rules on negotiations within MERCOSUR. Carlos Perez del Castillo, Special Adviser to the Minister of Foreign Affairs, when asked about the position of the Brazilian private sector on easing negotiations with third parties, said: "I know they create a lot of pressure;

Brazilian support for such an idea would be vital, as the FA and its left wing in particular regard Brazil as a strategic ally. For evidence, one is encouraged to examine the FA's government program of FA, which treats Brazil as follows: as never before in our country's foreign policy, we must take into account a very important change in its nearby reality: Uruguay is bordered by a currently emerging country that it is a global power, namely, Brazil. […] This partner can become our gateway to increased commerce, regional and global development, and privileged political dialogue with other emerging actors (FA, 2014: 140-141).

This same strategy has been suggested to address the FTA with the EU. The second scenario, I believe, is much less likely to be politically taxing. If Uruguay enters into a bilateral agreement outside MERCOSUR, President Vazquez would have countless difficulties disciplining legislative representatives, due to the splintered nature of his party. These scenarios are intellectual exercises to think of the political disputes within MERCOSUR, and to reflect on how smaller countries such as Uruguay and Paraguay can put pressure on Brazilian leadership despite their smaller material capabilities.

Concluding remarks

Are Brazil and China viewed as competitors in South America? To date there is no available empirical information to answer this question, so the goal of this chapter is to operate within the existing literature to develop the question's understanding.

To answer our research question, I conducted a survey of Uruguayan congressional representatives. I were able to obtain responses from 125

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thus, they could be a good ally". Declaration taken from the interview with El País (Uruguay) (04/03/2015). Mercosur is exhausted as a model of integration. Available in: http://www.elpais.com.uy/informacion/mercosur-agotado-modelo-insercion.html (accessed 06/01/2015).

of the 130 congressional representatives, representing 96% of our universe. Thereafter, I specified a logistic model to address each of our hypotheses. I found that the probability of a legislator supporting an FTA with China increases (a) when his/her perception of MERCOSUR is that it is costly for Uruguay's national interests and (b) when he/she does not consider Brazil a leader worth following. Uruguayan policymakers perceive China as an actor of great importance, both commercially and politically, something that is clearly reflected in Figures 26 and 27. Only Brazil is regarded as more influential than China, which poses the question of whether China could be used by MERCOSUR members to balance against Brazilian leadership. In addition to the specific findings of this work, this chapter provides a model for the study of other cases in which researchers wish to explain the determinants of the acceptance or rejection of FTAs in countries participating in regional integration processes with significant levels of coordination in their extra-bloc trade agendas (Yin, 2009).

Within the governing party, China is described as an attractive partner, but potential asymmetries and the importance of maintaining political and economic sovereignty were also highlighted. When the surveys were conducted, in late 2013, only 44% of congressmen said that they would support an FTA with China. To gain political weight, this support should be at least 66%. The necessary conditions for the viability of an FTA between China and Uruguay would be (a) increasing bilateral trade; (b) increasing discomfort towards MERCOSUR, mainly within FA; and (c) moderate sectors within FA, backed by Astori and Vázquez, gaining greater influence within the governing party. Given these conditions, we believe that there would be sufficient domestic support for a negotiation. This chapter contributes to the literature on Uruguay-China bilateral relations in particular and on Brazilian leadership in South America and Brazil-China relations in general. To date, there has been little research based on empirical data, and hence this chapter is an attempt to contrib-

ute to filling this gap. I believe that this chapter opens an agenda for studying China's impact within MERCOSUR and has relevant policy implications for both Uruguayan policymakers and MERCOSUR's advocates. Through the case of Uruguay and China's potential for signing an FTA, we have discussed other topics such as the rigidity problem within MERCOSUR and the interrelation between domestic and foreign politics in Uruguay. Further research should deepen the study of these issues, subjects on which little empirical research exists.

Chapter 6 – Evidence of US-China competition in the political elites' perceptions: Investment related issues[54]

In December of the year 2014, the Argentinean Senate approved an agreement on cooperation between Argentina and China on the "Construction, Establishment, and Operation of a Chinese Deep-Space Monitoring Station" in the Argentinean Province of Neuquén. It was set within the Framework of the Chinese Moon Exploration Program. The agreement to build this station immediately generated a lot of criticism from politicians, journalists, and academics, who raised concerns about issues such as the possible military use of the facilities, the magnitude of the tax breaks granted to the Chinese, the limited access granted to Argentine scientists and its alleged level of secrecy.

Such criticisms of Chinese investments are not new, and have been widespread in many parts of the world (Knoerich, 2015). Chinese investments have tended to shoulder a particularly heavy baggage of political controversy, as the majority of investments are carried out by State Owned Enterprises (SOEs) and government support for outward investments is intensive (Naughton, 2008; Luo et al., 2010; Sauvant and Chen, 2014).

Uncertainties about China's future role as a global economic and political power further exacerbate stakeholder concerns in host countries over issues such as national security, unfair competition, and state ownership. In Britain, the May administration's summer 2016 announcement to review Chinese participation in the construction of the Hinkley Point-C nuclear power plant is just another more recent example of the political consequences these uncertainties about China bring with them. Nevertheless, scholarship to date has not conclusively pinned down the reasons why China and Chinese investments have received such an above-average amount of scrutiny by host country stakeholders over the past few years – much more than firms from the United States or other countries commonly receive.

The strong criticism of Chinese investments is even more puzzling when viewed against the backdrop of rapidly intensifying economic and investment relations with China. In Latin America, China has become a major external economic actor over the past decade – in 2014, the country was already the second largest trade partner and a major source of Foreign Direct Investment (FDI) inflows in Latin America. Several Latin American countries have established strategic partnerships with Beijing, which implies greater cooperation on FDI-related matters and a positive attitude towards China. This is a significant advance, considering the fact that Latin America has traditionally been the backbone of American hemispheric hegemony (Mearsheimer, 2001).

Within Latin America, Argentina has developed one of the strongest relationships with China (Laufer, 2013). In July 2014, when Xi Jinping visited Argentina, both countries signed several multi-billion dollar agreements on infrastructure finance and currency swap arrangements, and a new framework agreement on cooperation in economic and investment matters was agreed. Impeded from accessing western financing, China's emergence as a new Latin American creditor provided the country with a funding source that was independent of global financing markets (Kaplan, 2014; Campello, 2015). During Hu Jintao's visit to South America in 2004, Argentina and China had already signed a memorandum on cooperation in trade and investment that defined the partnership as "strategic."[55]

The Argentinean approach to China is similar to that of many host countries in other parts of the world that are actively attracting and promoting Chinese investments. Many companies even happily agree to become a target of a Chinese acquiring firm (Knoerich, 2010). However, these very positive views and eagerness to court Chinese investors greatly contradict the many criticisms commonly voiced about Chinese investments. Hence, there exist major controversies and contradictions in perceptions about Chinese FDI and reactions to them. In fact, these differences in perspective about Chinese outward FDI form one of the biggest unresolved puzzles about China's economic expansion into the rest of the world.

In this study, we seek to gain greater understanding of the origins of these controversies and contradictory perceptions and examine the nature of the discourses employed to support competing arguments about Chinese investments. A detailed analysis of the discourses advanced by key, elite stakeholders helps shed further light on the particular nature of the concerns raised and the favorable views about China supported by

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[55] According to the Chinese media, the term strategic partnership is the ultimate definition of bilateral relations (Oviedo, 2006).

others. In particular, we explore what type of discourses elected politicians in Argentina use to argue in favour or against the project. Why do they adopt an overly critical view of Chinese FDI in Argentina, or why do they view the issue in a positive light? Where do the differences in arguments lie?

The value of the Chinese Space-Monitoring Station project in Argentina, for the purpose of this chapter, is twofold. First, its nature—a mix of science and high politics—makes it an interesting case for understanding fears over an increasing Chinese presence in Latin America; second, it is China's only investment project that has ever been discussed in Congress in Argentina.

I took a mixed-method approach, employing both quantitative text analysis and qualitative political discourse analysis to analyze all parliamentary speeches in the Senate and the Chamber discussing the approval of the cooperation agreement between Argentina and China. To the best of my knowledge, no one had yet used parliamentary speeches to study domestic political discourses on the emergence of Chinese investors in Latin America.

The structure of this chapter is as follows. In the next section, I describe the nature of the Chinese Space-Monitoring Station. Then, I discuss the existing literature on congressional debates in Argentina as well as the state of the art of the literature on Chinese engagement in Latin America to propose two hypotheses. Afterwards, I describe the methodology and proceed to disentangle the embedded perceptions of Chinese investments in political debate. Finally, I conclude with a discussion of the findings and policy implications, and develop a future research agenda.

Framing the case study: Argentina, an Appealing Country for Space Science

As a growing global power with leadership ambitions, China started developing programs aimed at exploring the Moon and other celestial bodies, Mars in particular. To this end, China established the so-called China Deep Space Network, a series of monitoring stations in order to support various space missions as the planet rotates. This project, by its very nature, enhances China's global capabilities in science and military fields. China needs strategically-located stations in various parts of the world, and the Patagonian region in Argentina proved to have the correct geographical conditions for the installation of one of them.

In Argentina, the organization in charge of scientific activities related to astronomy is the National Commission on Space Activities (CONAE). In 2004, after the visit of Hu Jintao to the country, a framework of cooperation agreement between CONAE and China's National Space Agency (CNSA) was signed, recognizing the potential for joint activities between the two agencies. After a joint assessment, it was decided that the base would be installed on 200 hectares of land in the area of Bajada Del Agrio, an isolated sub region of Patagonia.

On April 23, 2014 a provincial law was approved establishing tax breaks and a relaxation of immigration rules for Chinese officials involved in the project. This was the subject of great debate among the congressional commissions, making this project markedly more politicized than others. Even though the station was already being built, the project was submitted to the National Congress in July of 2014 for discussion in both houses.

In November of 2014, after the provincial law was already enacted,[56] the province of Neuquén approved a tax exemption for the China Harbour Engineering Company, the Chinese company in charge of building the station, and granted VAT exemption, customs duties, and internal taxes to the CNSA and other companies for the duration of the concession

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[56] Law no. 27123 of the 6th of November.

(50 years). Furthermore, it allowed Chinese employees working in Neuquén to be governed under the laws of China.

Set against this Chinese deep space-monitoring station project is the counterfactual case of a similar station built by the European Space Agency (ESA) in 2012. This station was inaugurated in Malargue, in the province of Mendoza. As with the Chinese project, Argentina's CONAE was involved in the early technical assessments and the first cooperation agreements in 2009. Figure 30 shows the location of the ESA and the CNSA's space-monitoring stations. Both are located in the western part of the country, close to the border with Chile.
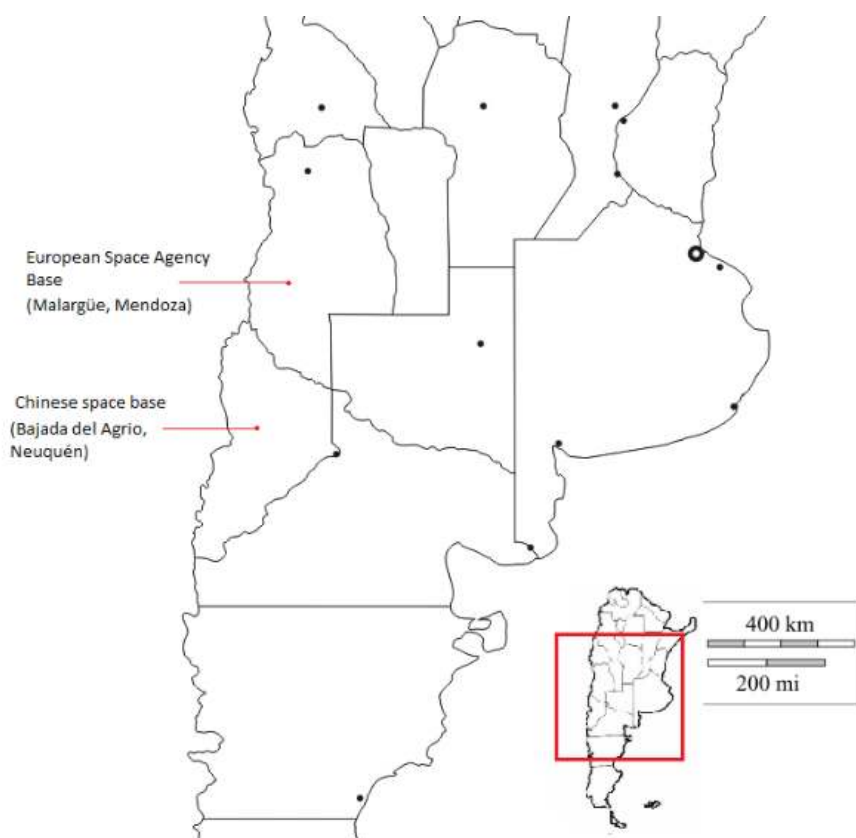

FIGURE 29: Location of the European and Chinese bases in Argentina.

Moreover, Table 20 shows how both agreements were very similar in content, yet exhibited a few notable differences. While Article 1 of the agreement with the ESA established the mandatory use for peaceful

ends, the agreement with the CNSA only mentioned it in the introduction as part of the "spirit" of the project[57].

Both agreements were identical in that they established a cession of land for a period of 50 years; included termination clauses and controversy-solving mechanisms; and incorporated an agreement that Argentine scientists would be allowed to use the facility for 10% of the time. As for the differences, there were no tax exemptions for the ESA, while there were for the CNSA, and European technicians did not receive migratory benefits as the Chinese did.

Companies with connections to military projects constructed both stations. The China Harbour Engineering Company is under the control of the People's Liberation Army's General Armaments Department (GAD), while the Italian company Telespazio belongs to the Thales group, which works on security and defense projects (such as cybersecurity, drones, and defensive missiles) for European countries. The China Harbour Engineering Company then subcontracted Esuco SA for the construction of the stations, and the ESA subcontracted Carlucci, Pascual Casetta, Alcatraz, and Desarrolladora Monteverdi—all Argentine companies. Finally, China's project had a budget almost five times larger than the ESA's. The European base was budgeted at €45 million (approximately US$63 million), and the Chinese base was budgeted at US$300 million. All of these points triggered discussions among congressional representatives.

TABLE 20: *Comparison between agreements*

	European Base	Chinese Base

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[57] Nevertheless, in 2004 a technical cooperation agreement for the "Peaceful Use of Outer Space" had already been signed between CONAE and CNSA, and included wording similar to that in the introduction of the agreement with the ESA.

The agreement provides for mandatory use for peaceful ends	Yes (Art.1)	No (but mentioned in intro)
The agreement is for a period of 50 years.	Yes	Yes
There is territorial cession	Yes	Yes
Tax exemptions	No	Yes
Migratory benefits	No	Yes
Agreement can be terminated	Yes	Yes
Sum of time used by Argentine scientists	10%	10%
Estimated cost	€45 million	US$300 million
Operated by:	ESOC / Telespazio Argentina	CNSA
Built by:	SED Systems (Canada) & Vertex Antennetechnik (Germany)	China Harbour Engineering Company
Subcontracted Argentine companies	Yes	Yes

In Argentina's history, other investments have also inspired domestic debate. While historically the most politicized investments were those of the Americans and Spanish companies[58], the space-monitoring station was not the first deal with China to generate controversy. In 2011, the governor of the province of Rio Negro, also located in the Patagonian region, signed a deal with an SOE from Heilongjiang province for the use of 300,000 hectares of land to grow crops for a period of 20 years. The deal generated so much opposition from the press, academic circles,

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[58] One example is the partial renationalization in 2012 of YPF, the nation's largest energy firm, in the interest of energy sovereignty. YPF was previously owned by the Spanish Repsol for more than ten years.

and public opinion in general that it ended up being cancelled.[59] This background suggests that Chinese investments might inspire certain concerns that Western investments do not, but what are these concerns specifically?

Congressional position taking in Argentina

Research that uses speeches and votes to study congressional position taking, oversight and signaling is vast in the American Political Science literature (Mayhew 1974; Kingdon, 1989; Arnold, 1992; Ripley & Lindsay, 1993; Hinckley, 1994). These works served as a framework for the development of similar research in Latin America, although the literature employing such approaches is still sparse in both Latin America and Argentina.

The Argentine congress does not ratify treaties; it merely approves or rejects the text of a treaty. Beforehand, projects are discussed in commissions and are only subject to nominal voting if parties do not reach a consensus in the commissions. The fact that an international agreement was subject to a vote is thus proof that it triggered considerable debate. Nominal votes are rare and are generally only taken on conflictual issues where party leaders want to use them to enforce discipline and on controversial issues where deputies or parties want their vote (or the votes of others) to be public knowledge. A nominal vote is taken when a motion for a nominal vote has been made and then supported by at least one-fifth of the deputies in attendance. There are no exact data in Argentina on what proportion of all votes taken during a given year are

nominal, but it is doubtful that nominal votes account for more than 5% of the votes (Jones, 2002:154).

According to Saez and Rivas (2007), the image of the US is, along with the amount of state intervention in the economy, the most relevant dimension of political party polarization in Latin America, including Argentina. Foreign policy as regards the US has been largely determined by domestic politics in Argentina, and aligns with the ideology of the party of the president and his/her cabinet (Neto and Malamud 2015). Thus, we can expect a US/Anti-US cleavage to be used as a polarizing theme when FDI is discussed in congress.

Since the return to democracy in 1983, the two dominant political parties in Argentina have been the Partido Justicialista (PJ, also known as the Peronist Party) and the Unión Cívica Radical (UCR). Peronism historically accused opposition parties of being functional to the interests of the US. Peronism started as a political movement inspired in the populist government of Juan Domingo Peron, who presided Argentina in three opportunities (1946-1952; 1952-1955; 1973-1974). The famous political campaign slogan that led Peron to his first presidency in 1946 was "Braden or Peron", with reference to Spruille Braden, the US ambassador to Argentina who had mobilized the opposition against Peron.

The Kircherismo (the branch of Peronism led by the Kirchner's) made intensive use of this rhetoric. Although less than other populist movements during the Pink Tide such as Chavismo in Venezuela or Correismo in Ecuador, Kirchners made their opposition to the US a key theme of their foreign policy. Moreover, while presidents Menem's (1989–1999) and De la Rúa's (1999–2001) administrations reflected an automatic alliance with the US, Duhalde (2002–2003), Nestor Kirchner (2003–2007), and Cristina Kirchner (2007–2015) adopted a much more autonomous policy, with traces of anti-Americanism, which defined a new shift in foreign policy.

China as an important domestic factor in Argentina is a phenomenon of the 21st century. Argentina spent most of the 20th century looking first

at the UK and later at the US and, in a secondary way, Brazil[60]. China remained in a second—or even third—tier group. During the 90s, it is worth noting, however, that the alignment with US did not impede Argentina from following a relatively autonomous foreign policy towards China. The most notable example is the position of Argentina towards the 1989 incident on Tiananmen Square, when President Menem pursued a different policy than President George Bush, and was the first Head of State of a Western country to visit China in a moment in which Chinese government was being highly criticized for human rights violations (Oviedo, 2010).

In Latin American countries, a fierce debate has been ongoing for at least a decade on the appropriate way to engage with China. Blázquez and Santiso (2006) bluntly ask whether China is an "angel" or a "devil" for Latin America, and clear positions for both points of view can be found in the literature.

Those favorable to greater engagement with China point to win-win scenarios in which China provides Latin American countries with aid (Dosch and Goodman, 2012:12), trade flows (Devlin et al. 2006), FDI (Ellis, 2009) and political cooperation (Fernandez Jilberto and Hogenboom, 2010) in exchange for political support in international organizations and long-term business opportunities for Chinese companies. The Chinese government itself claims that the China–Latin America economic relationship reflects fundamental complementarities and therefore has a positive effect for both sides (Ferchen, 2011: 57).

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[60] Russell and Tokatlian (2006) argue that Argentina underwent three foreign policy stages. Before World War II, it had three main orientations: Europeanism, opposition to the US, and isolation from the rest of Latin America. Between the end of World War II and the end of the Cold War, Argentina maintained non-alignment with respect to the US and vowed Latin American integration without doing much to deliver (2006: 266). After the Cold War, Peronist president Menem steered foreign policy toward subordination to the political and strategic interests of the US. This period ended dramatically in 2001 with the country defaulted on foreign debt and the worst economic crisis in Argentine history unfolded.

Latin American countries embraced the rhetoric of South-South relations, advanced to a considerable extent by China itself, as a way to increase their autonomy from the US. This favored China, which was eager to find new markets (Lechini 2009). The concept of autonomy, particularly towards the US, is essential for understanding the foreign policies of Latin American countries. This concept, which has been discussed for many decades by political scientists (Santana & Bustamante, 2013) refers to the ability to self-government and self-control a country has on a political dimension (Russell & Tokatlián, 2002: 165)[61].

Accordingly, Latin American countries embraced China as part of a new multidirectional diplomacy aimed at diversifying their foreign relations (Shambaugh 2008). China was seriously looked at as an "alternative diplomatic and economic partner to Washington" (Lanteigne 2015: 139). As a result of the so-called Pink Tide of leftist governments in Latin America, an interesting pragmatic convergence with China came about: the state was granted an important role in the economy, and fresh money to carry out infrastructure projects was needed (Fernandez Jilberto and Hogenboom, 2010; Gallagher et al. 2012).

From a perspective of International Political Economy, some authors have explored how economic ties leads to political closeness. Flores-Macias & Kreps (2013) explore how trade with China generates foreign policy consequences finding the more states trade with China, the more likely they are to converge with it on issues of foreign policy. This has implications for the US, whose foreign policy preferences have diverged from those of China during the period of study and who may find it harder to attract allies in international forums. In this sense, China can be a country to counterbalance American influence. In the same direction,

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[61] So important is the positioning of Latin-American countries against the US, that it is the linchpin of both the realism of the periphery (starting with Juan Carlos Puig, Helio Jaguaribe and developed by Carlos Escudé) and the utilitarianism of the periphery (mainly developed by Gerhard Drekonja), two of the most well-known theories regarding international autonomy born in Latin America.

Urdinez et al. (2016) find that there is an inversely proportional relationship between the investments made by Chinese SOEs and Chinese bank loans and the US influence in each country of the region suggesting that the former is filling a vacuum. Finally, Strüver (2016) argues that Beijing's official interests in Latin America hardly appear still to be restricted to the economic realm, but instead follow the rationale of a 'comprehensive cooperation' that also encompasses political aspects.

Those concerned about greater engagement with China focus primarily on economic and political imbalances created by China's growing influence in the region. An important strand of the literature emphasizes the detrimental effect of trading with China on the national economies, including trade deficits and the possibility of deindustrialization and the increased "primarization" of the economies resulting from a specialization on primary product exports in exchange for industrial products from China (Mesquita Moreira, 2007; Jenkins and Dussel Peters 2009; Jenkins & Barbosa, 2012; Kotschwar, 2014). This would result in a reproduction of neocolonial/neo-dependent relationships, where the asymmetric nature of the relationship in terms of the relative importance of bilateral trade to each partner, the composition of trade flows, and the balance of FDI flows exhibits many characteristics of typical center–periphery relations (Jenkins 2012). For Ratliff, it is even possible that a generation from now, Latin Americans will be denouncing Chinese "imperialism" and "exploitation" of the Americas, just as they had denounced American and British, and even Spanish, "colonialisms" and "imperialisms" in the past (2009: 20).

Moreover, doubts have been raised on whether fertile ground for long-term mutual benefits actually exists. China's rapidly increasing imports of raw materials from Latin America was allegedly a consequence of a historical commodity "boom" that saw the volume and price of certain minerals, energy resources, and agricultural commodities skyrocket. This boom which provided the foundation underlying China's renewed ties to many resource-rich countries (Ferchen, 2011: 58) was destined to finish

when commodity prices finally dropped. Many argue that Chinese investments have been big on promises but short on actual implementation. The problem of cultural clashes has been mentioned especially in this context.

In view of these positive and negative perspectives on China, I expect assessments of China's increasing role in Latin America to be informed by previous experiences with the US as a regional hegemon:

Hypothesis 1: When appraising relations with China, the US, the historical regional hegemon, is used (both positively and negatively) as a mirroring case for comparison.

The relative discipline levels in the Legislative are extremely high for both main parties in Argentina, Peronism and Radical (Mustapic & Goretti, 1992; Jones, 1997; Jones, 2002). They indicate that it is extremely rare for a legislator to vote against his/her party's position in the Chamber. Those party members who strongly oppose the position taken by the party generally will leave the floor at the time of the vote or less frequently will register their abstention (Jones, 2002:157).

Two dimensions best capture political attitudes of Argentine legislators: the left-right cleavage and the Peronist-non-Peronist divide (Saiegh, 2009). Because the two main Argentinean political parties—the UCR and Peronist parties—occupy quite similar positions in the right-left scale, the first and most relevant dimension in many countries (both parties are in the center-left spectrum), the second dimension (Peronist-non Peronist) becomes, at times, more relevant. Peronism combines two peculiar characteristics: high discipline and low ideological cohesion among its legislators. For example, most of the Peronist politicians who had been fervent advocates of neoliberal policies under President Menem became fervent advocates of statist policies under President Kirchner (Jones, Hwang and Micozzi, 2009: 68). In addition, it is common to find

both right wing and left wing Peronists coexisting at the same time in both chambers and voting together.

These two characteristics, high discipline and low ideological cohesion, made the Peronist party a strong and enduring one. Because this partisan cleavage defines domestic politics, Garlan and Biglaiser (2009) argue that this limits FDI promotion strategies in congress. There is a lack of "incentive-based" competition among deputies (Oman, 2000), as there is less need for candidates to distinguish themselves from the party position and less importance placed on individual candidates when it comes to raising large sums of campaign funds. From this literature, we can expect that strong party discipline will be expected in discussions concerning FDI in congress.

Jones (2002) explores the primary determinants of the highly disciplined voting behavior noted by Garlan and Biglasier: First, the provincial-level, and to a lesser extent the national-level, party has a great deal of control over a legislator's access to the ballot, and hence their opportunity for reelection. Second, most legislators pursue political career pathways that are strongly linked to the party. Third, legislators who consistently vote against their party are likely to be expelled (Jones, 2002:159). At the time that the Chinese motoring station was debated in congress the branch of the Peronist party of the governing president (first Nestor and thereafter Cristina Kirchner) had 113 out of the 257 seats in the Chamber of Deputies (44%) and 32 out of 72 seats in the Chamber of Senators (44%). To guarantee at least 51% of the votes to pass the bill, the government had to be cohesive and appeal to other branches of the Peronist party to vote unanimously.

Jones, Hwang and Micozzi (2009) argue that the main cleavage in the National Congress is the government-opposition division, reflecting the more strategic than ideological approach of Argentina's main parties, as Saiegh (2009) pointed out. They argue that the Argentine Congress, while certainly much more of a reactive veto player than a proactive agenda

setter, is nevertheless an important actor in the policy process. They observe that during the 1989-2007 period the party holding the majority dominated the legislative process through agenda control. The opposition was left in a very reactive position. As a result, the best way to interpret roll call vote behavior in Argentina is as the legislator's position (for or against) on the legislation placed on the floor agenda by the majority party.

Jones (2002), Saiegh (2009) and Jones, Hwang and Micozzi (2009) give theoretical tools to propose a second hypothesis. As the space-monitoring station project was discussed during an electoral year and the Kirchner government had a majority in the legislature, it made an effort to pass as many bills as possible. Speeches by politicians in government and the opposition became more polarized and aggressive, aiming to appeal to the public in view of the upcoming presidential elections. Historically, Peronism rhetoric employs a logic of "us vs. them" ("us" referring to friends or "compañeros" and "them" referring to enemies), places great emphasis on "loyalty" among Peronists and often accuses the opposition of being allied with foreign interests that undermine the "national interest". In view of this institutional context in which the debate on the space station occurred, the following hypothesis can be formulated:

Hypothesis 2: Debates in Congress on relations with China follow a clear division between the Peronists in government and non-Peronists forming the opposition, rather than a classic division between left and right.

Public opinion data sheds further light on the US/Anti-US cleavage and between Peronists and non-Peronists towards China. As an exploratory exercise, I analyzed Argentine public opinion data retrieved by the Project 'Las Americas y el Mundo' for 2015. The sample was comprised of 733 individuals, representative of the country's population. While general public does not necessarily reflects cleavages in Congress, it can shed light

on how representative are the cleavages in the latter of the general population. Thereafter, I ran a logistic regression for the following dichotomous dependent variable: "In your view, if China's economy grew to be as large as the United States', do you think that would be positive for the world?" I believe this question captures the pro-China-Anti-US cleavage. One was coded as a positive answer, and zero as a negative. I included as independent variables ideology (left-right, on a scale of 1 to 10), a dummy for those who consider themselves Peronists (1 being Peronist), a dummy for those who declare admiration for the US as the main feeling towards that country and the respondents' opinion about China's impact on Argentina (this is an ordinal variable based on the question "Overall, how would you rate the influence of China on Argentina? Very positive (1), positive (2), no opinion (3), negative (4), very negative (5)").

The findings, reported in table 19, show that Peronists are more favorable to the idea of China challenging the American status quo. Moreover, the more leftist the person is, the more likely to answer positively the question of the dependent variable. Also, the probability was smaller among those who thought China exerted a negative influence in Argentina, ceteris paribus. This confirms that, among the general public, Peronists and those leaning towards left-wing ideologies tend to be more critical of the US and more favorable to China.

TABLE 21: *China-US cleavage in public opinion*

	Coefficient	Standard Error	T-test	Statistical Significance
Peronist	0.76	0.21	3.61	***
Ideology	-0.06	0.02	2.52	*
Admires US	0.13	0.20	0.70	
China in Argentina	1.77	0.17	10.23	***

Note: Statistical significance * p<0.05, ** p<0.01, *** p<0.001; Chi^2 test = 0.0000; Pseudo R^2=0.16; *N*=733. Data is publicly available at http://www.lasamericasyelmundo.cide.edu/

Methodological strategy: Disentangling embedded perceptions of China in parliamentary speeches

To test the hypotheses, I compiled all speeches delivered in the chamber of deputies and senate that addressed the Chinese space-monitoring station.[62] Furthermore, I followed Van Dijk (1993a) by enriching our quantitative analysis with qualitative components of political discourse analysis. This case study ultimately works as a combination of quantitative and qualitative methods (Brady et al., 2006).

The congressional discussions lasted for several hours, and in total 30 congressmen expressed their views on the issue so this source is very rich in content. The project was first discussed in the Senate the 17th of December 2014, where 36 legislators vote in favor, 27 against and none abstained. Afterwards, the project was debated in the Chamber of Deputies on the 25th of February 2015, where 133 legislators voted in favor, 107 against and none abstained. The parliamentary discussions were obtained from the website of the Argentine Legal Information System (SAIJ), part of the Ministry of Justice[63]. Through another online platform, Decada Votada, I identified the vote of each of the legislators to locate his speech in either in favor or against the investment. Decada Votada is a collaborative project coordinated by political scientist Andy Tow which provides easily-accessible information for each nominal vote since 2004 for both chambers, with details on how each legislator voted and allowing for analysis by partisan and provincial groupings[64].

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[62] The European Space Station project was not discussed in congress, which proves how it was less controversial than that of China.

[63] Accessible at http://www.infojus.gob.ar/

[64] Accessible at http://www.decadavotada.com.ar/

I followed a summative technique of content analysis which consists of identifying and quantifying certain words or content in text with the purpose of understanding the contextual use of the words or content (Hsieh & Shannon, 2005:1284). A summative approach to qualitative content analysis goes beyond mere word counts to include latent content analysis. Latent content analysis refers to the process of interpretation of content in light of the context in which the discourse occurs. I create the discursive categories, or 'groupings', following an inductive logic (Mayring, 2014), that is, departing from the word groupings created by the software we proceed to their interpretation in light of the literature on Argentinian legislative behavior.

Untying the Knot: What Do Legislators Say of China?

It is important to keep in mind that legislative speeches are meant to legitimize a political position. Legislators speak up for several reasons: they argue for or against legislative proposals; they scrutinize the executive' and they send signals to their constituents, fellow party members, or other members of parliament (Slapin & Proksch, 2011: 333). I created a cluster map of the five main discursive groupings of legislators who voted against the project, as well as those who voted in favor of it (Figures 34 and 35). The figures for clusters were created using Wordstat which groups words by topics.

The groupings are created through a function in the software called "topic extraction", which is based on factor analysis. Such an extraction is achieved by computing a document frequency matrix, or alternatively by segmenting documents into smaller chunks and computing a segment frequency matrix. Once this matrix is obtained, a factor analysis with varimax rotation is computed in order to extract a small number of factors. I asked the software to group the legislative speeches into five main clusters. All words with a factor loading higher than 0.4 (the default criterion

in the software) were then retrieved as part of the extracted topic. While in hierarchical cluster analysis, a word may only appear in one cluster, topic modeling using factor analysis may result in a word being associated with more than one factor, a characteristic that more realistically represents the polysemous nature of some words as well as the multiplicity of context of word usages.

The order 1 to 5 in the figures represent the ranking of importance of each topic in the speeches. I then proceeded to their interpretation in light of the content of the speeches. I interpreted the discourse 'groupings' for each box, using discourse analysis and exemplifying with textual quotes, translated from Spanish. While hypothesis 1 is present along the debates of both legislators who voted in favor and against the project, the second hypothesis is well captured at comparing figures 34 and 35, since every vote in favor of the project was from Peronist legislators.
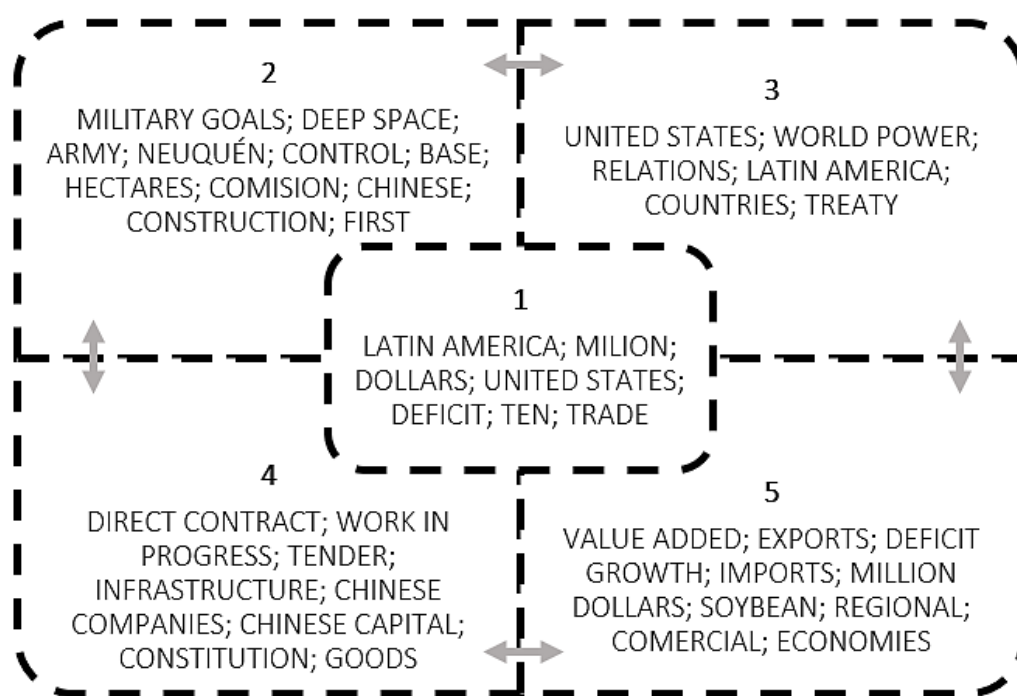

FIGURE 30: Word clusters of the legislators who voted against the project.

Note: Elaborated using Wordstat.

The central discursive grouping of those voting against the project, formed by the words in box 1, can be summarized by the theme 'asymmetry of power.' Oscar Aguad, deputy of the province of Cordoba and representative of the non-Peronist UCR, argued in relation to these asymmetries:

[Kirchner's] government rejected, perhaps with good reason, the Free Trade Agreement of the Americas agreement which would take place with the US [...] What they said then was 'we cannot associate with the US because that will consolidate a primary goods production matrix in Argentina.' Nevertheless, today we are doing with China what they rejected with the US. The difference is merely ideological. This agreement represents a short-term strategy and is motivated by pressing economic needs.

This quote confirms the existence of cleavages outlined in the first hypothesis. First, there is a clear mention of Kirchner's government as being anti-American and there is a clear comparison between US and China, as it is argued that the patterns of asymmetry that exist between Argentina and the US—which are rooted in the commodity specialization of Argentina's economy—also apply to relations with China.

In the same line of argumentation, Pablo Javkin (Coalición Cívica, province of Santa Fe) used Brazil as an example to be followed in handling power asymmetries with China. While Brazil is not part of our first hypothesis, it is interesting to note how other major countries are used to mirror relations with China in Argentina. Previous empirical work has found that Brazil's image has been historically used in Argentina's domestic debates as an inverted mirror, in which Brazil is portrayed as a rising power and Argentina as a country in decline (Mouron et al, 2016). Pablo Javkin argued: "Discussing the center-periphery logic means setting a strategy. Brazil did it. Let's do it as well." Furthermore, Deputy Miguel Giubergia (UCR, province of Jujuy) pointed out that "Brazil refused to grant benefits to China, why should we?" We observe in both Javkin and Giubergia the use of Brazil as an "inverted mirror" that should inspire

Argentina. Both statements assume a center-periphery logic, and they also suggest a lack of a long-term strategy on the part of the Argentine government.

The second discursive grouping among opposition legislators, interpreted from box 2 in figure 31, captures fear over China's future military might. Laura Esper (Frente Renovador, province of Buenos Aires) argued: "It is a concern that CNSA reports directly to the Department of Arms and the Central Military Commission of the Chinese Army, whose Director is the General of Armaments of the Red Army. Without a doubt, this fact gives a strong military mark to this facility." Concerns over China controlling the space-monitoring station for military purposes are fueled by suspicions about strong connections between China's economic players and the military. While some of our findings apply exclusively to the Argentinian case, the previous argument reflects a concern present in many countries about Chinese investments.

Christian Gribaudo (Union PRO, province of Buenos Aires) stated: "As for geostrategic and military issues, I have no certainties. It would have been enough to simply add a clause establishing a ban on military uses, but this has not been done. Does anyone know for certain if in 2050, 2065, or even after that, China will have a geostrategic and military interest in our country?"

I observe in Gribaudo's speech a mention to the uncertainties – especially geopolitical ones – inherent to long-term relations with China, reflecting the tacit idea that China will certainly change the world order in the years to come.

From box 3 in figure 31, I interpreted a discursive grouping addressing the issue of Argentina's geopolitical positioning vis-à-vis former, existing and emerging world powers. Claudio Lozano (Unidad Popular, province of Buenos Aires) argued in this regard: "[...] In the southern region of our country, there is a military base on the Malvinas Islands that is controlled by Great Britain. We also know that Patagonia is a territory to populate and that China is a country with a large population density.

Knowing the importance of the southern region of our country in terms of mining, oil, gas, and fish resources, as well as in terms of its fresh water, it would be extremely prudent to think a little deeper and less hastily about this agreement, especially when the government has committed for fifty years."

Lozano mentions colonialism from Britain as a counterfactual to what could end up occurring with China. There is the concern that, in the long term, China will take advantage of the center-periphery power relations, that have historically marked Argentina's foreign relations, to exploit natural resources and land in Argentina.

The geopolitical concerns also include the reaction of the US to the existence of the station. Gilberto Alegre (Frente Renovador, province of Buenos Aires) argued: "The US is moving its entire fleet to the Pacific because of its conflict with China and we will give up territory and sovereignty to the Chinese, which will create a new conflict [between them]." This phrase is framed in reference to the pro-American/anti-American cleavage, implicitly suggesting that Argentina should choose in favor of the US, since having good relations with both countries is geopolitically implausible. Deputy Fabián Rogel (UCR, province of Entre Rios) signaled that "The agreement arrives late since [Kirchner's] government is ending soon and should have presented a strategic plan no less than two years ago. No one can bear the thought of, after twelve years in office, having finally achieved the replacement of both the old European model of dependence and that of US domination with a new model of domination, a looming Chinese empire in Asia and Latin America".

Rogel criticizes Peronism by claiming that the country was replacing one regional hegemon with another, due to the incumbent government lacking any long-term strategy towards China. Again we perceive a strong government-opposition division and references to US.

The lower-left cluster, in box 4, encompasses the arguments for the domestic impact of the agreement. There were concerns about the agree-

ment giving permission to the Chinese government to build through direct awards (that is, by avoiding domestic laws for public bidding). For instance, Patricia Bullrich (Unión PRO, province of Buenos Aires) said: "[…] the constructions will be made without the need for a public bid, that is, without basic rules of transparency which are necessary for public works not to be subject to corruption."

Following a strong government-opposition division, the opposition claimed that the lack of transparency in the awards would allow Kirchner's government to make discrete recommendations to Chinese companies that have links to Kirchner's party[65]. Araceli Rossi (Unión por Cordoba, province of Cordoba) stated that "there is no guarantee that the cheapest price will be paid. Nor can we guarantee the quality of input used for the completion of works." In the same line, Elisa Carrio (ARI, province of City of Buenos Aires) argued that "As this agreement allows direct awards, it violates Article 27 of the Constitution, which states: 'The federal government must strengthen its relations of peace and commerce with foreign powers through treaties that are in conformity with the principles of the public law established in this Constitution.'" This line of discourse also means to call attention to the fact that the two dams to be built in the province of Santa Cruz (where Kirchner hails from) were financed by China, and the contracts were awarded to companies owned by people with close ties to Kirchner's party: "friends of the power."

One of the most notorious alleged cases of corruption in Argentina during Cristina Kirchner's presidency involves the conglomerate owned by Mr. Lazaro Baez, a businessman related to the Kirchner family. His name was mentioned four times during the speeches of those legislators who opposed the space-monitoring station agreement, as part of an attempt to accuse the government of corruption in the bidding process.

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[65] The companies said to be "related to the Kircher's party" are CMEC (China Machinery Engineering Corporation), *China Gezhouba Group and the* China National Nuclear Corporation (CNNC).

Finally, the lower-right cluster of the figure shows a group of words criticizing economic relations with China that are based on the export of primary goods, which reflects concerns of an unbalanced relationship. Representative Araceli Rossi (Unión por Cordoba, province of Cordoba) argued that "While Argentina continues to sign agreements with China, the trade deficit has reached billions of dollars and is still growing. That is, [the Chinese] get a lot and we get very little." Claudio Lozano (Unidad Popular, province of Buenos Aires) said that "96 percent of what we sell to China is of primary production, of which 85 percent is soybean, soybean oil, and crude oil, while what we receive from China are manufactured goods." These imbalances present in Argentine-Chinese trade were extended to incorporate the issue of economic asymmetries in the space-monitoring station agreement. Mario Negri (Unión por Cordoba, province of Cordoba) said that "The project is financed with capital from Chinese companies. It uses Chinese technology and Chinese labor. And that, obviously, creates an imbalance […]."

Having analyzed the discourses employed by those criticizing the Chinese space-monitoring station project, I now turn to the analysis of the speeches by legislators who supported the project. I followed the same strategy as before, first creating clusters using Wordstat and then interpreting them (Figure 32). The main argument (see box 1) again concerns the bilateral economic relationship with China, but in this case the discourse highlights all the gains that Argentina experiences from a deep relationship with China. For example, Deputy Roberto Feletti (Frente Para la Victoria, province of Buenos Aires) defended the deal because of China's economic strengths compared to those of Brazil, the EU, and the US: "The truth is that when considering the economy of China, the European Union, Brazil and the US, one is going to realize that the only country which grew strongly in these years was China, even during the 2008/2009 crisis. Thus, signing a bilateral agreement with China is not a bad idea." This argumentation highlights China's short-term role as the "belle of the ball." Furthermore, China is presented as an alternative to

Argentina's excessive dependence on Brazil, whose government is said to have forgotten about Argentina:

"Among the four countries with which we engage in the most trade, China is the one experiencing the highest growth rates. Therefore, it is logical to have a privileged bilateral relationship with that country. […] During the third Workers Party government—headed by Dilma Rousseff—Brazil changed its foreign policy in favor of the relationship with the BRICS at the expense of Mercosur and UNASUR."
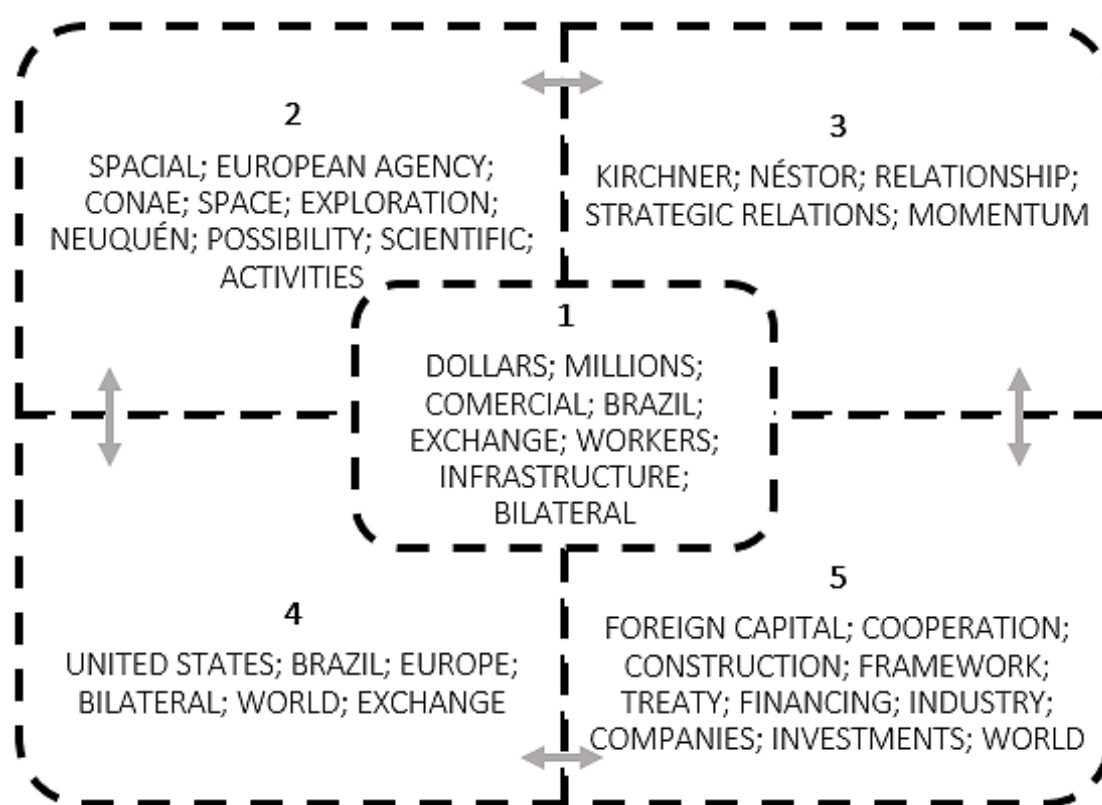
FIGURE 31: Word clusters of the legislators who voted in favour the project.
Note: Elaborated using Wordstat.

In box 2, the upper-left corner cluster reveals a discursive grouping that explores the difference in scrutiny between the Chinese and European space-monitoring stations. The speeches of legislators who supported the agreement contained several mentions of the ESA station in order to insist on the fact that both projects were similar in nature. For example,

Deputy Martin Rodrigo Gill (Frente Para la Victoria, province of Córdoba) argued that "[…] there is a degree of prejudice and paranoia about the instalation of this Station in our country. The space-monitoring station in Neuquen has no different characteristics than that which opperates in Malargüe, owned by Europe." Deputy Alicia Comelli (Neuquén's Popular Movement, province of Neuquén) pointed to the fears of power asymmetries with China as proposed in hypothesis one:

"[…] As the main argument [against the project] is the fear of asymmetry, it is fair to signal that there were no such fears during the installation of Malargüe's station, carried out by the European Space Agency, which is basically British, in collaboration with NASA. Even when [with the UK and US] we suffer worse asymmetries!" Again, asymmetries play a central role in political discourses favoring the project, and references to American hegemony were always latent. No difference should exist between asymmetries with China and previous regional hegemons."

The upper-right cluster of discursive groupings echoes the idea that Argentine-Chinese relations were evolving into a 'Comprehensive Strategic Relationship' between the two countries and for that reason, the agreement needs to be understood as a big step in the political approximation between both countries. For example, Carlos Heller (Frente Nuevo Encuentro, province of Buenos Aires) made the point that signing agreements with China was part of a broad political alliance:

"[…] It has been ten years since [a strategic partnership] began, and now, by taking this step, we are turning the strategic relationship into a Comprehensive Strategic Relationship. This is a relationship that goes beyond building commercial, technological, or scientific bonds toward sharing common political positions in international organizations."

Sharing common political positions in international organizations is perceived as a last stage in the process of bringing the two countries closer, and Heller celebrates that Argentina is heading in that direction with China. Implicit in this may be a reduced concern over China's future military might.

Paired with the idea of strengthening bilateral relations, there were mentions of and praises for former president Nestor Kirchner's initiative of kicking off a strategic relationship with China back in 2004. Some legislators argued that voting in favor of this agreement was a matter of being coherent with Kirchner's foreign policy of alignment with China.

The lower-left cluster represents a discursive grouping that can be summarized as "China is the best alternative, Brazil forgot us, and the US and EU are the 'old world' we no longer want to belong to." Peronist legislators in particular hold a positive view of closer ties with China, which is seen as an alternative to the neoliberal policies advanced by the US in the region. For instance, deputy Adriana Puiggros (Frente Para la Victoria, province of Buenos Aires) argued that

"[The opposition] shouts fears over possible Chinese imperialism, against an invasion; they even argue that the antenna will serve for military purposes. The antenna has a dimension of 35 meters in diameter and 45 meters in height. These characteristics clearly serve only scientific purposes. It is impossible to use it militarily. Ultimately, this alleged Chinese imperialism is a smokescreen aimed at defending the hegemony of western neoliberalism led by the US."

This combines with arguments explaining why China should be a preferred country to partner with. Deputy Julia Perié (Frente para la Victoria, province of Misiones) argued that China is different from other powerful nations in that it is an "emerging" one, and Kirchner supported the foreign policy of "strengthening South-South relations, which led to that historic moment when we said 'no' to the FTAA and 'yes' to the consolidation of other regional blocs: Mercosur, UNASUR, and CELAC." In this view, strengthening ties with China is framed within the foreign policy of South-South relations.

Finally, the lower-right cluster (number 5) offers a discursive grouping addressing the positive impact of China's FDI in Argentina. Alfredo Dato (Frente Para la Victoria, province of Tucuman) mentioned:

"Instead of discussing the clauses [of the project], we must discuss which role foreign capital plays in the national economy, i.e., if it contributes to the development of domestic productive forces or if it plays the role of despoiler of these forces, widening the pockets of the owners of foreign capital. A central question is: By approving this agreement with China will Argentina be a better "nation"? Also, is this agreement limited only to a financing process or does it also contribute to economic and technological progress? In my view, the access to technology available today in China represents a great leap forward for our national economy."

Dato exposes the argument that not all FDI may be beneficial for Argentina, but that Chinese FDI will have a positive impact.

This argument may dovetail with a critical view on domestic businesspeople and agribusiness producers who are considered to be aligned with the US. As Deputy Oscar Martinez (Movimiento Solidario Popular, province of Santa Cruz) stated:

"A project with China might not come to meet the great needs the country currently faces in the areas of science and technology, but neither will the petty politics of businessmen, industrialists, and members of the Rural Society who only think of how to improve business at the expense of the people."

This exposes a "we-against-them" dichotomy that is much stronger among Peronist legislators. "We" is used to refer to those interested in protecting national interests and economic development, while "them" refers to agribusiness, neoliberals, speculators, and those who were pro-American.

Summary of findings

This chapter employed a mixed-method content and discourse analysis to investigate why members of parliament in Argentina hold such varied views about Chinese investments in a host country. From the test of two hypotheses, in table 22 we identify five common themes towards which those in favor and those against the Chinese space-monitoring station have formulated opposing discourses which came to the fore in the parliamentary debates. As becomes apparent, the themes are all related to uncertainties about how to handle China as a new powerful political and economic player in the world.

TABLE 22: *Summary of findings for Chapter 6*

Issue	Opposition block	Government block
Future economic and military might of China	Potential military threat to Argentina	Political alliance through comprehensive partnership
Asymmetry of power and center-periphery logic	Asymmetry with China – as with the US – puts Argentina at a disadvantage	Asymmetries with China no different from those with EU/Britain and US
Geopolitical positioning	US regional hegemony replaced by Chinese power	Good relations with China a useful counterpart to the US
Bilateral economic relationship	Unbalanced "commodified" trade relations with China	China's growth provides major economic benefits
View of Chinese FDI in Argentina	FDI as an imposed necessity with negative impact	FDI is welcome, with positive impact

Although the broad issues are the same, both sides address them in fundamentally different ways, informed by partisan politics, attitudes toward the US as a regional power as well as ideological perspectives. Those voting against the space-monitoring station see it is as part of a trend towards empowerment of China, ultimately at the detriment of Argentine national interests politically, militarily and economically. But those in favor

of the space-monitoring station see in the same issues a set of political and economic opportunities for Argentina.

While China may be a future threat, it could also be a strong ally; new asymmetries may be created, but diversification of global power structures could benefit Argentina; China may have hegemonic tendencies, but it also reins in US hegemony; economic relations between China and Argentina may be uneven, but China's relative economic and technological strength may also provide major benefits to Argentina; and Chinese FDI may be economically harmful to Argentina, although proponents of the space-monitoring station see it as having a positive impact. The focus of the arguments rested primarily on geopolitical interests and matters of economic impact, and were not driven by other possible themes, such as nationalistic sentiments or cultural distance.

To emphasize their own particular take on these same issues, both sides drew on narratives from Argentina's negative historical experiences, its particular regional context and its subdued positioning in the rest of the world. They do so by drawing on familiar popular concepts such as "asymmetry of power", "center-periphery logic", "hegemony", "imbalance" and "commodification". Yet, they use them to support opposing views. The critics are concerned that asymmetries in relations with the US and EU/Britain would be replicated through further engagement with China via FDI, while proponents of the deal – who may or may not take a favorable view on China overall – argue that engaging with China and inviting Chinese FDI creates a desirable alternative and counterbalance to those asymmetries from the "old" world order. These differences are fueled further by the traditional rifts about economic ideology that are entrenched in Argentinian society, between those advocating a more open economy and open investment relations, and those concerned about the negative implications this may bring with it.

An interesting finding from this study is thus that the discourse about Chinese FDI is formulated from within the particular societal and geopolitical contexts of the host country, Argentina. The center-periphery

logic together with the differences of economic ideology are characteristic of the Latin American context and are being employed to advance competing discourses about Chinese FDI in Argentina. That being the case, however, it is less clear whether the findings of the study can provide explanations for perceptions and reactions to Chinese FDI in other regions of the world. Even when the nature of the Chinese project is similar, it is quite possible that the discourses employed to argue in favor or against it will differ, bringing in local aspects that carry argumentative weight in the context of the particular locality. The identification of these discourses will, however, have to be left for future studies.

The interpretation I did of the legislative speeches allows us to conclude that China may well be a double-edged sword for Argentina, where a mix of threats and opportunities creates uncertainties that ultimately produce very different discourses about Chinese FDI. Given these current differences, the question is whether China will gradually become a constant divisive factor in domestic politics and form a cleavage just as the US has done in the past. This new cleavage would likely overlap with other existing divides, such as government-opposition and Peronists-anti-Peronists. Without regard of the potential depth of any such cleavage, the political discourse about China in Argentina will certainly remain complex and multifaceted in the years to come.

Chapter 7 – Concluding remarks

The first chapter of this thesis discussed the best way to operationalize our dependent variable and opted to operationalize the conceptualization of Johnston (2014) who, while critical of this concept, provides a definition of assertiveness that serves the purpose of my work. Assertiveness was defined as the form of diplomacy that explicitly threatens to impose costs on another actor that is clearly higher than before. To measure costs in an empirical way we have assumed that China's tool of assertiveness is its economic statecraft, which is defined as the use of economic means in the service of both economic and foreign policy ends. As noted in chapters 2-6, it is clear that Chinese action in the region during the period studied (2001-2015) entails tangible costs for the United States: (a) China has become a competitor in the field of foreign investments , (b) China is a competitor in terms of large infrastructure loans, (c) Latin American society is beginning to welcome the rivalry between the United States and China and (d) the political class is aware of the geopolitical consequences of strengthening ties with China.

If we were to locate China, from what we have observed in the previous chapters, in one of the boxes in Table 2 of Chapter 1, I would

say that it is a constructive-offensive assertiveness, since China did not present itself as an actor disruptive of the rule of the game, as if the USSR did during the Cold War, but it is from the rules of the game itself that it assumes a role of leadership.

The causal mechanisms to explain China's assertiveness throughout this thesis can be organized into a 2 × 2 matrix in which we have on the one hand the foreign policy strategy of China, and on the other the reaction of the Latin American countries. In Chapter 2, I said that evidence suggests that China may be pursuing a strategy of both accommodation and response. Chapter 3, while focusing only on investment and neglecting trade and bank lending, provides evidence to suggest that China opts for accommodation and that it is pursued through the guidelines that Chinese political institutions exert over companies with majority state control and under the supervision of SASAC.

On the other hand, looking at Latin America, chapters 4, 5 and 6 explore the reaction of individuals, both ordinary citizens and policy makers, to China's accommodation strategy in the region. It can be said that the Chinese promotion can be seen as an alternative for the diversification of the international relations of the countries and to decompress the American hegemony in the region, or as a way of opting to maintain the ties with the United States, taking advantage of the benevolent approach that the doctrine Obama manifested toward the region and which has been called a post-hegemonic approach. The empirical evidence from the three chapters suggests that China is seen as an alternative for diversification.

Therefore, this thesis is able to describe the Chinese assertiveness in Latin America between 2001 and 2016 as a process in which China opted for accommodation and in which the Latin American countries saw in China an opportunity to diversify. This conclusion discards, if we look at Figure 32, three other plausible scenarios. In this sense, the

empirical contribution is twofold, from one side of China to Latin America and the other from Latin America to China.

FIGURE 32: Summary of the findings.

Under no circumstances is the empirical evidence found in this thesis incontestable. Case studies may have little external validity, so it is difficult to generalize the diversification argument in countries that we have not studied in detail, such as Mexico or Colombia for example, which are the countries with the highest values in the North American Hegemonic Influence Index. In turn, in rejecting the alternative answer, we have only studied foreign direct investment and not trade and loans, and I have done so using a database on a global scale. For all this, this evidence is nothing more than a first step in the deepening of the study of China accommodation and Latin American diversification.

The merit of the thesis is to study a highly relevant topic in the Latin American academy with a novel approach. It also demonstrates with

conviction that during the period under study, Chinese assertiveness has been negatively conditioned by the hegemonic influence of the United States. The empirical implications for the HST theory are large and also relevant to the school of Latin American international political economy.

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