

POLITICAL ASPECTS OF CHINESE INVESTMENT IN LATIN AMERICA¹

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For some, China's increasing economic interdependence with Latin America, coupled with its extensive political relations and diverse other ties with countries in the region, herald a new regional, and perhaps even global, political and economic order with respect to bilateral political relations, international institutions, and the place of the United States. The literature on the political economy of national security, though, suggests we should be cautious about assuming a direct correspondence between economic stimuli and political behavior. This article probes what exactly is happening through an analysis of the politico-economy of China's investment relations with Latin America, focusing on the cases of China-Brazil and China-Venezuela ties. It finds that political variables play a crucial role in illuminating Brazil and Venezuela's stances towards China and that even broad and deep economic relations with China do not eliminate serious frictions with it or self-interested behaviors by Brazil and Venezuela. Furthermore, it shows that China considers a variety of non-economic factors when determining the nature of its relationship with these two Latin American states. In short, Chinese investment in Latin America, even layered on top of massive trade ties, does not seem to be having transformative political effects contrary to more sensationalist accounts.

Keywords: China; Brazil; Venezuela; political economy of national security; Chinese outward FDI.

ASPECTOS POLÍTICOS DOS INVESTIMENTOS CHINESES NA AMÉRICA LATINA

Para alguns, a crescente interdependência econômica da China com a América Latina, juntamente às suas extensas relações políticas e aos laços com outros países da região, anunciam uma nova ordem político-econômica regional e, quiçá, global, no que diz respeito às relações políticas bilaterais, às instituições internacionais e ao lugar dos Estados Unidos. A literatura sobre a economia política da segurança nacional, no entanto, sugere que se deve manter cautela ao assumir uma correspondência direta entre estímulos econômicos e comportamento político. Este artigo investiga precisamente essa relação a partir de uma análise da economia política das relações de investimento da China na América Latina, com foco nos casos China-Brasil e China-Venezuela. Conclui-se que variáveis políticas desempenham um papel crucial ao iluminar posições do Brasil e da Venezuela em relação à China, e que relações econômicas amplas e profundas com o país não eliminaram alguns atritos e comportamentos egoístas por parte de Brasil e Venezuela. Além disso, mostra-se que a China considera uma variedade de fatores não econômicos para determinar a natureza da sua relação com estes países latino-americanos. Em resumo, o investimento chinês na América Latina, mesmo que embasado em fortes laços comerciais, não parece estar resultando em efeitos políticos transformadores, a despeito das predições mais sensacionalistas.

Palavras-chave: China; Brasil; Venezuela; economia política da segurança nacional; saídas de IED chinês.

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ASPECTOS POLÍTICOS DE LAS INVERSIONES CHINAS EN LATINOAMÉRICA

Para algunos, la creciente interdependencia económica entre China y América Latina, junto con sus relaciones y alianzas con otros países de la región, anuncian un nuevo orden político-económico regional, tal vez mundial, en lo que se refiere a las relaciones políticas bilaterales, las instituciones internacionales y el lugar de los Estados Unidos. La literatura sobre la economía política de la seguridad nacional, sin embargo, sugiere que uno debe mantener la cautela en suponer una correspondencia directa entre los incentivos económicos y el comportamiento político. Este trabajo investiga precisamente esta relación a partir de un análisis de la economía política de las relaciones de inversión de China en América Latina, centrándose en los casos de China-Brasil y China-Venezuela. Se concluye que las variables políticas desempeñan un rol fundamental al destacar algunas posiciones de Brasil y Venezuela frente a China; y que las relaciones económicas amplias y profundas con el país no han eliminado algunas fricciones y comportamientos egoístas de Brasil y Venezuela. Además, muestra que China considera una variedad de factores no económicos para determinar la naturaleza de su relación con estos países latinoamericanos. En resumen, la inversión china en América Latina, aunque fundamentada en fuertes vínculos comerciales, no parece resultar en efectos políticos transformadores, a pesar de algunas exageradas predicciones.

Palabras clave: China; Brasil; Venezuela; economía política de la seguridad nacional; salidas del IED chino.

JEL: F21; F23; F51; F52; F68.

1 INTRODUCTION

The relationship between the People's Republic of China (PRC) and Latin America has been exploding along multiple dimensions for almost a decade. To be clear, the PRC (hereinafter China) certainly is not a new player in the region.³ In the 1960s, China championed, albeit minimally, revolutionary movements in Latin America. Prior to the souring of its relationship with the Soviet Union, it supported Soviet-ally Cuba against the United States. Later, it backed anti-Soviet movements in various Latin American countries, supported anti-Soviet governments, and disparaged Cuba (Ratliff, 2009; Rothwell, 2013; Sutter, 2012, p. 323-326). It also has worked with players in the region for many years in order to wrest diplomatic recognition away from Taiwan, using promises of aid, loans, and investment as well as taking diplomatic measures against those supportive of Taipei (Li, 2007; Ratliff, 2009, p. 8; Sutter, 2012, p. 332-333).

It is really the explosion of China's economic ties with Latin America, though, that has captured the attention of observers. Among economic links, the most eye-catching is bilateral trade. In 1995, China's trade with Latin America ran a meager US\$ 5 million.⁴ By 2011, it hit US\$ 240 billion (Fornes and Philip, 2014, p. 7). In 2013, it exceeded an astounding US\$ 260 billion (Trade..., 2014). Chinese outward foreign direct investment (OFDI) in Latin America also has been growing, though the trend is clearer than the specific amounts and geographic and sectoral distribution. In any event, per some studies, whereas Chinese OFDI (COFDI) in Latin America

3. Indeed, China and Latin America even had economic links in the 16th century (Fornes and Philip, 2014, p. 7).

4. All figures used herein are in United States dollars.

was approximately US\$ 285 million in 2004, it hit US\$ 1.6 billion in 2009, with the total stock of COFDI running roughly US\$ 4.5 billion in 2004 (Alves, 2013; Santibanes, 2009, p. 22; Kotschwar *et al.*, 2012, p. 3). By 2012, annual COFDI totaled an estimated US\$ 11.4 billion (Mallén, 2014). China further has provided billions in loans, credits, grants, and aid (Dussel-Peters, 2012, p. 4-5, 8-9). China also has technical cooperation with diverse Latin American countries in areas like aviation, biofuels, nanotechnology, satellites, and telecommunications (Ellis, 2005).

Beyond economic linkages, China has extensive bilateral political and, to a lesser extent, military relations with Latin American states. These relations involve frequent leader summits, cabinet and sub-cabinet meetings, and cooperative military exercises and training (Santibanes, 2009, p. 23; Ellis, 2011; Sutter, 2012, p. 332-333). China also interacts with Latin American countries in international organizations like the United Nations and International Monetary Fund (IMF) as well as multilateral negotiations relating to the World Trade Organization (WTO) Doha Round and global climate change (Pereira and Neves, 2011). Less well known is that China also has been intensifying its participation in Latin American multilateral bodies such as the Forum for East Asia-Latin America Cooperation, Inter-American Development Bank, and Organization of America States. China's involvement involves financial contributions and membership on voting bodies (Jenkins, 2010; Becard, 2013).

For many, these developments herald not only a new regional political and economic order, but also a new global order (Fornes and Philip, 2014, p. 7-8). Some go so far as to see Latin America pulling away from the United States and, at the extreme, falling under China's sway (Fumento, 2014). This paper analyses the political aspects of COFDI in two Latin America countries as one path to understand whether or not a sea change is underway. Contrary to more sensationalistic accounts, it argues that COFDI, even layered on top of massive Chinese trade, has not bought China flawless political relations with key Latin American partners.

The next section delves into Venezuela-China ties, which features one of China's deepest and most extensive investment relationships with a Latin American country. Thereafter, the paper examines the dynamic between Brazil and China. It is not asserted here that these cases are representative (though they may be), but that they are worthy of study because they involve noteworthy COFDI as well as a mix of political factors, milieus, and consequences. It also should be noted that the discussion below does not confine itself to investment since Chinese investments in Venezuela and Brazil occurs conterminously with extensive trade and political interactions. The final section offers some summary remarks, discusses several policy implications, and identifies some areas in need of further research.

2 CHINA-VENEZUELA

Soon after he became president of Venezuela in 1998, Hugo Chávez strove to build a warm relationship with Beijing. Such a policy served multiple purposes. First, it advanced his goal of a more multipolar world and reduced his country's dependence on the United States. Second, strong ties with China elevated his country's status and enhanced its claim to a leadership role in Latin America. Third, intimate links facilitated Chávez's "revolution" because they enhanced his ability to deliver on his domestic economic promises and to ignore the demands of "Western" international financial institutions and multinational corporations. Close ties with China facilitated this because China offered alternative supplies of capital, expertise, and technology. Beyond this, China lent a measure of support to Chávez's favored state-led, anti-neoliberal development strategy (Venezuela..., 2009; Cheng and Shi, 2008, p. 107-108, 113, 119-121; Ratliff, 2009, p. 16; Rios, 2013, p. 59, 61-64; Wei, 2012).

Beijing was receptive to Chávez's overtures because an expansion of its relations with Caracas conformed to a foreign policy that sought access to natural resources, a greater global presence (while complicating life for the United States), and the validation of China's identity as a leader of the developing world. In addition, Venezuela was willing to designate China as a *market* (versus non-market) economy, which gave weight to China's calls for others extend it a similar status. Relations with Venezuela also legitimated China's so-called "Beijing consensus" model (Cheng and Shi, 2008, p. 100-103, 105-106, 119-125; Li, 2007, p. 849; Rios, 2013, p. 62-64). This should not be exaggerated, though, given the differences between the two countries' economic development strategies.

China is a vital market for Venezuela with Venezuela ranking among the top five of China's Latin American trade partners. This results mainly from its oil sales to China, though Venezuela also exports bauxite, gold, and iron to China (Rios, 2013, p. 54-57). Trade jumped from an unimpressive US\$ 73 million in 1993 to US\$ 2.14 billion in 2005 to US\$ 10.25 billion in 2010, exceeding US\$ 20 billion in 2012 (Rios, 2013, p. 55-56; Wei, 2012). Before discussing energy, it is worth noting a few other ways in which China and Venezuela interact economically. One area is agriculture with China playing a role in Venezuelan agricultural production by providing credit, building infrastructure such as irrigation systems, and supplying machinery and tractors. Another is "finance" with Venezuela having borrowed billions of dollars, sometimes on preferential terms, to construct housing and railways, buy oil drills, and purchase tankers. Not surprisingly, China also exports goods to Venezuela. Venezuela is an important market for Chinese engineering companies, too (Cheng and Shi, 2008, p. 117-123; China lends..., 2010; Rios, 2013, p. 57).

Since the mid-1990s and especially the mid-2000s, China's imports of Venezuelan oil have been steadily increasing (Wei, 2012). The growth in Chinese energy imports from Venezuela relates to the fact that Venezuelan oil not only satiates Chinese energy needs, but also diversifies its energy supplies away from the volatile Middle East. Despite limitations such as the large distance between Venezuela and China, the fact that Venezuelan oil is high-sulfur crude, which is difficult for China to refine, and that the Venezuela oil sector confronts a mixture of shortcomings that limit its ability to expand production, the expectation is that Venezuela will continue to ramp up its oil exports to China (Cheng and Shi, 2008, p. 108-109, 111-112, 126-127; Ferchen, 2013, p. 10; Pham, 2010, p. 364-365). It is hard to imagine otherwise since oil sales represent the major way that Caracas earns the funds needed to service the loans that Beijing has extended to it (Venezuela..., 2010).

In tandem with its rising oil imports, China has been pouring money into Venezuela, though figures on COFDI in Venezuela vary widely.⁵ Such investments are eminently logical given Venezuela is one of the world's largest oil producers and may have the world's largest oil reserves. China's involvement in the sector started in the mid-1990s with the operation of two oilfields. About seven years later, Chinese firms started work on 15 declining oilfields and began to build a plant to produce boiler fuel from Orimulsion. Several years after this, two Chinese energy giants, CNPC and Sinopec, agreed to invest US\$ 5 billion in oil exploration and production. China also is investing US\$ 60 million to extract natural gas (Cheng and Shi, 2008, p. 108-110, 117; Pham, 2010, p. 365; Rios, 2013, p. 54-56). Interestingly, a large proportion of the oil that Chinese companies in Venezuela are selling may not be going back to China, but actually may be sold on international energy markets (Ferchen, 2013, p. 10-12).

Chinese firms do make non-energy investments in Venezuela. Chinese enterprises, for instance, are investing in the aluminum, electronics (for example, phones), and white goods (electric appliances) sectors (Rios, 2013, p. 56-58). Chery, the ambitious Chinese car company, has two assembly plants in Venezuela and is contemplating an expansion of its assembly plants there (Venezuela..., 2014). Aside from the lure of the Venezuela market, another consideration for Chinese investors is the fact that Venezuela is proximate to other Latin American countries and Mercosur members (Venezuela joined Mercosur in 2012) having or negotiating special trade preferences with the European Union, United States, or others. Due to this, Chinese investors in Venezuela believed they might use the latter as a springboard to sell goods elsewhere (Cheng and Shi, 2008, p. 124; Keller, 2012; Strategic..., 2013).

5. Wei (2012) puts the amount at US\$ 1.9 billion as of the end of 2011. Rios (2013, p. 54) suggests the amount is as high as US\$ 16 billion.

There is much more to the relationship than economics. China and Venezuela cooperate in the political, military, and technological realms. On the political front, Venezuela backed China's bid to host the 2008 Olympics and has opposed human rights actions against China in the United Nations (UN) Human Rights Council. For its part, China supported Venezuela's failed bid for a UN Security Council seat in 2006 (Rios, 2013, p. 60).⁶ Regarding military cooperation, China sold Venezuela "mobile air-defense radar systems, including a command-and-control center, technical support, and access to a satellite communications network" (Cheng and Shi, 2008, p. 115). It also has provided military personnel to train Venezuelan special forces and has supplied trainers for the aircraft that it sold to Venezuela. As well, China has cooperated with Venezuela on a communications satellite and associated infrastructure (Cheng and Shi, 2008, p. 115-116, 126-127; Ellis, 2005, p. 22; Rios, 2013, p. 60-61).

Diverse variables, though, are constraining the breadth and development speed of China-Venezuela relations. First, Venezuela is not as important to China as many other countries in Latin America and elsewhere. Second, on a related note, there are many other energy suppliers that are far more important to China than Venezuela. Third, China appreciates that Venezuela is a sensitive issue for Washington. Fourth, Venezuelan radicalism does not fit China's needs given the latter's close enmeshment in the dominant "Western" economic order. Fifth, the unstable state of Venezuela's domestic political scene makes China cautious (Cheng and Shi, 2008, p. 130-132, 138, 140; Paz, 2012, p. 25; Rios, 2013, p. 61-64).

To conclude the discussion about China-Venezuela political-economic relations, I offer three points. One is that Venezuelan political interests have played a powerful role in pushing Caracas towards Beijing and welcoming COFDI. Another one is that Chinese investment, trade, and loans have not bought China universal support in Venezuela. Indeed, there are many in Venezuela who look unfavorably on the impact of China on the structure of the Venezuelan economy as well as their country's obligation to provide China with large "payments" of oil to service its debts (Giacalone and Ruiz, 2013, p. 76-77). Finally, Chinese investment in Venezuela, specially, and Chinese trade links, generally, have not bought unlimited Chinese backing for Venezuela. In sum, it would be wrong to claim that COFDI in Venezuela has no political ramifications, but it would be equally wrong to assert that the economics of investment and trade have stripped politics of its own independent dynamic.

6. Venezuela eventually won a seat as a non-permanent member in 2014 (Welsh, 2014).

3 CHINA-BRAZIL

China's relations with Brazil's in the first few decades following the 1949 establishment of the PRC were stunted due to Brazil's close ties with the United States, which opposed closer ties between Beijing and Brasília, and anti-Communist forces in Brazil. Nevertheless throughout the 1960s and especially in the beginning of the 1970s, diverse factors pushed Brazil to pursue closer links, at least commercial ones, with China and to recognize China in 1974. First, Brazil wanted to strengthen its independent foreign policy (in part, meaning greater distance from the United States), which was active in the 1960s and gave it greater global relevance. Second, Brazil saw eye-to-eye with China on various issues such as the Law of the Sea, the Non-Proliferation Treaty, and the transformation of the global economic order. Third, it wanted to foster its industrialization. Fourth, it wanted to sell China goods like coffee and sugar. Fifth, for political and economic reasons, it wanted to enhance both its relations with the developing world and South-South solidarity (Pinheiro, 1993; Hurrell and Pinheiro, 2006; Jilberto and Hogenboom, 2010; Uehara and Casarões, 2013; Vizontini, 1999).

It was not until the mid-1980s that bilateral relations took off as the two giants voted similarly in international forums, signed science and technology agreements, and collaborated on various projects (Becard, 2011; Cabral, 1999; Jenkins, 2012, p. 22; Pereira and Neves, 2011, p. 8; Sutch and Elias, 2007). Cooperation was attractive to China from an economic vantage point and to Brazil from a domestic and international political and economic standpoint. Regarding political logics, Brazil saw relations with China as a way to break away from its past military past, to gain leverage in international forums, and to support an independent foreign policy. As for economics, Brazil viewed China as a partner in regards to areas like agriculture, energy, finance, mining, technology and innovation, and space cooperation (Hao, 2009; Hirst and Pinheiro, 1995; Niu, 2010).

Since the mid-1990s, Brazilian leaders have given significant attention to China due to exploding economic relations (Albuquerque, 2014, p. 108). For instance, Fernando Henrique Cardoso labeled China as one of his top foreign policy priorities (Hurrell and Pinheiro, 2006). His successor Luiz Inácio Lula da Silva gave priority to China from his 2003 inaugural address onward, met frequently with top Chinese leaders, and worked with China in the Brazil, Russia, India, and China (BRICs), Group of Twenty (G-20), and Brazil, South Africa, India, and China (BASIC). At the time, Brazil enthusiastically touted its relationship with the largest developing country in the Eastern hemisphere on the basis of common identity defined in terms of socio-economic features (Albuquerque, 2014, p. 111-112; Pereira and Neves, 2011, p. 3). Brazilian president Dilma Rousseff made her first trip to Beijing in 2011 and quickly struck several commercial deals.

Not long ago, she and Chinese president Xi Jinping agreed to railway cooperation (China..., 2011; China's..., 2014; Gouvea and Montoya, 2013, p. 5).⁷

Warm links supported warmer ties, but the relationship is not on autopilot and moves forward because of various political and economic drivers. Brazil views its partnership with China as a way to enhance the power and legitimacy of its (Southern-oriented) foreign policy, to push international economic reforms, to bolster its exports, to secure investment, and to build up its infrastructure.⁸ Indeed, Brazil primarily seems to define the vaunted Brazil-China “strategic” partnership in terms of trade and investment and bilateral cooperation in international venues less as a way to advance specific political agendas, but as a way to change/transform global trade, investment, and finance (Albuquerque, 2014, p. 108-110, 114-115). For China, good relations with Brazil bring it support in international venues and greater political influence, commodities and raw materials, and a huge market for exports (Cardoso, 2013, p. 39-43; Pereira and Neves, 2011, p. 3, 8; Vigevani and Cepaluni, 2009).

China's voracious appetite for iron ore, oil, soybeans, meat, and other goods has fueled massive growth in China-Brazil bilateral trade. Between 2000 and 2009 trade in select goods such as those just listed rose from US\$ 1.1 billion to US\$ 21 billion (Pereira and Neves, 2011, p. 3). In 2005, bilateral trade hit US\$ 12.18 billion with China becoming Brazil's third largest market. Seven years later, total trade volume amounted to US\$ 75 billion, making China Brazil's largest trading partner and uprooting the United States from a position it had held since the 1930s (China spells..., 2010; O'Connor, 2013; Ellis, 2009, p. 25). From a trade balance vantage point, trade with China has been an unvarnished positive for Brazil as the latter has run large trade surpluses in its dealings with China (Jenkins, 2012, p. 35). As of 2014, China remained Brazil's most important export partner and a key market for Brazilian commodities, though overall exports declined by 3.5% or so (China..., 2015; Continued..., 2015).

The bad trade news is that Brazilian manufacturers, especially textile producers, have been besieged by competition from Chinese products at home and in third markets, leading the Brazilian government to take a number of countermeasures. These have included launching antidumping measures, pressing China to voluntarily limit its exports, and raising tariffs. When Brazil did the latter, China retaliated against Brazil moves by banning all Brazilian meat imports, using an isolated foot-and-mouth disease case as an excuse (Baumann, 2009; Gouvea and Montoya, 2013, p. 8-9; Pereira and Neves, 2011, p. 6-7). The composition of China-Brazil trade concerns many observers, too, because it reflects the traditional North-South

7. It is possible that plans have been abandoned. I thank the editor for bringing this to my attention.

8. Albuquerque (2014, p. 108-109) questions if China really is that important to Brazil's south-south foreign policy agenda.

pattern of Brazil exporting resources in return for manufactured goods. Moreover, the situation appears to be deteriorating with Brazil exporting a greater percentage of lower-technology goods to China while importing a greater percentage of higher-technology goods from China. To make it worse for Brazilian analysts, this ties in no small measure to Chinese trade barriers (Gouvea and Montoya, 2013, p. 6-7; Jenkins, 2012, p. 26-32; Pereira and Neves, 2011, p. 4-5).

There were serious expectations that Chinese investment in Brazil would grow massively. This had something to do with the belief China promised to make infrastructure investments between US\$ 5-10 billion, open its markets to Brazilian beef and poultry, and back Brazil's pursuit of a UN Security Council seat in return for Brazil's 2004 commitment to recognize China as a market economy. While not fully implemented, Brazil's concession was not trivial given it would handcuff its ability to impose antidumping measures on Chinese imports (Brazil..., 2004; Bauman, 2009, p. 11; China..., 2011). COFDI in Brazil indeed has grown, though there is a dearth of good information. According to one study, whereas COFDI in Brazil between 1990 and 2009 totaled an unimpressive US\$ 255 million in 2010 alone annual COFDI reached about US\$ 9.6 billion! And, announced investment for 2011 approximated US\$ 9.8 billion. Much of this seems to be M&A rather than Greenfield investment. Nevertheless, it indicates a sea change (CBBC, 2011, p. 6, 11-13, 19).

Chinese investors in Brazil are largely state-owned enterprises and have been directing the vast majority of their money in natural resource areas, particularly energy and mining, though agriculture and steel also have been important (CBBC, 2011, p. 7, 22-24). Positively, indications are that Chinese private firms as well as manufacturing firms will become progressively prominent going forward. Furthermore, Chinese firms appear to be increasingly interested in non-resource opportunities, investing in manufacturing, logistics/distribution, and food processing. Increasing COFDI in non-resource sectors is an indication of market-seeking behavior, Chinese firm's desire to escape Brazilian tariff walls, as well as the existence of multiple Brazilian laws and regulations that diminish the appeal of further investments in natural resources (CBBC, 2011, p. 9-10, 21, 25; Jenkins, 2012, p. 35; Li and Ding, 2011; O'Connor, 2013; Pearson, 2012).

In terms of other non-economic areas of interaction, China and Brazil have cooperated in regards to issues such as the WTO Doha Round, climate change, and reform of the IMF (Cardoso, 2013, p. 44-46). Sino-Brazilian military cooperation historically has been rather limited (Ellis, 2011). Nevertheless, in 2014, China and Brazil concluded a military cooperation agreement providing for a sharing of information on UN peacekeeping missions, military training, joint exercises, defense technology, and information sharing relating to military medicine,

humanitarian assistance, and disaster relief. Rousseff and the Chinese president Hu Jintao also established the China-Brazil Defense Joint Committee to provide for the implementation of the agreement and the eventual exchanges of experts and mutual ships and plane visits.

However, not all is perfect in the relationship. As noted, there have been a number of trade friction and, on a related note, tensions relations to China's perceived undervaluation of its currency (Jenkins, 2012, p. 43-44; Leahy, 2011; Pereira and Neves, 2011, p. 5-6, 16). On top of this, Chinese investment in Brazil is not seen as uniformly positive because of its impact on the structure of the Brazilian economy. Indeed, some view Chinese investments as nothing more than a big resource grab or a threat to the competitive position of Brazilian companies. Those less alarmed still feel Chinese firms are not transferring enough technology and skills (CBBC, 2011, p. 25; Leahy, 2011; Pereira and Neves, 2011, p. 6). Beyond this, the two countries have different agendas regarding Africa, climate change, and proliferation (Gouvea and Montoya, 2013, p. 5-6; Pereira and Neves, 2011, p. 8-9). Lastly, some Brazilian observers now feel that whereas China initially embraced Brazil as a strong partner in promoting a more multipolar, democratic global order it now sees Brazil as nothing more than a secondary actor that can legitimate its "game-changing" pretensions while supplying Chinese economy with vital raw materials (Oliveira, 2010).

As in the case of the China-Venezuela investment relationship, Brazil has sought closer relations with China for multiple reasons. Economics is the central part of the story, but political logics are consequential, too. Chinese investments in and massive trade ties with Brazil have not pushed Brasilia to synchronize all its agendas with Beijing, to ignore trade and other disagreements, or to shy away from making demands. While one might claim that Chinese investment should not have much of an impact on Brazilian policy, there are, in fact, reasons to expect consequential effects given its scale, trend, and potential, especially at a time when Brazil lacks access to other sources of capital. Looking at China-Brazil relations, one also does not see China making major gestures in order to secure its access to investment opportunities in Brazil.

4 CONCLUSION

Investment is an increasingly important part of China's interactions with Latin American countries such as Argentina, Cuba, Ecuador, Nicaragua, and Peru. Some have raised the possibility that such investments are having transformative economic and political effects. The purpose of this analysis has been to assess such claims. It has done so by looking at two specific cases, Chinese investment in Venezuela and Chinese investment in Brazil. It finds that some of the more extreme claims are overblown. Chinese investment

coupled with Chinese trade has political ramifications, but there does not seem to be any evidence they are transformative.

This study yields several policy implications. First, parties such as the United States and Japan, which have long-standing or significant economic and political stakes in Latin America, do not need to be alarmed that they will be pushed out or that their relations with Latin America will be completely upended by China's expanded relationship with Latin America. Second, Latin American countries need to recognize that COFDI (and trade) will only buy them a certain measure of collaboration with China. China has a multitude of political and economic interests and will not be driven by narrow investment and trade considerations alone. Third, China needs to appreciate that its investments in and trade with Latin American countries will only promote a certain measure of cooperation and deference, especially if it does not take steps to mitigate the negative economic impacts or enhance the positive externalities of its economic interactions with Latin American countries.

The broader applicability of the conclusions flowing from this study are limited by the fact that it only probes two cases, albeit two important ones. Furthermore, in order to obtain a better grasp of the ways in which COFDI affects politics in Venezuela and Brazil, it would have been useful to undertake a more systematic analysis of the domestic political dimensions of select Chinese investments in Venezuela and Brazil on a sectoral or project level. However, time and data constraints precluded such an analysis. Regardless, this is certainly a fruitful avenue for further exploration. Finally, while this work was not meant to be heavily theoretical, it would be interesting to consider how theories of economic influence illuminate the specific dynamics witnessed in the two cases studied here.

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